

# 2017 Ohio Mayors Annual Conference

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***June 14, 2017***



- ❖ **Funding**
- ❖ Financial performance
- ❖ Looking to the future
- ❖ Plan design ideas
- ❖ Health care

# State of OPERS

# Funding



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

# State of OPERS

# 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%

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• 3.4%

# Financial Performance



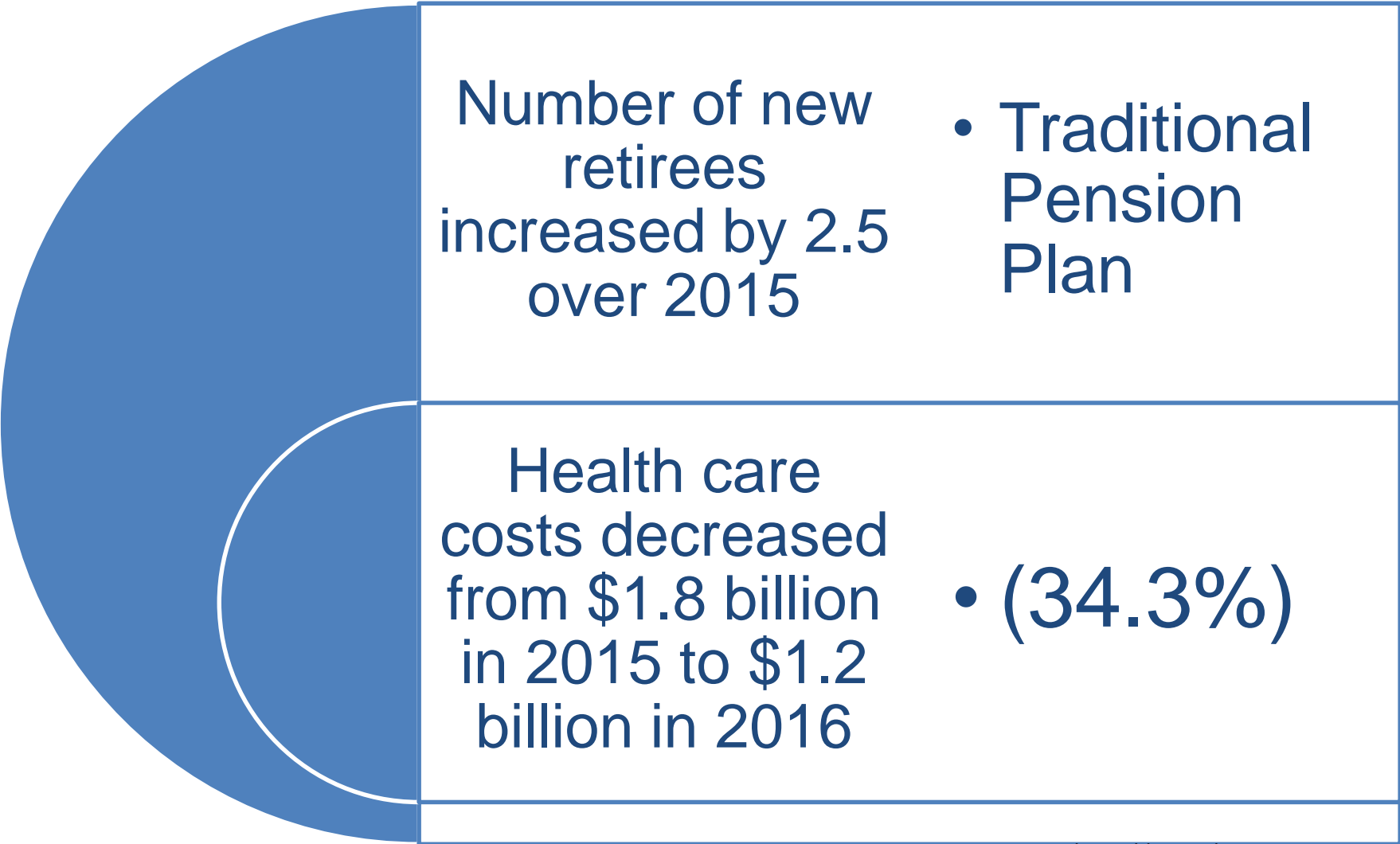
Total investment gains for 2016 = 8.23%

- Defined Benefit = 8.31%
- Combined health care = 7.55%

Active contributing members increased for the first time since 2007

- member & employer contributions increased by 4.1% over 2015

# Financial Performance



Number of new retirees increased by 2.5 over 2015

- Traditional Pension Plan

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

- (34.3%)

- ❖ Funding
- ❖ Financial performance
- ❖ **Today & what's on the horizon**
- ❖ Plan design ideas
- ❖ Health care

# State of OPERS



# *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



# 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

- Must be qualified child <sup>18</sup>
- Benefits were terminated for no participation
- Payments continue until age 22
- File form within 1 year of bill's effective date

# HB 520 Survivor Benefit Changes

- Also member with STRS or SERS
- Honor most recent beneficiary designation
- Beneficiary must be eligible for survivor benefits

# 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

# Refund Changes

## Three months to two

- Member now must wait two months to refund
- All other requirements remain the same

# 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



# Law Enforcement/Public Safety

## New categories for new hires

Become full-time after 4/6/17

BCII Investigators	Gaming Agents
Special Police Officers for Port Authority	Department of Taxation Investigators
Special Police Officers for Municipal Airports	

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

# Law Enforcement/Public Safety

## Member Services/Education

- Currently scheduling counseling appointments
- Created instructions for creating estimate request
- A specific presentation was created

# 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

# 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)

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

# 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
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6. **ARP mitigating rate**

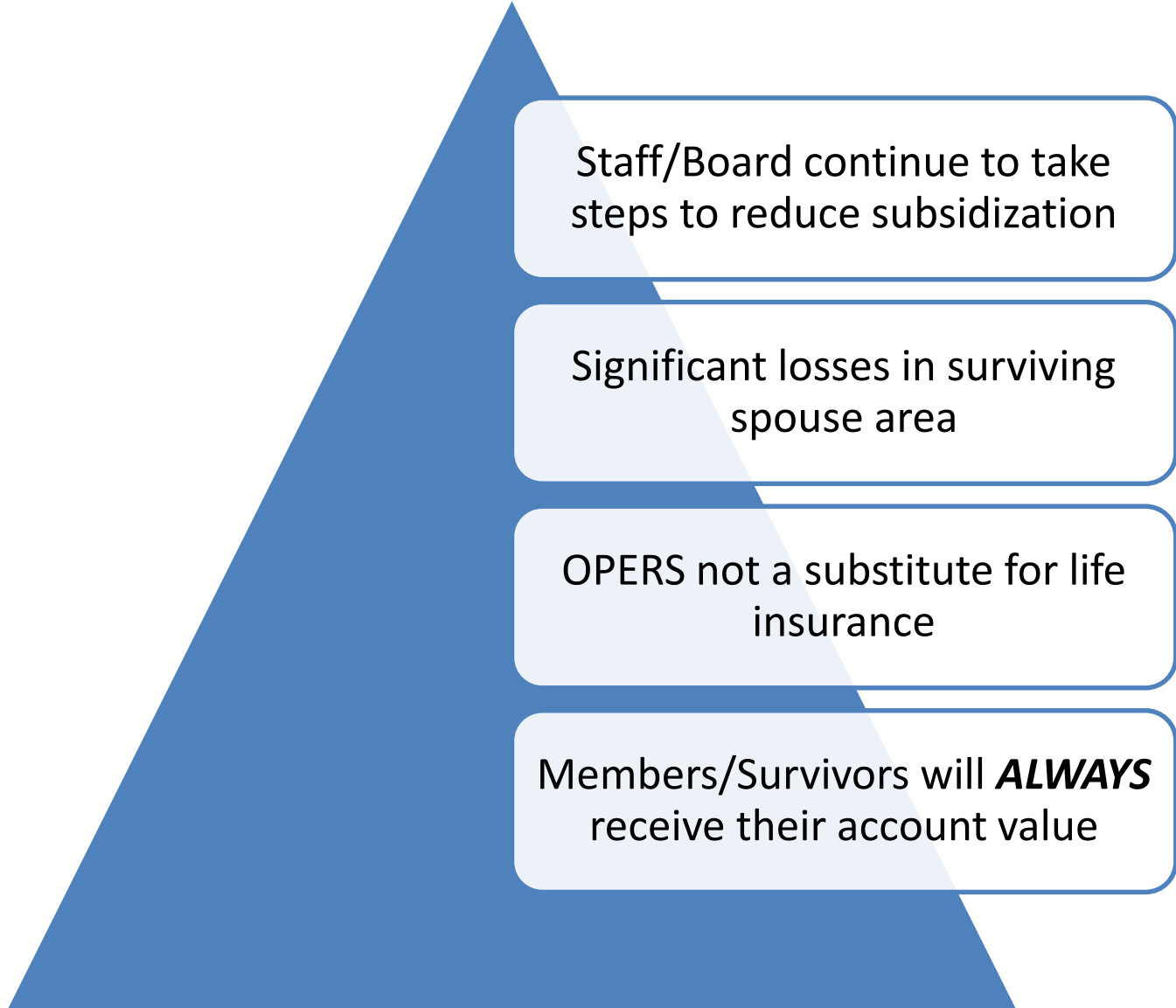
# ARP Mitigating Rate

- 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

# State of OPERS

# Background



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



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**Align benefits  
with  
contributions  
and service  
credit**

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# 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**

# State of OPERS

# 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

# Summar y

# Questions