OPERS Update

Ohio Council of County Officials

September 25, 2019

OPERS

Objectives

- State of OPERS' pension and health care funding
- Challenges to maintain funding levels
- Challenges to maintain future health care funding
- Future pension and health care plan design

Possible Path Forward

- ✓ Take steps to address/reduce current UAAL (Currently at all-time high - $24B)
- ✓ Modify DB plan to provide more flexibility to expand and contract and establish reserves
- ✓ Modify Member Directed and Combined Plans to address plan issues
- ✓ Modify health care plan to extend the solvency and require lower portion of employer contribution rate (currently over 5%)

Summary of Changes Made
Active Benefits

Major Components of S.B. 343

Effective January 7, 2013

1. Age & Service Reduction Factors
2. Age & Service Eligibility
3. Benefit Formula
4. Final Average Salary
5. Cost of Living Adjustment

S.B. 343 Transition Plan

- S.B. 343 introduced three separate retirement groups
- Groups are determined by attainment of age and service credit eligibility requirements prior to the legislation *(55/25, 60/5, any age/30)* by the dates stated for each group

Pre-APD Retiree 167,629	Group A 51,805	Group B 12,951	Group C 306,968
Members retired prior to Jan. 1, 2013.	**Members eligible to retire before Jan. 7, 2018.**	**Members with 20 years of service credit on Jan. 7, 2013, or eligible to retire after Jan. 7, 2018 but on or before Jan. 7, 2023.**	**Eligible to retire after Jan. 7, 2023 or members hired on or after Jan. 7, 2013.**

Impact of S.B. 343

OPERS Transition Plan

Group A is subject to new:

1. COLA based on CPI, not to exceed 3%

Group B is subject to new:

1. Age & Service Eligibility requirements
2. Age & Service Reduction Factors
3. COLA based on CPI, not to exceed 3%

Group C is subject to new:

1. Age & Service Eligibility requirements
2. Age & Service Reduction Factors
3. Benefit formula – 2.2% for first 35 years
4. Final Average Salary – 5 years
5. COLA based on CPI, not to exceed 3%

Impact of S.B. 343

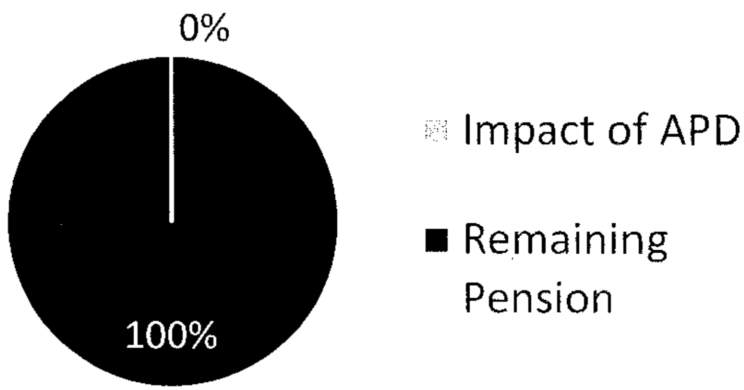
Active members (future retirees) are required to:

1) Pay more for their retirement
2) Work longer

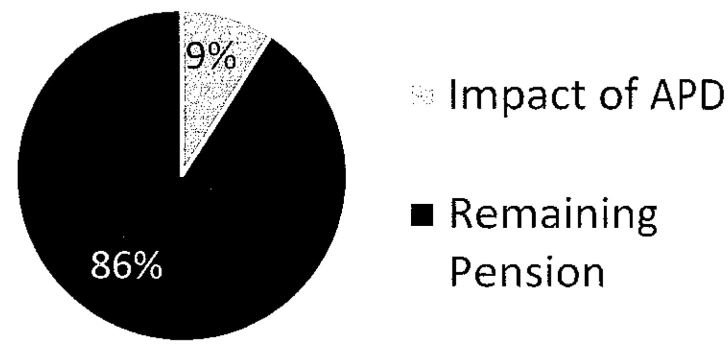
Current Retiree DOB: 1/28/60 Began Membership: 1993	Future Retiree DOB: 1/25/67 Began Membership: 2000
Age 57 with 25 Years of Service	
Total Contributions: **$101,700**	Total Contributions: **$112,500**
Reduced FAS %: **41.20%**	Reduced FAS %: **25.90%**
Reduced Pension: **$1,545** per month	Reduced Pension: **$971** per month
28 Years of Pension Payments to Age 85: **$519,120**	28 Years of Pension Payments to Age 85: **$326,340**

Impact of Pension Changes – By Group

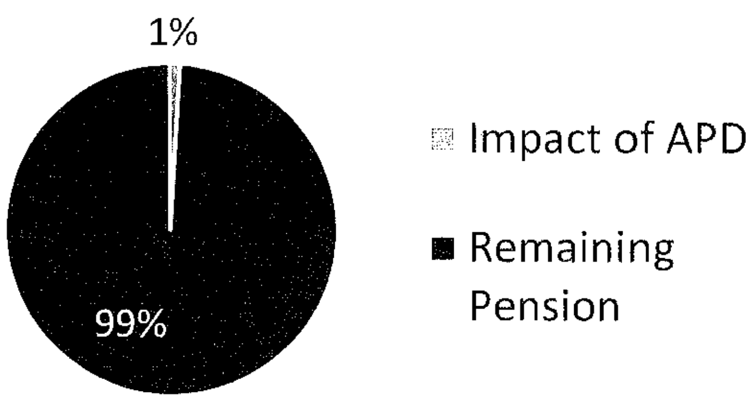
Pre-APD Retirees



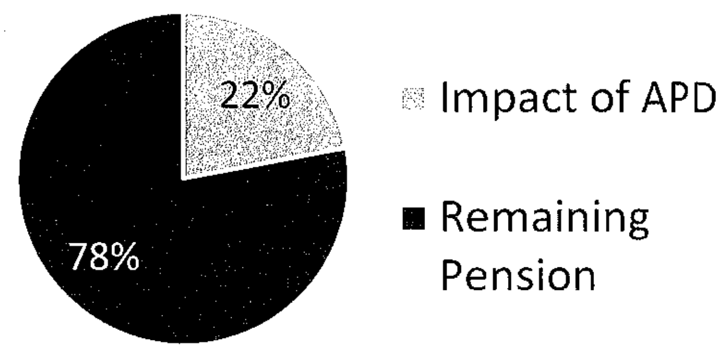
Group B



Group A



Group C



Impact of Pension Changes – To UAAL

40% Reduction in UAAL from Active Member Changes

Savings of
$3.2 B

Reduced Active Member UAAL by
40%

Similar reduction in UAAL for retirees would require savings of $6 billion

Summary

Changes To Date – Intergenerational Equity

- 2012 pension plan changes impacted active members only, saving approximately $4 billion
- Pre-2013 retirees were not impacted by the pension plan changes
- 2013 Health care changes impacted all members – both actives and retirees
- Pre-2013 retirees were grandfathered into health care for eligibility purposes and minimum benefit level

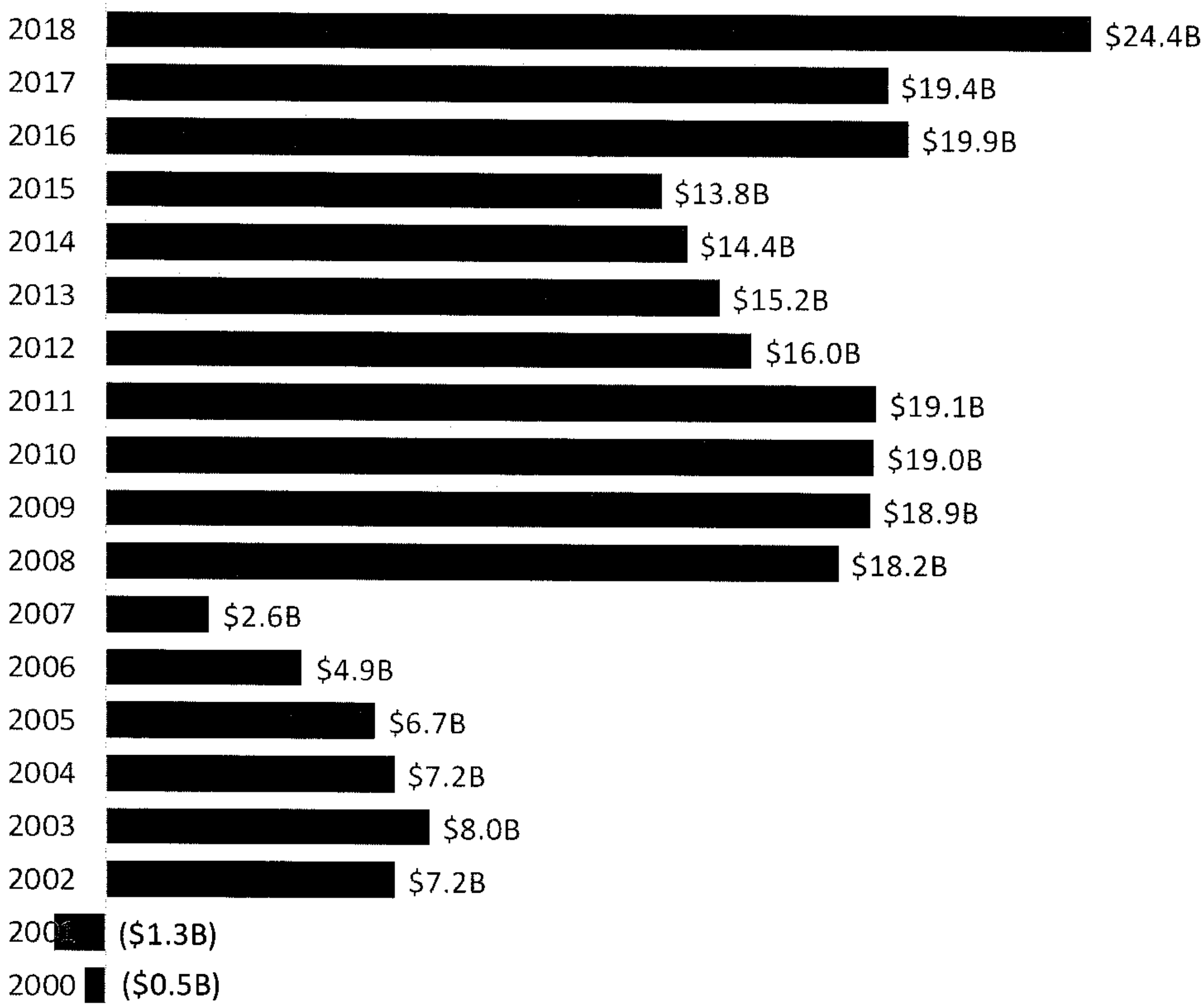
Summary

Changes To Date – Intergenerational Equity

- Additional changes to active members would require another major benefit design overhaul
- Additional reductions to active member benefits may have a destabilizing impact on defined benefit plan (80% of active members eligible to plan change and all new members)
- A new Group D being proposed with increased contribution rate
- Changes also being recommended to Member Directed and Combined Plans

Unfunded Accrued Actuarial Liability (UAAL)

UAAL


2018 $24.4B
2017 $19.4B
2016 $19.9B
2015 $13.8B
2014 $14.4B
2013 $15.2B
2012 $16.0B
2011 $19.1B
2010 $19.0B
2009 $18.9B
2008 $18.2B
2007 $2.6B
2006 $4.9B
2005 $6.7B
2004 $7.2B
2003 $8.0B
2002 $7.2B
2001 ($1.3B)
2000 ($0.5B)

Board-Approved COLA Changes

Package 3 (Two-Year Freeze)

Savings $3.44 B

- Freeze COLA for 2 years (no COLAs for 2022 and 2023)
- After freeze, return to current conditions
- 85% purchasing power restored
- First COLA - delay for future retirees to 2^{nd} pension anniversary 24 months after retirement.

"Current Conditions" is defined to mean that retirees receiving a fixed 3% COLA prior to the freeze will receive a 3% COLA following the freeze period. Retirees receiving a COLA subject to a cap will return to receiving a COLA subject to a cap following the freeze period.

Potential Future Changes
Group D

Group D under Consideration

Additional Changes to active members (future retirees) are under consideration. These changes referred to as Group D would impact members hired on or after January 1, 2022. These proposed changes include:

- Higher member contribution rates (11%)
- Increased years of service for eligibility (Unreduced – age 62/35; 67/25 or 70/5); (Reduced – age 57/30; 62/20; 65/5)
- Increased years of service for final average salary (10-Year FAS)
- Lower benefit multiplier (2.0%)
- Lower COLA (CPI, not to exceed 2.0% at later of age 62 or 24 months after retirement)
- Health care would be provided by funds accumulated in a member's retiree medical account (RMA) anticipated to be funded at 2% of the employer contribution rate
- Pension plus account
- Gainsharing

Combined and Member Directed Plan Changes Under Consideration

Changes approved for the Combined and Member Directed Plans for new hires on or after 1/1/2022 include:

Combined Plan Changes:

- Consolidate Combined Plan into Traditional Plan

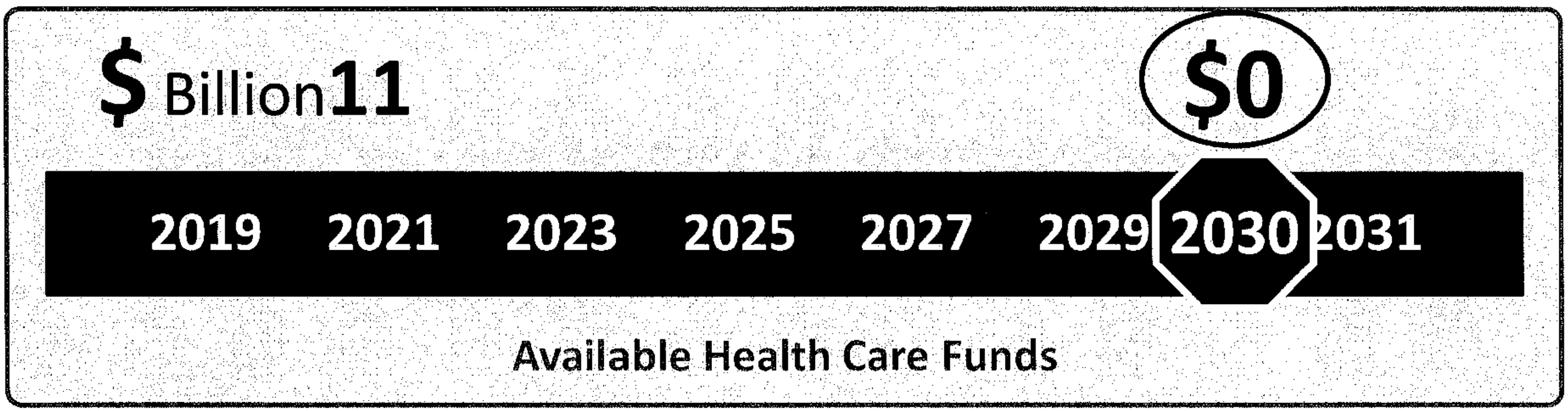
Member Directed Plan Changes:

- Changes to the Vesting Schedule
- Changes to the Mitigating Rate
- Changes to Annuitization
- Changes to the Retiree Medical Account
- Changes to COLA

Health Care

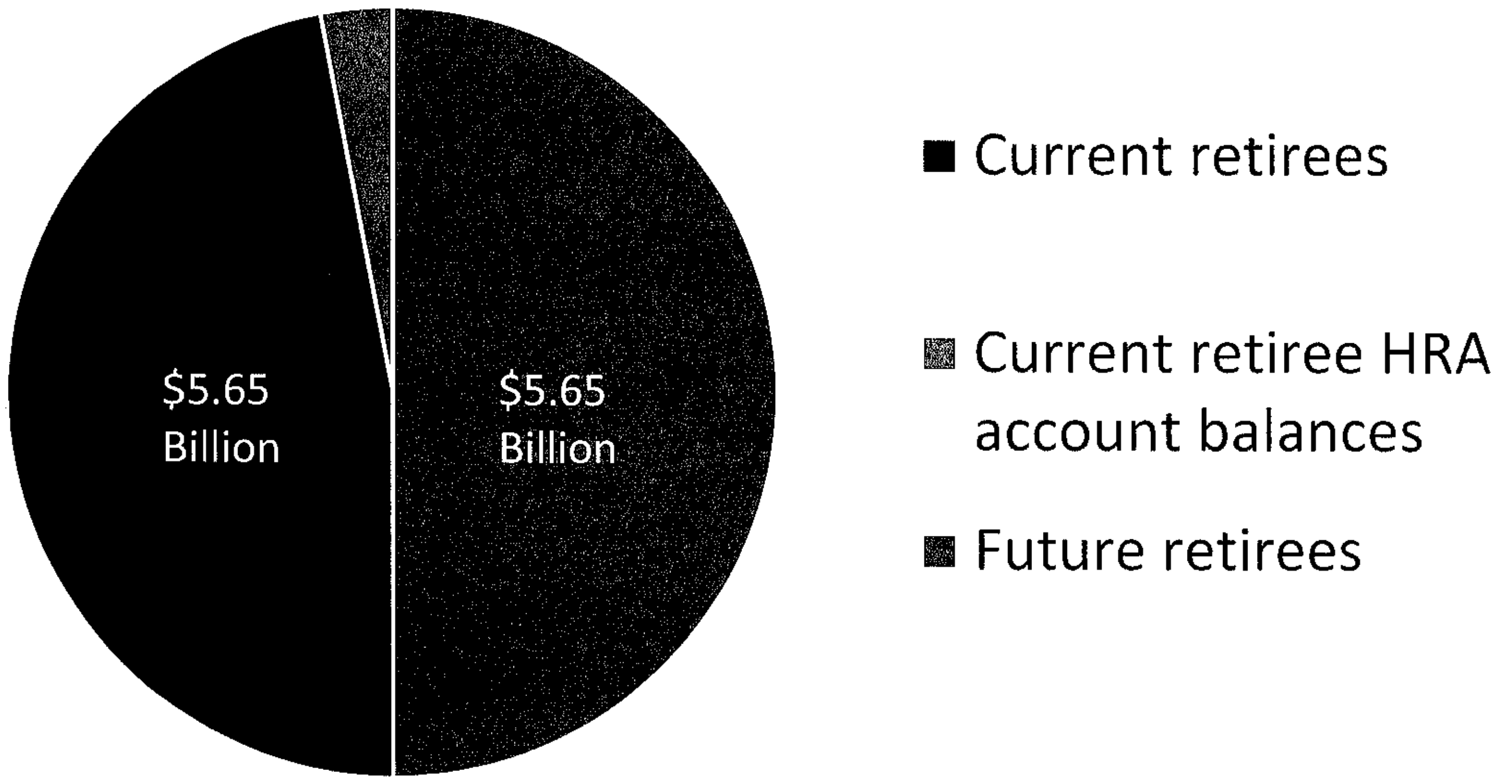
Health Care Solvency

The Health Care Fund solvency period is projected at 11 years



A Health Care Fund for All

Health Care Trust Fund ($11.3 Billion)



Points to Remember

- Funding the Pension Trust Fund is our first priority
- The Health Care Trust Fund:
  - Is not receiving employer contributions
  - Is projected to last 11 years if we do nothing
  - Is for both current and future retirees

Health Care Package Summary

Packages would be effective 01/01/2022

Package 1	Package 2	Package 3	Package 4	Package 5
No Health Care / Potential Annual Deposit	Under 65, No Coverage or Plan	Health Care for All with min. age 60	Health Care for All, Under 65 w/ Group C Eligibility	Health Care for All, under 65 w/ Group Eligibility

Highest Cost Savings / Highest Member Impact ⟷ Lowest Cost Savings / Lowest Member Impact

Note:
Packages 2,3 & 4 phase out grandfathering
Package 5 retains grandfathering with reductions to the allowance

Package 5 – HC for All, Group Eligibility

- Provide health care to all eligible retirees
- Eligibility – Group eligibility requirements apply for Pre-Medicare (under 65) retirees:

  Group A: 30 years at any age
  Group B: 32 years at any age or 31 years min. age 52
  Group C: 32 years and min. age 55

- Eligibility – Medicare (65 and over) – must have 20 years of service with min. age of 65
- Allowance - Pre-Medicare retirees – base allowance $600/$900
  Medicare retirees – base allowance $350
- Grandfathered – Maintain grandfathering for eligibility and allowance – reduce allowance to floor at 51%

Package 5 – Summary of Changes

- Retirees under 65 that don't meet "Group" eligibility requirements are not eligible for health care until age 65 with 20 years of service
  The current age requirement is 60
- Retirees over 65, base allowance reduced to $350
  The current base allowance is $450
- *Grandfathered* retirees, maintain eligibility and allowance - reduce allowance to floor at 51%
  The current floor is 75%

Other Package Components

Disability – Package 2,3,4 & 5:

- Current conditions will apply; disability recipients will have access to health care assistance for 5 years and then must meet health care eligibility requirements to maintain access.
- If the disability recipient don't meet health care eligibility after the 5 years but meets low income qualifications they will be eligible for the low income subsidy.
- If disability recipient returns to private sector employment, health care assistance will be eliminated.

Low Income Subsidy – Package 3, 4 & 5:

- Eligible for health care and household income is at 100% poverty level; retirees would receive an extra $100 monthly deposit.
- If retiree is "grandfathered" and household income is at 100% poverty level, the retiree would be eligible for low income allowance assistance and receive a 51% allowance rate. Retiree must apply for Medicaid.

Package 5 – Non Grandfathered Retiree example

Cathy

Retired: 01/01/2009

Service: 32 years

Current age: 70

On Jan. 1, 2022, Cathy will be impacted by the reduction in the **base** allowance which will impact her current allowance amount.

Now: 75% x $450 = $337

2022: 75% x $350 = $262

Package 5 – Grandfathered Retiree Example

Denise

Retired: 1/1/2013

Service: <u>12 years</u>

Current age: 70

On Jan. 1, 2022, Denise will maintain eligibility but will receive a reduced allowance based on the 51% allowance floor.

Now: 75% x $450 = $337

2022: 51% x $350 = $178

Package 5 – Pre-Medicare Retiree Example

Joe

Service: 33 years
Current age: 58

On Jan. 1, 2022, Joe will no longer be in the OPERS group plan and will be provided an allowance subsidy to purchase a plan on the individual market.

Now: 76% x $1,306 = $992 (premium reduction)

2022: 76% x $900 = $684

Package 5 – Pre-Medicare Retiree Example

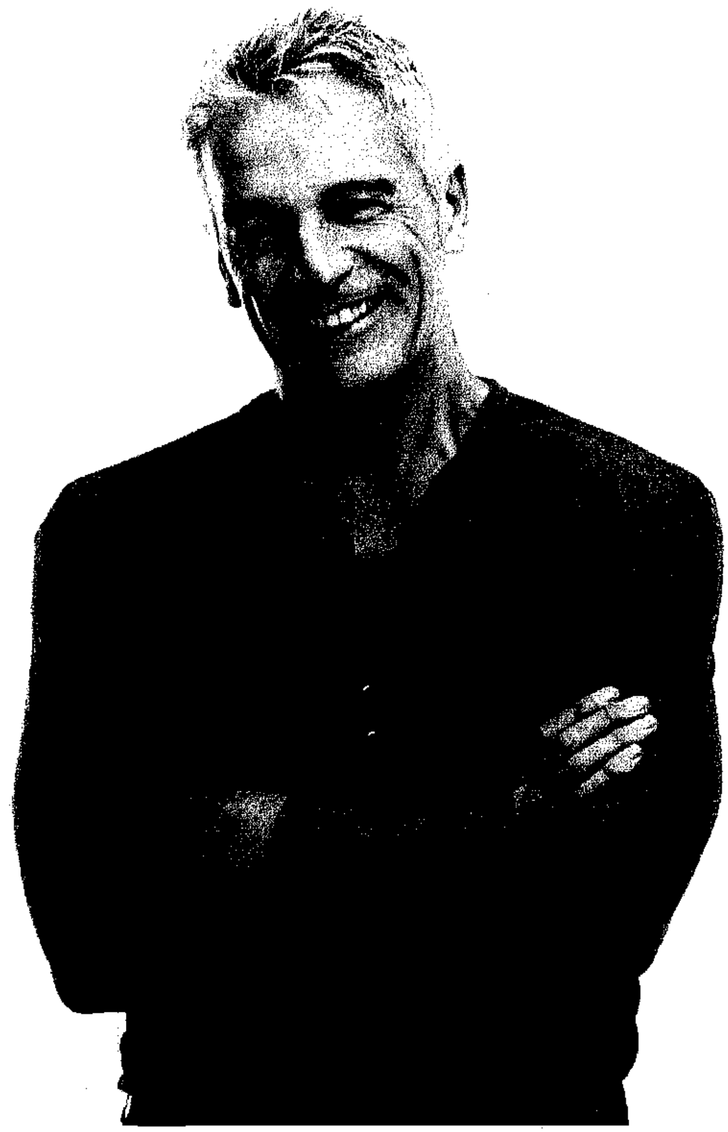
Frank

Service: 25 years

Current age: 57

Frank is a future retiree with an effective date after Jan. 1, 2022. He will retire with a reduced benefit at age 57 with 25 years with no health care coverage. He will age in to health care at age 65.

76% x $350 = $266 @ age 65



As your ***trusted*** *retirement partner for over 80 years, our ongoing commitment to you is to continue to provide you with a* ***meaningful*** *retirement (pension & health care).*

Please continue to use ***OPERS*** *as your source for accurate information.*

Thank you