Proposed Plan Design Changes – What Do They Mean to You?

You’ve heard about new membership tiers, new retirement groups and new plans. So, you’re probably wondering: what does this mean to me? In short – not much. That’s because the changes being considered by the Board will only impact new members.

What is Group D? Group D is simply another retirement group in which new members hired after Jan. 1, 2022 will be classified. Group D members will have their own set of retirement eligibility requirements, benefit structure and features – just like our other retirement groups (A, B and C).

Group D is not a specific retirement plan. In fact, new members in Group D will have the opportunity to choose from two OPERS retirement plans: the Traditional Pension Plan and a modified Member-Directed Plan.

Why are we proposing a Group D? As new generations enter the workforce, OPERS must continue to adapt and change to ensure we are offering retirement plans that are relevant and meet the needs of tomorrow’s workers. Group D will have its own eligibility requirements, benefit structure and unique member features designed to meet those needs.

The changes we’re proposing will also help OPERS address expected investment market volatility and adjust to the lack of available funding for health care.

What’s going on with the Combined Plan? Under the proposed changes, the Combined Plan would merge into the Traditional Pension Plan. It would not be available to new members hired in 2022 and beyond. If you’re currently enrolled in the Combined Plan, this merger will not affect you or any of your plan features such as retirement eligibility requirements or benefits.

Why are we modifying the Member-Directed Plan? The proposed modifications to the Member-Directed Plan would align future benefits in that plan with the ones offered in the Traditional Pension Plan. Taking a fresh look at the Member-Directed Plan design in today’s market and exploring changes allows us to ensure parity among our retirement plans.

Perhaps the biggest thing to take away from this article is that these changes are all proposals being considered by the Board and the details and implementation dates can (and likely will) change.

Although these changes won’t impact you, we still want you to be informed on the actions your Board of Trustees is taking to meet the needs of all members (past, present and future) and continue providing secure retirement benefits.
Changes to Cost-of-Living Adjustment

You may have read in a recent Board Report or PERSpective blog article, that in September the OPERS Board of Trustees approved changes to the cost-of-living adjustment and is now seeking legislative approval. If you are planning to retire in 2020 or 2021, these changes could impact when you receive your first cost-of-living adjustment.

Current rule: All retirees must wait 12 months from their retirement anniversary date to receive their first cost-of-living adjustment.

Board-approved changes: The Board approved a cost-of-living adjustment two-year suspension beginning in 2022. That means all retirees would not receive a cost-of-living adjustment in 2022 or 2023, and then the cost-of-living adjustment would be re-instated in 2024 on each retiree’s retirement anniversary date. Members who retire in 2022 and later would receive their first cost-of-living adjustment 24 months after their retirement date on their second retirement anniversary.

These changes may impact you differently, depending on your retirement date. The biggest impact is to those retiring in 2021 because they’ll be under the current conditions (12-month wait) and the two-year suspension. They will go 36 months from their retirement date until their first cost-of-living adjustment.

If you’re planning to retire in 2020 or 2021, you are strongly encouraged to schedule a retirement counseling session with one of our counselors. They can help you determine exactly how this change could impact you.
Research has shown board diversity can improve a company’s bottom line – that there’s a positive correlation between gender-diverse boards and lowered governance risk, enhanced decision making and increased shareholder returns. That’s important to institutional investors such as OPERS, which derives two-thirds of our pension benefit from investment returns.

And that’s why OPERS Corporate Governance Officer Patti Brammer joined several other business leaders from around Ohio last month to offer proponent testimony at a hearing on House Concurrent Resolution 13. The resolution encourages public companies to hire more women to their boards and include more women in leadership roles. The resolution is being jointly sponsored by Ohio Reps. Sara Carruthers (R-Hamilton) and Thomas West (D-Canton).

“Passing this resolution shows the state is taking the first step in recognizing that increasing gender diversity and equity in corporate leadership would make Ohio a better place to live, work and retire with security,” Rep. West said when he introduced the resolution in September.

Brammer said a “robust pipeline of board-ready female candidates” already exists, and OPERS’ support of this resolution includes boosting that awareness. The resolution is not a quota or prescriptive measure to determine who should comprise Ohio companies’ boards of directors.

“We want boards to select the best candidates,” she said. “This resolution is about broadening horizons, changing board refreshment past practices and including alternate sources such as academia, government or even first-time board candidates in the search.”

“Increasing awareness is a vital step toward improving the board diversity of Ohio companies, and this resolution aids our engagement efforts.”

The resolution remains in the hearing stage, and no timetable has been set for introduction to the House floor.

OPERS’ Corporate Governance program focuses on adding value to our investment strategies and creating strong relationships with the public companies in which we invest by effectively voting proxies and responsibly participating in associated corporate governance activities, industry groups and coalitions.
Fourth quarter 2019

OPERSNEWS

News and information for active members in the OPERS Traditional Pension Plan.

If you no longer wish to receive a paper copy of your newsletter and would like to receive the electronic version, log into your OPERS online account and update your correspondence preferences to electronic.

Annual Statements Coming in March

OPERS will begin mailing 2019 Personal Statements of Estimated Benefits in March and will be available through your online account. Log in to your online account to make sure the personal information we have on file is current. Don’t have an online account? Register today by clicking on the Account Login button on the top, right corner of the opers.org home page.