STRS report for OSURA Board, October 2022. G. Newsom

Preliminary investment returns for the first two months of FY 2023 were +1.33%, but September won’t be pretty.

The September STRS Board meeting was the first one with the newly elected anti-establishment members. I was surprised how little difference it made – that is, until the New Business session at the end. The five members supported by the Ohio Federation of Teachers took turns introducing motions, with no prior discussion with other Board members. Each motion started with the same words, “In the interest of transparency, …” and another of the group of 5 seconded the motion. It was well-rehearsed. Some motions were just not what I think the Board should concern itself with, such as having the handouts for the audience be in color instead of black and white. (I think it’s to the credit of STRS that they try to cut expenses as much as they can.) It’s fair to call these motions a waste of time, except maybe to show how disruptive these five can be when they want to.

The audience at Board meetings has been dominated by ORTA members, who are fond of making snide comments whenever anyone says something they don’t like. I’ve gotten in the habit of reading a statement in the public comments session of each Board meeting, the lone voice that elicits no applause in the midst of the other ORTA members cheering each other on. The September meeting was different; two officers from the Ohio Education Association and one from PoP-5 made statements, so four of us had our statements greeted with silence. (My negative feelings toward PoP-5 have moderated.) Maybe OEA realizes it has to start participating at Board meetings, and I certainly hope they realize they have to campaign more for the Board elections in the future. I emailed on officer at OEA to say OSURA is interested in supporting responsible candidates for future Board elections.

The Ohio Retirement Study Council (ORSC) provided a comparison of the average annual retiree benefits, as follows:

PERS $28,860

STRS $46,938

OP&F $51,552

SERS $16,155

HPRS $46,932

Social Security (avg) $19,884

Social Security (Max) $40,140

Critics of STRS sometimes ask, if STRS has the best investment returns of the 5 state pension systems, why can OPERS pay a COLA and STRS can’t? The table provides much of the answer; STRS is paying much larger pensions. If STRS cut all its pensions by 30% or 40% to pay what OPERS is paying, STRS could easily afford to pay COLAs too.

A big advantage of a DB (defined benefit) vs a DC (defined contribution) plan is that you can’t outlive your money with DB. But the advantage of professional money management vs how faculty manage funds in DC plans is also important. In FY 2022, the STRS DB fund returned -3.61% while the average return in the STRS DC plan was -14.31%, a huge difference. The +23.21% return STRS got from their private equity investments in FY 2022 is a major reason.

Groups supporting resuming annual COLAs in the near future have been urging employer contributions be increased to pay for it. There are problems with that. Most of the money to pay pensions comes from investment earnings, not contributions, and changing employer contributions from 14% of salary to 16%, for instance, would make a very small increase in income to STRS but would cause quite a push-back from school boards unless the legislature funded the increase. If the legislature did provide the funds, however, it would be portrayed as a “taxpayer bailout” of public pension plans. That is risky. Groups such as the American Legislative Exchange Council (ALEC, governed by a group of conservative state legislators), the Fordham Institute, and the Buckeye Institute have been trying to abolish Ohio’s DB plans. Pressure on legislators to spend more tax dollars for DB funds would make DC plans look a lot more attractive for the legislature. And the loud public efforts by those denouncing nearly everything about STRS could sway legislators that the present system is flawed and should be done away with. I think ORTA and its supporters are playing with fire here.

STRS Executive Director Bill Neville met with the Ohio Council of Higher Education Retirees (OCHER) in September. He was clearly frustrated. He described web pages filled with untrue statements about STRS, and when he asked if he could supply a rebuttal to the wild claims, he was denied. So much disinformation is being spread. Neville is happy to meet with members; should OSURA invite him to something?