



The Ohio Faculty Council

Members Present:

University of Akron (Rudy Fenwick[Chair], University of Toledo (Nick Piazza), Wright State University (Dan Krane and Jacqueline Bergdahl [Secretary]), University of Cincinnati (John Cuppoletti), Kent State University (Ralph Lindeman), Ohio State University (Tim Gerber and Myroslava Mudrak), Ohio University (Ann Paulins), Youngstown State University (Ken Learman and Chet Cooper) and Central State University (Anthony Milburn).

Members Absent: Belmont Community College, Shawnee State University, Bowling Green State University, Lakeland Community College, Miami University, Northeastern Ohio Universities College of Medicine and Pharmacy, and Cleveland State University.

Meeting called to order at 12:34 pm.

Visitors

Laura Ecklar Ecklarl@strs.oh.org and Michael Nehf

Proposed changes to STRS

Nehf – The handout provided is about changes in the retirement system. This material is also on the website. We will cover the plan summarized in the handout and then entertain questions. Changes being proposed will help keep STRS strong for the future. Before economic downturn STRS and other retirement systems were looking at demographics. STRS and others realized that changes were needed. Contributions collected for 20 years and payments for 30 years is problematic. Assets in downturn were reduced. Board began studying issue in 2009. Approved in September 2009 and refined by mandates and legislature. Changes require changes in law. Beginning HB 69 meetings with House Health and Aging subcommittee on pensions. Will talk about needed changes. Then other meetings allow public input. STRS, OHIO PERS, OHIO SERS, Police and Fire are going through these changes. Board of trustees looked at possible solutions two years ago and refined plan with input from groups such as OFC. Bottom line is STRS Ohio has money to pay pensions. There is no need to worry. If no changes are made however, we will not have the ability to pay pensions. No one ever thought any pension plan would have these issues. We want to be transparent and open. Changes are needed to pay pensions forever. There are only a few things to do to improve retirements: Earn more. Portfolio is well diversified. Decided not to take on

more risk to try for more returns. 8% return. Manage many of the assets internally and save money doing that.

KSU - Portion of portfolio in cash? What percentage?

Nehf – About 5-6%. Have been bringing up. Quite a run up in stocks. We expect an adjustment downward. Buy low to maximize returns. Do it regularly. On the Investment side – 8% is reasonable and prudent. Ohio Retirement Study Council – meet with them monthly 3 senators, 3 reps and 5 retirement system directors. They oversee investments, assumption, operation, audits, etc. Board confirmed 8% as reasonable. Other categories – liabilities. More recently more talk about managing liabilities. Salary increases and longevity add more liability to the system 3-4% a year. Need to manage liability. Benefits cause liabilities. How are benefits calculated? 3 different types of pensions. Defined benefit plan. Eligibility will change. (See handout) Need to increase age of retirement and years of service. Need a window (transition period). They begin August 2015. We don't want to encourage a rush to the door before new eligibility kicks in. Don't want a brain drain. Current 35 year enhanced benefit will go away.

OSU – Let's say someone will have 35 years by June 1, 2015 and opts to retire. Average salary 100K. That individual would get \$88,500 in first year and 2% cola on top of that. Colleague in year 34, would get 77K a year later. Built in cliff for those almost at 35 years.

Ecklar - You are missing the transition. Look at the chart on first page. Change is phased in in two year increments. Board is trying to avoid cliff. Website has calculators to help with decision making. Counselors can help with decision. Staff is working to create materials to help with these decisions.

OSU – 2015 retiree gets 88.5, 2016 gets 77.

UC – Individual comparisons don't work – look at big picture. Need to keep the system solvent.

OSU – 35 year benefit does not phase in

Ecklar – Correct, it does not phase in.

OSU – People have planned on it since it came.

Nehf – wasn't it healthcare oriented?

Ecklar - Yes, teacher oriented too – there was a k12 shortage.

Nehf – The board wrestled with all these questions over the last two years. There was pressure to remove 35 year benefit right away. There are a lot of moving parts in this. To receive the same benefit you planned on, you may have to work longer. There is no

good news. There is only so much money to work with. What is best in the long term interests of all. Need to draw the line somewhere. Phasing uses “30 and out”. That is going away. No longer affordable. 35 with age 60 is affordable. Gradual change to 35 years of service with 60 year age minimum. Hard to do with 30 out mindset.

OSU – There are 2 different constituencies – public schools don’t see 55-60 age teachers. College professors work longer and we don’t start our careers as early either.

UT – lots of professional degrees, don’t start teaching until 30-35 years old. How are these affected?

Ecklar - Option to retire with reduced benefit. See chart. People must work longer because people are living longer. No one is happy because they will have to work longer and contribute more and get less benefit.

UT – I would like the information to be simpler. What do I need to do to get the benefit I thought I would originally receive?

Nehf – Generally 3-4 years more. Would depend on age and length of service.

UT - My 30 year will be 2016 and I’ll be 65.

Nehf – 30 times 2.2 66%. For 77%, roughly another 5 years.

Ecklar – staff members are working on calculators. On annual statements we used to predict earnings, we hope to do that again. Important to meet with benefits counselor. Talk to the professionals.

UT – I want to reassure those at my school that have expressed concerns.

Nehf – tell them to talk to a benefits counselor. I encourage board members to have people with concerns to call office and speak to a counselor.

WSU - What about talk of SS benefits related to STRS?

UC – SS homepage there is a calculator. Pension affects SS.

Ecklar – Webinar next week about this – see website.

Chair – change of highest years of earnings?

Nehf – from three to five. It is in the handout.

UC – will this be what is passed?

Nehf – believe there is good reason to think it will be passed. In the end believe the majority will support it. We will keep in touch.

OSU – Discussing it at Ohio State University. Government affairs committee. Have suggested that given current tenor at time – the quicker it passes, the better off we are. Don't need to hype this conflated with budget debate. Committee put together resolution – which was handed out on paper. It supports STRS Retirement board plan.

Nehf – Thank you for this support.

OSU – Everyone has to give a little bit to make this work. Went to financial advisor. Worked at STRS for seven years. Assumes 27 years, working 8 more years. 2% cola each year. Shows how 5 years versus 3 year works without 35 year bump. He loses 400K over old system. Assumes lives to age 87. At 8% it is 700K. Average salary across all ranks at OSU is \$103480. Person making average salary will suffer income loss if these are adopted. In my opinion, it is more than chipping in just a little bit.

Nehf – I could argue with some of your assumptions. The 35 year enhancement is the cause of the biggest difference in your scenario. STRS cannot reduce liabilities unless the enhanced benefit and cola could be changed. Legislature will ask the same questions. It is a different world. Our plan helps maintain a defined benefit for all members.

OU – the important thing is getting closure. I'm tired of getting statements that don't say when and if I can retire. We have to hear that it will negatively affect the majority of members and how long you will work additionally to get what you expected out of retirement. Communications strategy should be more blunt.

Ecklar – at the end of the day, we will all work longer for less benefit. Board has been saying that since 2009.

OSU – important for legislature and public to know what a big hit we are taking.

Ecklar – It is important for you to take action – talk to legislators. Our support even in light of this impact is important.

OU – realistic timeline for closure?

Nehf – hearing scheduled over next several weeks to hear proposals of pensions plans. Then interested parties. House expects to vote on this by end of April. Will dovetail somewhat with budget. We were hoping to avoid this. We are still worried that are going to reduce 14% of employer contribution. So far it has not come up in house. Need to make sure we put up good argument. Why would you reduce contributions to plan which is working hard to make reductions. It would further hurt the retirement system.

Chair – Want to make this a motion? (resolution)

OSU - Faculty told him first 3 whereas are fine. But last one about reasonable recommendations, yeah, but how big is the hit? SEE LANGUAGE ON RESOLUTION HANDWRITTEN. Will this be helpful?

Nehf – yes. It would demonstrate that you are still in support of this plan. Up again next Wednesday. Testimony from constituent groups will be next. Want to create due process. Consensus about a resolution like this would be helpful.

Chair – make a motion to table this today. Need overall motion for all faculty senates.

UC – We make our resolutions as individuals representing schools and then ask them to sign on or deny.

Chair – I suggest we craft resolution here today

OSU – moves that OFC adopt with resolution.

WSU – seconded. Concern with amendment is we have knowledge of general public. Please strike this.

Chair – suggested changes – Tim wrote down and handed to secretary.

WSU – move to conclude discussion. Resolution approved.

1:50 Nehf and Ecklar left.

New visitor: Rob Evans – Media work for Board of Regents

DDN editorial Garrett Walters byline listed as former regent and interim Chancellor. Has asked for it to be corrected. He was former interim Chancellor. Fingerhut is still Chancellor. He welcomes phone calls. His number is 614-752-7538 or 614-859-6433.

Chair – resolution about YSU shooting. Asked Chet to write. Note donation from OFC.

YSU – Donations are being collected for the family. Fundraiser to defray costs. There has been a lot of misinformation. Was not on campus. Was not in a frat house. About 3 a.m. people were escorted out, gone 30 minutes, came back and fired shots. YSU ranks 1 or 2nd in safety. It occurred in one of those places you just don't go in Youngstown. He will draft resolution.

Chair – Senate Bill 5 – elimination of collective bargaining for state employees.

UC – bill is 500 pages long. 2000 people at hearing day before yesterday. Author was asked questions. Didn't know if it would save money. Didn't know if it would affect retention. Faculty are dealing with lots of issues – removal of tenure has been suggested by an area newspaper. AAUP is being very active. AAUP is joining with other unions to

fight this. We have a strategic plan. SB5 could pass, but it would upset firefighters and police who are largely republican. Advises us to sit back and wait a bit. Author of bill fumbled, stumbled and jumbled in front of own party's members.

Chair – This bill was in place of legislation to deal with fair share.

UC – section 23 article 4, which makes it a universal human right to have trade unions. Supreme court supported that. Indiana did abolish the right to collective bargaining by governor signing executive order. We should bide our time.

Chair – one of the other provisions was raises could only be merit.

YSU – YSU particularly concerned with this bill. Administration is dragging their feet hoping the bill passes. Banaid that 20% of healthcare premiums will be paid by employees. YSU does not pay premiums. How would that work?

UC – Author was asked why 20% and she didn't know.

YSU – Troubling that it would come up. Governor of Wisconsin came up with the same thing. Governor said it would be in the budget regardless.

OSU – Governor gave a bully ultimatum.

YSY – Rallies being scheduled, etc. YSU and St. Elizabeth and General Motors Plant are the only three things holding this town together. YSU criticized for taking a day off. Opened next day – parents were upset.

Chair – Excellent study “Myth of overcompensated employee” analyzes overall there is a penalty of being public employee in salary. Recommends reading it. Economic Policy Institute in Washington DC.

Old business

Resolution supporting USO will be send to Chancellor.

Paula Compton announced period open for public comments on credit for military training and coursework.

OSU – Compton's request for faculty input. 2 committees looked at it. Waiting for response period. Vetted CLEP directive pretty well. Public review forwarded another directive not heard about before - proposal for credit military training and coursework.

Chair – motion to approve agenda – approved. Motion to approve minutes – approved.

OSU – got note about separation incentive? Yes.

M I N U T E S

OFC Meeting • February 11, 2011

Chair – suggests going ahead and adjourn rather than have campus reports. Got an inquiry about OFC passing a resolution about tenure a couple of years ago from staff member of IUC. Didn't know who she was asking for.

OSU – Regarding getting rid of tenure – sent letter to every single legislator. Didn't get a lot of traction. Probably not appropriate for any of us to respond. Kent admin should comment. Admin should comment instead.

UC – cautions us to be careful as individuals. Organizations should handle this not individual faculty.

Meeting adjourned.