OPERSNEWS

Spring 2024

News and information for retired members of OPERS.

Trustees approve increases in HRA base allowance amounts.

The OPERS Board of Trustees approved an increase in the Health Reimbursement Arrangement (HRA) base allowance for Medicare retirees at its March meeting. The Board also voted to maintain the Pre-Medicare allowance at the current level.

The current base allowance of $350 per month for Medicare retirees will increase to $400 beginning in January and is expected to remain at that level through 2030. The base allowance for Pre-Medicare retirees is currently $1,200 per month and was scheduled to reduce to $1,000 per month in January. Instead, the Pre-Medicare base allowance is expected to remain at $1,200 per month through 2030. The HRA increases are part of a plan to periodically evaluate the base health care allowances based on funding availability. Trustees considered several approaches to increase the base allowances in light of the current costs of coverage for retirees. The approved periodic-increase plan increases health care buying power for Medicare retirees, provides plan stability for all retirees and follows the current structured allowance approach all retirees are familiar with.

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This increase in HRA allowance levels will occur despite the System not having sufficient employer contributions to fund health care. However, the favorable investment returns and overall plan structure have allowed the health care fund to remain strong. While these allowance levels are currently expected to continue through 2030, the HRA allowance is monitored relative to the health care costs and funding. Future changes in the HRA allowance level could be considered earlier than 2031 depending on costs and funding levels.

The goal of the HRA program is to cover a portion of the retiree's medical and drug plan premiums. OPERS introduced the HRA for Medicare retirees in 2016 and for Pre-Medicare retirees in 2022. Retirees receive varying percentages of the base allowances depending on their years of qualifying service credit and the age at retirement. They can be reimbursed for paid premiums and out-of-pocket medical expenses with funds available within their HRA.

New monthly HRA allowance amounts for Medicare-eligible retirees will be provided within the 2025 open enrollment mailing in October.

New OPERS seminars focus on health care

Last fall, OPERS launched a new education initiative that offers retirees the opportunity to gain a specialized understanding of health care topics that may impact where they are in their journey. To date, the OPERS team has launched education focused on the following:

Aging Into Medicare

Are you confused about Medicare? There are a lot of moving parts, and as your trusted partner, OPERS would like to help you understand your options!

This interactive seminar is intended for Retirees who will turn age 65 in the next 15 months. You'll walk away from this seminar with a better understanding of the following:

- The different parts of Medicare – Parts A, B, C, D
- How Medicare works and the difference between Medicare Advantage and Medigap / Medicare Supplement plans
- When to enroll in Medicare and how Via Benefits will help
- The Medicare Health Reimbursement Arrangement (HRA) – a monthly deposit that will offset your medical expenses

Understanding Your OPERS HRA

Eligible retirees receive a monthly deposit into their Health Reimbursement Arrangement (HRA). This opportunity is intended to help Pre-Medicare and Medicare retirees feel more comfortable using their HRA. If you struggle with understanding what an HRA is or how to receive reimbursements, come join us!

This seminar has two parts.

1. ***Presentation*** — This is a traditional OPERS presentation in which HRA concepts will be reviewed to increase your understanding of the HRA. Topics covered include HRA basics, eligible expenses, submitting expenses and where to get help.
2. ***Workshop*** — This is a hands-on group workshop in which you will walk through the step-by-step process to download the Via Benefits mobile app, create an online Via Benefits account, and even submit an expense!

Register for a seminar online through your OPERS online account. Once logged in click on "Tools and Resources" and then on "Seminars and Counseling" to select a seminar. You can also register by calling OPERS at 1-800-222-7377

OPERS News

OPERS News is a quarterly newsletter providing news and information to retired members of the Ohio Public Employees Retirement System. This publication allows us to communicate vital information concerning retirement benefits to our members.

This newsletter is written in plain language for use by members of the Ohio Public Employees Retirement System. It is not intended as a substitute for federal or state law, nor will its interpretation prevail should a conflict arise between it and the Ohio Revised Code, Ohio Administrative Code or Internal Revenue Code. If you have questions about this material, please contact our office or seek legal advice from your attorney.

Contact information:
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Legislative Update

A summary of current legislative efforts at the state level

OPERS continues to work with state legislators on a series of pending bills that could impact the system.

State bills on which OPERS has advocated for or against include:

- **House Bill 94**, which would allow Ohio Police & Fire Pension Fund members to transfer service credit to OPERS even if they contributed most of their time to OP&F. OPERS has concerns with the proposal and has delivered testimony to the Ohio House of Representatives Pensions Committee on HB 94. The bill, as drafted, would eliminate the current service credit transfer requirement for Ohio Police and Fire Retirement System members into OPERS (i.e., cannot transfer unless the member has more time in OPERS than OP&F and will retire within 90 days of the transfer).

  OPERS staff have met with Committee members to urge them to consider a more efficient solution – that is to eliminate the active service requirement that impedes active OPERS members with fewer years of service credit in OPERS to transfer service credit to OP&F to be eligible for retirement benefits. OPERS' testimony on the bill was centered around the active-duty requirement issue, though OP&F opposes the proposal. OPERS will continue to work with the General Assembly to bring about a reasonable solution to a legitimate issue.

- **House Bill 261**, a bill that proposes adding EMS workers to the OPERS LE/Public Safety Division. OPERS testified to the House Pensions Committee as an interested party. It is OPERS' position that the integrity of the LE Division should remain intact by not adding classifications outside of the realm of peace officers. Additionally, if the General Assembly determines that additional classifications warrant consideration for earlier retirement criteria, they should review those classifications in a broader context.

- **House Bill 296**, increasing the employer contribution rate for OP&F police officers from 19.5% to 24%.

  The OPERS Board of Trustees acted last year to authorize OPERS staff to seek the system's first statutory maximum employer contribution rate increase in nearly 50 years. The legislation would increase the maximum employer contribution limit for state and local members to 18 percent and grant the Board authority to raise the Law Enforcement statutory contribution to the same rate as that of the Ohio Police & Fire Pension Fund.

  The last time the statutory maximum was increased was nearly 50 years ago and it took OPERS almost 30 years to gradually increase the employer contribution rate up to the statutory maximum.

  Contributions is one of the four components of a pension system's retirement funding equation: Contributions + Investment Earnings = Benefits + Expenses. Successful passage of legislation to increase the employer contribution rate statutory maximum would enable OPERS to pay down its debt sooner, which is important due to decreasing active member to retiree ratios.

  OPERS believes if the General Assembly agrees that employer contribution rate increases should be considered for one system, it should give equal consideration to all pension systems

- **House Bill 4**, which would prohibit Ohio's public retirement systems from entering certain contracts with entities that the Treasurer of State identifies as engaging in economic boycotts. OPERS has voiced its concerns about the proposed language and will continue working with the sponsors.

- **House Bill 257**, which would allow OPERS Board members to adopt a policy that would authorize members to attend meetings remotely under certain circumstances. OPERS supports the proposal. The bill overwhelmingly passed in the House of Representatives and has received an initial hearing in the Senate Government Oversight Committee.

- **Senate Bill 6**, which would restate the fiduciary responsibilities of OPERS regarding our investments and corporate governance activities. OPERS has taken a neutral position on SB 6, as it already complies with the language of the bill.

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Spring 2024

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OPERS investment funds rebound in 2023

The **Defined Benefit fund investment return was 11.26%** in 2023. The positive return outperformed our policy benchmark by 0.80%, or 80 basis points, for the year and exceeded our long-term actuarial assumed rate of return of 6.9%.

The **Health Care fund investment return was 13.97%** last year. That return outperformed the policy benchmark by 0.32%, or 32 basis points, for the year and exceeded our long-term actuarial assumed rate of return of 6.0%.

The Health Care fund has a different asset allocation which considers the higher liquidity needs for that program. The Defined Benefit fund is a substantially larger, more diversified program that includes alternative assets.

Funded level holds steady amid strong investment returns

OPERS' funded level at the end of 2023 is expected to remain relatively unchanged from the previous year. This analysis considers the impact of the investment returns without considering the impact of the other assumptions for which the data is not available yet. The system's estimated funded ratio is expected to remain at 84%. That means OPERS has 84 cents for every dollar it owes in future liabilities.

The forecasted time expected to pay off the system's unfunded actuarial accrued liabilities (i.e., debt), defined as the amortization period, is estimated to decline from 16 years to 15 years, again without considering the impact of other assumptions for which the data is not yet available.

For the OPERS Health Care Program, the primary funding metric is the estimated remaining years of solvency. With a strong investment return of 13.97% in 2023, the plan's solvency years are expected to improve to 22 years, from 21 at the end of 2022.

OPERS' external actuary will present the final asset and liability results to the Board in May for the pension plans and in September for the health care plans.