STRS report for OSURA Board, April 2024. G. Newsom

STRS News

The two candidates for the spring election to the Board are Michelle Flanigan (the ORTA favorite) and Sandy Smith Fisher (about whom I know very little). Voting starts 1 April, with results announced on 11 May; active teachers only. On 26 March the court heard Wade Steen's appeal that his removal from the Board was illegal. If Steen is reinstated, or Flanigan wins the election, the critics will have a 6-5 majority on the Board.

Strong criticisms of STRS operations continue on social media, while ORTA members show their disgust with the Board at the public participation sessions each month. The effects extend far beyond the Board. At the March meeting, Acting Executive Director Lynn Hoover described some of the consequences for STRS staff. Exit interviews with staff members who resigned have revealed complaints STRS didn't use to hear. In a tight job market, recruiting new staff is always challenging, but more often now applicants are withdrawing after they look into the conditions at STRS. Senior staff have been getting threats, but that has now extended to threats against family members. This does not bode well for our retirement system. Keeping the best people will be harder (although if the Board is controlled by critics in September, these leaders might all be terminated anyway). Not only is all this a personal tragedy, but it also will make it difficult for STRS to continue to receive such high marks for its operations in the future.

Investment returns have been good in recent months, and STRS has reached the goal of a 7% return for the fiscal year. Cheiron, the actuary that must approve any "benefit enhancements" STRS makes, went through its mechanical process to come up with a number that the Board could use to ease rules for active teachers to retire and to provide COLAs for retirees. It was a repeat of last year's process, where Cheiron said STRS could use 1% of the assets in the defined benefit fund. The tradition has been to give about half of the benefit to active teachers and half to retirees, but the increasing volume of complaints from active teachers that their job has gotten harder in recent years and burn-out is becoming endemic had an effect. The Board voted unanimously to give all the benefit enhancement to active teachers, primarily by permanently reducing the number of years of service needed for unreduced pension to 34 years. (It had been scheduled to go up to 35 years in 2028.) Hence there's no 1% COLA for retirees next year, much to the surprise of several of us in the audience. (In spite of the 6-5 split on the Board, a surprising number of votes are still unanimous.)

Healthcare premiums for Medicare enrollees have stayed remarkably low in recent years, and the healthcare fund in FY 2023 had a ratio of assets to projected liabilities of 169% (down from 231% in FY 2022). STRS wanted to keep such a big cushion in large part because the fund was so dependent on reimbursements from the federal government, and that could change abruptly. Normally STRS would be preparing next year's healthcare budget at this point, but early indications are that the feds are likely to reduce their subsidy significantly (e.g., for retirees in the "catastrophic phase" of health care, STRS has been paying 20% of the cost and that's likely to go to 60%). STRS has preserving coverage as the first priority, more important than keeping copays low. Uncertainty will delay planning until August, but retirees should expect to pay significantly more for healthcare next year. Also, the reduction in years of service to retire with unreduced pension means more pre-Medicare teachers will retire, costing STRS more for health insurance down the road.