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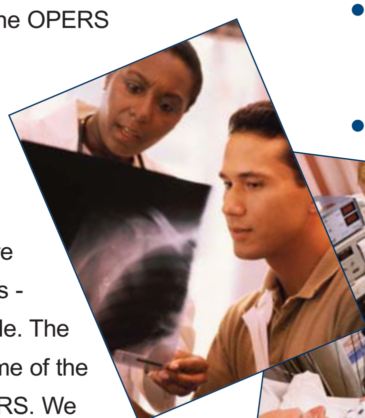
OPERS BOARD APPROVES ONE-YEAR DELAY FOR NEW RETIREE HEALTH CARE PLAN

The OPERS Board of Trustees approved a one-year delay in the implementation of a new retiree health care plan adopted last year. This one-year delay applies to all the components of the new plan with a few exceptions.

The delay will allow current members and retirees to have more time to prepare, and will allow OPERS more time to educate our members and communicate the changes to them. We have already begun communicating the reasons for the delayed implementation to our members. If you receive questions from your colleagues or constituents, you can direct them to the OPERS website, where they can view an educational video by OPERS Health Care Director Marianne Steger.



It is important to remember OPERS provides health care coverage to more than 220,000 retirees and dependents - 135,000 of whom are Medicare-eligible. The health care program changes are some of the most significant in the history of OPERS. We understand how important it is that these necessary changes are implemented with plenty of time to communicate to our members. Below is a recap of the components that will remain on the original schedule and a summary of some key components affected by the timing change.

The following components of the new health care program will NOT be delayed for one year:

- *Qualifying service credit:* We will apply the new rules for which types of service credit will qualify in 2014.
- *Medicare Part B premium reimbursement:* We will retain our scheduled reduction of the Medicare Part B reimbursement beginning in 2014, reduced over a three year transition period.
- *Disability five-year rule:* Members who retire under a disability retirement Jan. 1, 2014, or later will be subject to the five-year limit on access to health care.
- *Delayed enrollment:* Retirees may delay entry into the OPERS health plan. Their allowance will be determined based on their years of service at retirement and age at enrollment.
- *Elected withdrawal:* Retirees who voluntarily elect to withdraw from the OPERS health care plan on or after Jan. 1, 2014 cannot re-enroll.
- *Minimum earnings:* Beginning Jan. 1, 2014, contributing service credit for health care will be accumulated only if the member earns at least $1,000 per month. Only certain types of credit that fund health care will count.

Key components being delayed by one year to Jan. 1, 2015:

- *New eligibility rules:* Members who have not reached the threshold of 30 years of service must have at least 20 years of service and be at least 60 years of age to qualify for health care.
- *Allowance transition:* The new health care plan will base the allowance given to participants for their monthly premiums on age and service. There will be a three-year transition (2015-2017) to the new allowance tables for current participants in the health care plan.

Key component being delayed one year from Jan. 1, 2015 to Jan. 1, 2016:

- *OPERS Medicare Connector:* The new health care plan includes a connector model for Medicare-eligible participants, in which a licensed professional will help the participant choose a plan on the individual market that will be at least partially funded by OPERS.

A summary of the changes described above is also available at www.opers.org. We will continue to update members and retirees via our quarterly newsletters, e-mail blasts, social media and the Special Coverage section of our website, www.opers.org.

Despite the delay in three components of the health care program changes, we are still on track to provide stable funding for the OPERS retiree health care program well into the future thanks to the passage of Sub. Senate Bill 343 (129th General Assembly).

OPERS OPPOSES FEDERAL LEGISLATION THAT IMPOSES ADDITIONAL REQUIREMENTS ON PUBLIC PENSIONS

On April 18, 2013, federal legislation was introduced that would impose additional federal reporting requirements on Ohio's public retirement systems and could impact Ohio's tax-exempt bonding authority. HR 1628, also called "The Public Employee Pension Transparency Act" or PEPTA, is sponsored by Congressman Devin Nunes of California. For multiple reasons discussed below, OPERS opposes such legislation.

OPERS is already subject to numerous state and federal reporting requirements

Ohio's public pension funds are operated in a very transparent manner. The funds were created many years ago and are governed under Ohio law, as enacted by the Ohio General Assembly. They are overseen by the Ohio Retirement Study Council (ORSC), a legislative oversight body created in 1968 to consider the financial and public policy implications of pension-related legislation. Under Ohio law, numerous reports and studies are already required in order to ensure that the systems are sustainable and well-funded.

In addition to these reporting requirements, the Ohio funds look to the Government Accountability Standards Board (GASB) for additional funding guidance. Over the past two years, OPERS spent more than $2 million on actuarial studies and required reports to show our funded status, accrued liability and other financial data.

Additionally, we produce a Comprehensive Annual Financial Report (CAFR), which details the financial data that PEPTA is attempting to replicate. The CAFR is widely distributed as a public document and is posted on opers.org for anyone to review.

The proposed PEPTA legislation adds a layer of oversight and cost to Ohio that is unnecessary given the legislative and regulatory framework already in place.

> *"Over the past 30 years, OPERS has exceeded its assumed rate of return, earning more than 8.5 percent on its investments."*

Experience shows that OPERS' assumed rate of investment return is reasonable and realistic

The OPERS Board of Trustees sets the assumed rate of return based on the advice and recommendations of an independent investment expert. In contrast, PEPTA would force OPERS to calculate and report its liabilities based on a "risk-free" rate of return tied to U.S. Treasury bonds. The effect of this change would be to grossly overstate our liabilities and unnecessarily create a question regarding our ability to meet our pension obligations. Any obligations are paid out over a period of years. Much like a mortgage payment, the pension payments are due over the course of 30 or more years, not all at once. Another concern is the penalty for non-compliance: as drafted, the PEPTA would terminate the federal tax-exempt bonding authority of any public entity that sponsors a non-complying public employee pension system.

The fact remains that over the past 30 years, OPERS has exceeded its assumed rate of return, earning more than 8.5 percent on its investments. Importantly, this figure includes the losses we incurred during the economic downturns in 2001 and 2008.

OPERS is not now, nor has it ever been, in a fiscal crisis

In 78 years of existence, OPERS has weathered many economic disruptions, and the latest downturn in 2008 was no different. It is perhaps most telling that, following the worst economic collapse since the Great Depression, OPERS is now over 80 percent funded and well within its statutorily-required 30-year amortization period.

Thanks in large part to action taken by the Ohio General Assembly in 2012 to pass comprehensive pension legislation and our Board's systematic review of pension benefits and access to health care coverage, OPERS is prepared to provide retirement security for its members well into the foreseeable future.

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