

HOUSE BILL 315



Stop STRS' Health Care Proposal!

*The STRS Board and "Health Care Champions" want to raise rates!
Oppose HB 315!*

HB 315 has been introduced by Representative Scott Oelslager, (R-Canton). In addition to the STRS Board, an advocacy group calling themselves *Health Care Champions* (formerly known as Health Care Advocates), is behind the effort to increase contribution rates for employers and employee members of STRS. The bill would phase in the increases in rates by .5% of payroll each year for five years, totaling 5% overall.

Citing rising health care costs as the reason for the increase, STRS wants to transfer the burden for keeping the health care stabilization fund afloat by charging more to employer and active employees.

OSBA & OASBO oppose HB 315! We urge the legislature not to take money away from children to solve this health care problem. Rather, we urge legislators to tell STRS to find other, more responsible ways to preserve the STRS Health Care Program. Twenty four percent of employee salary already collected by STRS remains enough to fund the legislative requirements of a very generous pension system!

About STRS:

- STRS is NOT required by law to provide health care benefits for retirees.
- STRS has \$77 billion dollars in assets.
- According to the most conservative estimates, the STRS Health Care Stabilization Fund is currently projected to continue through 2021.
- STRS currently utilizes 1% of payroll to fund health care benefits (from employer contributions).
- STRS already collects 24% of salary for retirement benefits & health care and members can retire after 30 years of service with full benefits – a generous retirement package.

Why we oppose HB 315:

- We believe STRS must take responsibility for their health care problems rather than pass the burden on to school districts (and current employees).
- For instance, there is no mandatory wellness or other prevention/health care management provision for STRS retired health care recipients.
- Other retirement systems are looking at fundamental changes like requiring members to work longer or later in life – recognizing demographic trends like life expectancy and people staying in the work force longer; incentives/requirements to work closer to age of eligibility for Medicare.
- Social Security retirees already face an older retirement age before receiving benefits – recognizing demographic trends.
- In 2009, STRS will force employers like school districts to cover the cost of health care for retired members who return to work. School district employers paid for health care for these individuals once and will soon have to pay again.

- With the Health Care Stabilization Fund projected to be viable until 2021, let's call on STRS to do the right thing and find another way to solve this problem – there is still time to act without raising rates.
- School districts already struggle with rising health care costs for current employees.
- Over 340 school districts in FY 2008 and 250 in FY 2009 will receive NO state funding increases over the previous year. With no additional revenue expected in the near future, how will districts cover the rate increases?

Don't throw money at the STRS health care problem, solving their health care issues on the backs of kids! It won't change the long-term problems with health care and it will hurt education in Ohio!

Background – STRS Health Care

The State Teachers Retirement System (STRS) of Ohio originally was created to provide pension benefits for its members. **STRS is not required by law to provide health care.** In 1974, STRS decided to provide health care coverage for retirees as an additional benefit.

In 1983, STRS established the Health Care Stabilization Fund to help fund the STRS Ohio Health Care Program. Currently, there is no dedicated revenue source to fund health care for STRS Ohio retirees. Instead, funding comes from: (1) premiums paid by enrollees in the health care program; (2) employer contributions not needed annually to guarantee pension benefits; and (3) investment earnings on the health care fund.

Over the past 20 years, these contributions have amounted to approximately \$5.4 billion, funded primarily by employer contributions. Currently, STRS uses 1% of payroll to fund health care benefits.

In 2003, the STRS actuary informed the retirement board that the fund would be depleted in five years if drastic changes were not made. In response, the STRS board took action by reducing premium subsidies for retirees, eliminating all premium subsidies for spouses and dependents, and raising eligibility for retiree health care benefits to 15 years.

In response to the health care situation, STRS and the Health Care Champions have launched a comprehensive initiative to pass legislation to rectify this. In 2006, HB 707 was introduced at the end of the 126th General Assembly as a symbolic gesture that this issue will be considered by the legislature. In September, Rep. Scott Oelslager reintroduced the proposal as HB 315.

STRS benefits

Eighty-five percent of STRS members are in a defined-benefit (DB) plan, specifically determined by age, years of service, and the average of the three highest salary years (also known as final average salary). Regarding years of service, STRS members can earn:

- 30 years – 66% of final average salary
- 35 years – 88% of final average salary
- 39-40 years – 100% of final average salary

STRS members can retire at the:

Age of:	After years of service credit:
Any age	30

55	25
60	5

Early retirement laws permit members to retire as early as age 50 with full benefits.

Retirees in the DB plan receive a 3% cost-of-living increase each year, calculated on the original benefit. The DB plan is guaranteed by law and not subject to the volatility of the stock market. Survivor and disability protection is also provided.

STRS members also have the opportunity to invest in a defined contribution (DC) plan where the retirement, survivor and disability benefits are limited to the value of the account and subject to stock market performance. STRS also provides a combination of both plans.

What will this 2.5% mean to Minster Local Schools in:

- (1) Specific dollar amounts—\$88,635.75
- (2) Programming—Won't be able to offer additional courses or intervention for students
- (3) Millage—.69 mills
- (4) Employee positions—Equates to 1.6 full time teachers

Remember, this increase in cost will not provide any additional benefit to students in the classroom. It is funding that will go directly to STRS for educator benefits.