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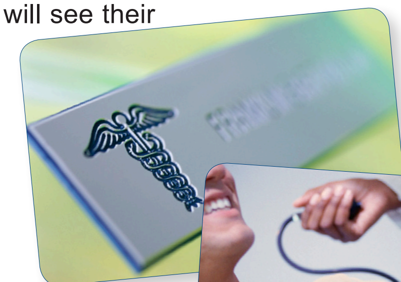
September 2013

OPERS' RETIREE HEALTH CARE OPEN ENROLLMENT BEGINS OCTOBER 1ST

Some changes are in the works in 2014 for participants in the Ohio Public Employees Retirement System retiree health plan. We have mailed personalized statements and change forms to our retirees. Open enrollment in the health care plan runs from Oct. 1-31, 2013.

This open enrollment period is specific to the OPERS retiree health care plan and is not related to the enrollment period for the federal health care exchange established by the Affordable Care Act.

For OPERS retiree health plan participants, coverage, co-insurance, out-of-pocket-costs and deductibles will remain uniform; however both Medicare-eligible and non-Medicare-eligible participants will see their premiums increase. On average, Medicare participants will see an approximate monthly increase of $10-$12, while non-Medicare participants will see a monthly increase of about $45.



Rising health care costs and increased utilization of the plan are two reasons that premium prices are going up. Another is the expiration of money from the Early Retiree Reinsurance Program (ERRP), a provision of the Affordable Care Act through which OPERS secured more than $180 million to support our efforts to provide health care coverage to our retirees. We've used the ERRP money over the past few years to keep down the participants' share of the premium. Without the ERRP money, there would have been additional premium increases in 2012 and 2013.

To be clear, the new premium rates are not a result of the long-term changes to the health care plan that we announced last year, rather are the result of rising health care costs, increased utilization of the plan and expiration of money from the Early Retiree Reinsurance Program provision of the Affordable Care Act. Provisions of the preservation plan include basing premiums on age and service, and eventual elimination of spousal coverage.

That plan will continue as we seek to sustain health care for the long term for retirees who, along with their employer, paid into the system.

The statements that participants are about to receive will reflect the new premiums. They also contain detailed information about the plans, including in-network and out-of-network costs, value-based co-pays and lower out-of-pocket maximums for drug coverage.

For the first time in several years, OPERS has made changes to the optional dental coverage. For instance, the new plan adds coverage for implants and composite fillings, and increases the frequency of periodontal maintenance from twice a year to four times a year. There will be no benefit changes to the optional vision coverage, although there are some marginal increases in premium cost for both the dental and vision coverage.

We are conducting several open enrollment seminars around the state. The sessions will include representatives from Humana, Medical Mutual, Express Scripts, Kaiser, Aetna and MetLife. Registration is required, and space is limited. Members may register through their online accounts or by calling OPERS at 1-800-222-7377.

You can see a list of the seminar times and locations in a Special Open Enrollment Bulletin that we mailed to retirees, preceding distribution of the open enrollment information. They can be found at:

(https://www.opers.org/pubs-archive/retirees/2013/Special%20OE%20bulletin%202013.pdf)

For those who cannot attend the live seminars, we are conducting on-line webinars twice a week until October 15th. There are registration links on OPERS' website. Go to www.opers.org and click on "Seminars" under the "Retirees" heading for more information.

OHIO A NATIONAL LEADER IN RESPONSIBLE FUNDING OF STATE RETIREMENT SYSTEMS

The city of Detroit's bankruptcy filing has captured plenty of headlines lately, with some suggesting that the city's issues with its pension liabilities are applicable to every defined benefit fund in the country.

That's simply not true.

The city's emergency manager listed pension payments among the unsecured debt that could be reduced through the bankruptcy proceeding. The fact is that Detroit has a host of issues that contributed heavily to its recent bankruptcy application. This particular bankruptcy case is specifically related to Detroit's situation and should not be a reflection on public pension benefits. Some observers have taken the opportunity to use the bankruptcy filing to criticize defined benefit plans in general. Detroit's problems are unique. News reports have indicated that the city is suffering from a severely declining population (down 26 percent since 2000), a loss of tax revenue, an unemployment rate of 18.6 percent, poor investments and urban blight.

GRS reported that OPERS pension funding status was 81 percent, and our health care fund stood at 64 percent. These numbers show that OPERS is among the most solvent systems in the country.

Making a direct link between a city seeking bankruptcy protection and the future of all defined benefit plans ignores the value of strong pension systems. Like we said in a recent blog on pension myths, defined benefit plans do not lead to bankruptcies unless there is fiscal mismanagement by someone or an oversight body The National Association of State Retirement Administrators has reported that, on average, state and local governments spend only a very small percentage of their budgets on pensions.

The report points out that spending levels vary because not all systems are alike and that some systems simply have not adequately funded pension costs in the past. In Ohio, however, the costs are set in law, with employers paying their statutorily-required contribution.

A study by the National Institute on Retirement Security found that defined benefit plans are sustainable if the employers faithfully pay their annual contributions, if employees contribute to the cost, and if measures used to control benefits are approved in the light of day.

As you know, last year the Ohio General Assembly passed pension legislation that made significant changes to our benefit structure. These changes will supplement our investment returns, which have averaged more than eight percent annually for the past 30 years. The result will be a healthier system in the long run, as the baby boomer generation retires. In its most recent actuarial valuation reports, GRS reported that OPERS pension funding status was 81 percent, and our health care fund stood at 64 percent. These numbers show that OPERS is among the most solvent systems in the country.

We are proud to say that the Ohio General Assembly has always been supportive of Ohio's state retirement systems. Similarly, Ohio's public employers, employees, and our stakeholders have been able to work together with us to ensure a sustainable and solvent retirement system.

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OPERS

With assets of $80.3 billion, as of Dec. 31, 2012, OPERS is the largest public pension fund in Ohio and the 11th largest public pension fund in the U.S. In operation since 1935, OPERS provides retirement, disability and survivor benefits for public employees throughout the state and serves more than one million members, including more than 190,000 retirees and beneficiaries.