2017 Ohio Mayors Annual Conference

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Executive Director

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Funding
Financial performance
Looking to the future
Plan design ideas
Health care
80% funded

19 years amortization

- Actuarial assumption rate = 7.5%
- Two years of unrealized losses = $2.8B
• Funding
• Financial performance
• Looking to the future
• Plan design ideas
• Health care
**Financial Performance**

- **Net position increased by $3.3 billion**
  - $90.6 billion

- **2016 investment gains**
  - 8.23%

- **Traditional Pension Plan benefits increased from $5.4 billion in 2015 to $5.6 billion in 2016**
  - 3.4%
## Financial Performance

<table>
<thead>
<tr>
<th>Total investment gains for 2016 = 8.23%</th>
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<tbody>
<tr>
<td>• Defined Benefit = 8.31%</td>
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<tr>
<td>• Combined health care = 7.55%</td>
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<table>
<thead>
<tr>
<th>Active contributing members increased for the first time since 2007</th>
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<tbody>
<tr>
<td>• member &amp; employer contributions increased by 4.1% over 2015</td>
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</table>
Number of new retirees increased by 2.5 over 2015

Health care costs decreased from $1.8 billion in 2015 to $1.2 billion in 2016

• Traditional Pension Plan

• (34.3%)
- Funding
- Financial performance
- Today & what’s on the horizon
- Plan design ideas
- Health care
Today & what’s on the horizon

- House Bill 520 implementation underway
- Perpetual review for improved efficiencies
- Ideas to strengthen the system
- Require legislative action / stakeholder support critical
HB 520 Summary
(Effective April 6, 2017)

1. Survivor Benefit changes
2. Refunds
3. Law Enforcement/Public Safety additions
4. Transfer of service credit (OP&F and CRS)
5. Technical changes
6. ARP mitigating rate
Survivor Benefit Changes

Eligibility of children over age 18

- Member passes away prior to retirement
- Must be qualified child
- Payments continue until age 22
- Institution of learning/training not required
Survivor Benefit Changes

Resumption of benefits to child over 18

- Must be qualified child
- Benefits were terminated for no participation
- Payments continue until age 22
- File form within 1 year of bill’s effective date
Also member with STRS or SERS

Honor most recent beneficiary designation

Beneficiary must be eligible for survivor benefits
1. Survivor Benefit changes

2. Refunds

3. Law Enforcement/Public Safety additions

4. Transfer of service credit (OP&F and CRS)

5. Technical changes

6. ARP mitigating rate
Refund Changes

Three months to two

• Member now must wait two months to refund

• All other requirements remain the same
1. Survivor Benefit changes
2. Refunds
3. Law Enforcement/Public Safety additions
4. Transfer of service credit (OP&F and CRS)
5. Technical changes
6. ARP mitigating rate changes
### Law Enforcement/Public Safety

**New categories for new hires**

<table>
<thead>
<tr>
<th>Category</th>
<th>Description</th>
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<tbody>
<tr>
<td>BCII Investigators</td>
<td>Gaming Agents</td>
</tr>
<tr>
<td>Special Police Officers for Port Authority</td>
<td>Department of Taxation Investigators</td>
</tr>
<tr>
<td>Special Police Officers for Municipal Airports</td>
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</tr>
</tbody>
</table>

Peace officer training is required/Primary duties remain the same
Law Enforcement/Public Safety

**Election period for current employees**

- 90-day window to join LE or PS

- Participation will be for future contributions

- Election shall be in writing

- Each case is unique
Law Enforcement/Public Safety

**Communications Efforts**

- Assisted FOP with material for their publications
- Requested employers to contact OPERS who have the affected members
- Summary of classifications in Member Newsletter
Member Services/Education

- Currently scheduling counseling appointments
- Created instructions for creating estimate request
- A specific presentation was created
HB 520 Summary
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Transfer of Service Credit (OP&F)

Creates a temporary window for transfers to OPERS

• For a period of 90 days after bill’s effective date

• Members may transfer OP&F service to OPERS even if OP&F service is greater

• Certain conditions must be met
Transfer of Service Credit (OP&F) Modifies law on transfers to OPERS

- Current law restored after the 90-day window
- For OP&F, the active duty requirement will be back in effect
Transfer of Service Credit (CRS)

Transfers to/from either system is limited

- Transfers are limited to the system with the most service credit
- Member must retire within 90 days of the transfer
- Consistent with transfers to/from SERS, STRS, and from OP&F, HPRS
HB 520 Summary
(Effective April 6, 2017)

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Technical Changes

• Deletes service credit reduction for retiring independently

• Disability benefit recipient is subject to periodic medical examination

• For filing annual earnings statements, changes language to “fail” rather than refuse
HB 520 Summary
(Effective April 6, 2017)

1. Survivor Benefit changes
2. Refunds
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4. Transfer of service credit (OP&F and CRS)
5. Technical changes
6. ARP mitigating rate
• Repeals the cap on the ARP rate

• Method to calculate in statute

• Rate will be determined every 5 years

• Requires the OPERS, SERS, or STRS actuary to perform the calculation
- Funding
- Financial performance
- Looking to the future
- Plan design ideas
- Health care
Staff/Board continue to take steps to reduce subsidization

Significant losses in surviving spouse area

OPERS not a substitute for life insurance

Members/Survivors will **ALWAYS** receive their account value
Align benefits with contributions and service credit
Board Considerations for Eligibility Changes

- Increase to 60 months from 18 months service
- < 60 months = Refund
- < 20 YOS = Spouse death refund / Children paid $250 thru age 22
- > 20 YOS = Spouse offered death refund or defer until age 65 / Children paid $250 until age 22
- LE eligible immediately if killed in line of duty
- Pay children’s benefit $250/mo. until age 22
- Pay children’s benefit for life of disabled child
- Disabled parents ineligible
Additional Board Considerations

- Life insurance access
- Future LE changes
- Grandfathering those who have already commenced a benefit prior to effective date of bill
- Funding
- Financial performance
- Looking to the future
- Plan design ideas
- Health care
Health Care

- Preservation plan working
  - Consolidated health care assets in 2016
    - $11.9 billion in health care assets
  - Significant reduction in health care expenses associated with the OPERS Medicare Connector
  - Issue resolution process improvement
  - Over 65 retirees have HRA funds / choice / flexibility
  - Under 65 – Cadillac Tax
❖ OPERS remains strong
❖ Strong economy
❖ Implementing the latest legislative changes
❖ Health care preservation plan is working / continue to adjust as necessary
❖ Key to OPERS strength is addressing issues early
❖ Future plan design ideas may be necessary to
Questions