

# **OPERS Pension and Health Care Changes**



# Learning Objectives



- **Pension Changes**
- **Health Care Changes**
- **Resources**

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# **Major Components of Pension Redesign**

## **Effective January 7, 2013**



- **Age & Service Eligibility**
- **Age & Service Reduction Factors**
- **Benefit Formula**
- **Final Average Salary (FAS)**
- **Cost of Living Adjustment (COLA)**

# Approved Legislation - *Group Concept*

## OPERS Transition Plan

### Group A

Must be eligible to retire on or before January 7, 2018.

### Group B

Must be eligible to retire after January 7, 2018, but on or before January 7, 2023, or have attained 20 years of service credit on or before January 7, 2013.

### Group C

Eligible to retire after January 7, 2023, or those hired on or after January 7, 2013.

To be counted toward determining group eligibility, all service purchase must be completed during the applicable transition period.

Transfers from another Ohio retirement system will also count if the service earned at the other system occurred before or during the applicable transition period.

# Approved Legislation - *Group Impact*

## OPERS Transition Plan

### Group A

Subject to COLA transition

### Group B

Subject to:

- Age & Service Eligibility requirements
- New Age & Service Reduction Factors
- COLA will be based on annual change in CPI

### Group C

Subject to all elements of the new plan design

# Age & Service Eligibility

UNREDUCED	Group A		Group B		Group C	
	Age	Service	Age	Service	Age	Service
State/Local	Any	30	52	31	55	32
			Any	32		
	65	5	66	5	67	5
Law Enforcement	48	25	50	25	52	25
	62	15	64	15	64	15
Public Safety	52	25	54	25	56	25
	62	15	64	15	64	15
Law and Public Safety (public safety benefit)	52	25	54	25	56	25

REDUCED	Group A		Group B		Group C	
	Age	Service	Age	Service	Age	Service
State/Local	55	25	55	25	57	25
	60	5	60	5	62	5
Law Enforcement	52	15	52	15	56	15
	N/A	N/A	48	25	48	25
Public Safety	52	15	52	15	56	15
	48	25	48	25	52	25
Law and Public Safety (public safety benefit)	48	25	48	25	52	25

# Approved Legislation and Groups Impacted



## Age & Service Reduction Factors

B and C Impacted

- Determined by actuary

## Benefit Formula

C Impacted

- **Unreduced: 2.2% for years of service up to 35, 2.5% thereafter**
- *No change benefit to formula for Law Enforcement and Public Safety*

## Final Average Salary (FAS)

C Impacted

- 5-year FAS

## Cost of Living Adjustment

A, B and C Impacted

- Determined by CPI, 0% - 3%



# COLA Transition



	<b>Legislation Effective 1/7/13</b>	<b>Start of 5 Year Transition 1/1/14</b>	<b>End of 5 Year Transition 12/31/18</b>
<b>Current retirees</b>		3% (no change)	3% (no change)
<b>Members retiring with effective dates during the 5 year transition period</b>		3% until the end of the 5 year transition period following legislation	All COLAs after the 5 year transition period will equal the CPI not to exceed 3%
<b>Members retiring after end of 5 year transition period</b>		N/A	All COLAs will equal the CPI not to exceed 3%

If Jill retires with an effective date of June 1, 2015 how long will she receive a fixed 3% Cost of Living Adjustment (COLA)?

**A) She would receive a fixed 3% for three years, then transition to the CPI based model.**

B) 5 years

Effective Dates	COLA	Years Received
Feb 1 thru Dec 1, 2013	Fixed 3%	5 years
In 2014	Fixed 3%	4 years
In 2015	Fixed 3%	3 years
In 2016	Fixed 3%	2 years
Jan 1 thru Dec 1, 2017	Fixed 3%	1 years
Jan 1, 2018 or later	CPI 0 - 3%	

# Other Approved Changes



Not subject to the transition plan:

Approved Changes	Applies to All Groups
Increase cost of service credit purchases to actuarial liability	
Increase in Minimum Earnable Salary ( <i>pension and health care</i> )	
Eliminate two alternative benefit calculations	
Establish an anti-spiking provision	
Implement disability program changes	
Increase the amounts of intersystem transfers	
Establish limitations on membership determinations	

# Other Approved Changes Continued



**Not subject to the transition plan:**

<b>Approved Changes</b>	<b>Applies to All Groups</b>
<b>Implement a universal beneficiary designation</b>	
<b>Modify enhanced refund additional amount</b>	
<b>Limit retroactive retirement benefits to 90 days</b>	
<b>Define health care eligibility</b>	
<b>Modify Medicare Part B premium reimbursement</b>	
<b>Ability to merge law enforcement and public safety divisions</b>	
<b>Combine service credit among the OPERS retirement plans</b>	

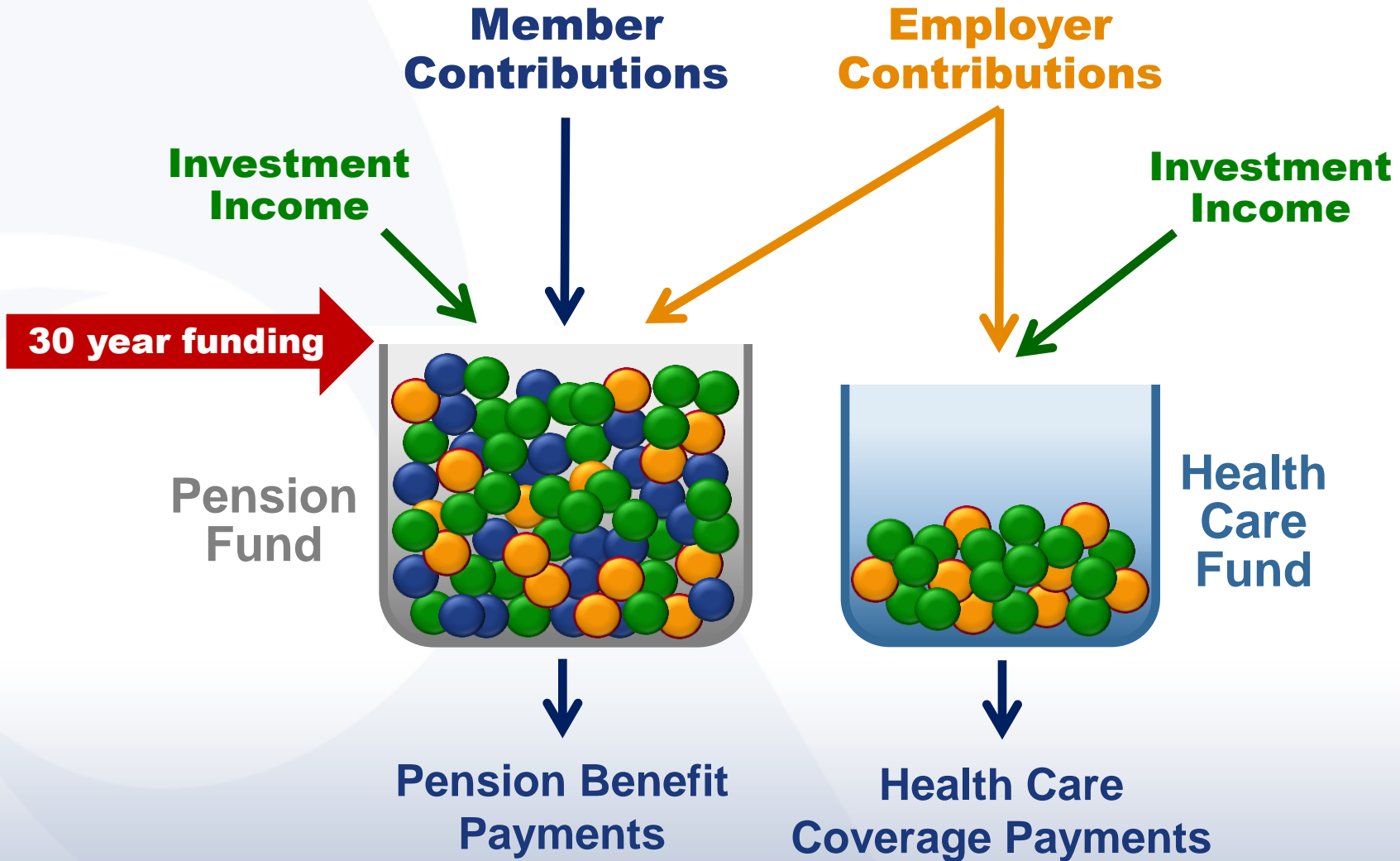
# Learning Objectives

- Pension Changes
- **Health Care Changes**
- Resources

This presentation reflects current information. There is no promise, guarantee, contract or vested right to access to health care coverage or a premium allowance. The Board has the discretion to review, rescind, modify or change the health care plan at any time.

OPERS is implementing Sub. S.B. 343 within a reasonable time frame.

# An Illustration of Funding



# Recent Changes In Key Funding Measures



	2007	2008	2009	2010	2011	2012
Funded Ratio	96%	75%	75%	79%	77%	TBD
Amortization Years	14	30*	30*	29*	30*	TBD
Health Care Solvency	31 years	11 years	11 years	11 years	11 years	17 years

\*In order to stay within the statutory 30 year funding requirement, more of the employer contributions were directed to the pension fund decreasing the health care solvency period.

# Contribution Rate Allocation Changes To Retain 30-Year Funding



	Pension	Health Care	Total
2009	8.5%	5.5%	14.0%
2010	9.0%	5.0%	14.0%
2011	10.0%	4.0%	14.0%
2012	10.0%	4.0%	14.0%
2013	13.0%	1.0%	14.0%

With legislation, our goal is to maintain health care funding with a 4% employer contribution. Due to the length of time it took to get the pension bill passed, this may not occur immediately. Strengthening the pension fund is our primary responsibility. Our current health care program requires a 7.6% employer contribution which is not sustainable given our challenges



2013

# Health Care Allowance & Eligibility



**Allowance** – The amount that OPERS pays toward the cost of your monthly medical/pharmacy coverage.

allowance from OPERS. Meaning, OPERS pays the full cost of coverage.

## **Retire with a pension effective date prior to 1/1/2015**

- 10 years of qualified service credit at age 60
- 25 years of qualified service credit at age 55
- 30 years of qualified service credit at any age

**“prior to...”**

**Qualified Service Credit** – Service credit that applies toward health care eligibility.

## Retire with pension effective date prior to 1/1/2014

- **The following service types apply towards health care eligibility:**
  - Contributing service
  - Leave of absence
  - School board service
  - Elected/Appointed service
  - 35% Additional service
  - Interrupted/free military
  - Unreported public service
  - Denied salary
  - Redeposit (refunded)
  - Workers' compensation
  - Ohio retirement systems (STRS, SERS, CRS, OP&F, HPRS)
  - Optional Service
  - Plan change service credit
- **All service types apply toward health care allowance**

2014-20

# **New Health Care Plan**

## **Delayed Enrollment**

- Allowance will be determined by years of service at retirement and age at enrollment

## **Elected Withdrawal**

- Retiree cannot re-enroll in the OPERS plan once they have elected to withdraw

## **Disability Recipients**

- With effective date of 1/1/2014 or later will have access with allowance limited to first 5 years of disability retirement unless approved for federal program

## Retire with pension effective date on or after 1/1/2014

- **Only the following service types will apply towards eligibility:**
  - contributing service
  - Ohio retirement systems
  - USERRA
  - unreported
  - redeposit (refunded)
- **These same types of service credit will apply toward health care allowance**
- **\$1,000 gross monthly earnings required for one full month of health care credit**

- **Restructured allowance based on years of service and age**
  - Current retirees at or above a 75 percent allowance will not receive less than 75 percent
  - Current retirees with less than 20 years should use 20 years to determine their personal allowance percentage
- **Dependent Children: access with allowance equal to 50% of retiree's allowance if retiree has 20 years or more of service**

## Retire with pension effective date *on or after 1/1/2015*

- 20 years of qualified service credit at age 60
- 30 years of qualified service credit at any age
  - *will increase to 31 years for Group B and 32 years for Group C as the minimum years of service for retirement eligibility increases*

## May be retirement eligible, but NOT health care eligible

- Age 55 with 25 years of service
- Age 60 with 10 years of service
- Will include survivor benefits



## **Spousal Allowance & Access**

- **Non-Medicare Spouses, Medicare Spouses and Surviving Spouses (current and future retirees)**
  - 2014 - Allowance unchanged**
  - 2015 - Allowance unchanged**
  - 2016 - Allowance reduced to 67% of 2015 level**
  - 2017 - Allowance reduced to 33% of 2015 level**
  - 2018 - No allowance, access only**
  - 2019 - No allowance, access only**
  - 2020 - Subject to review**

All spouses of current and future retirees will be subject to the new health care changes.

A. True

B. False

All spouses of current and future retirees will be subject to the new health care changes

# **OPERS Medicare Connector**

- **Medicare Part A and Part B are required**
- **Medicare will be primary insurance**
- **Provides more choices through the individual market to supplement your Medicare with greater affordability**
- **Choose a plan that best suits your medical and financial needs**

**OPERS sponsored plans will no longer be available for retirees with Medicare Part A and Part B**

# Learning Objectives

- Pension Changes
- Health Care Changes
- **Resources**

- **Communicate pension redesign and approved health care changes to members through:**
  - The OPERS website, [www.opers.org](http://www.opers.org)
  - Register and use tools available through your online account
  - PERSpective (the OPERS blog), Facebook, Twitter
  - In-person presentations, web presentations and videos
- **To stay informed, keep your contact information current and read your newsletters**



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PENSION & HEALTH CARE CHANGES: What do they mean to you?

and Pension Plan Changes for Active Members

PERSpectives video: Pension,

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Members: New Hires: Pick a Plan, Retirement Plans, Forms, Publications, Ready to Retire?, Membership, Seminar Options

Contributing Employers

Employers: Employer Contribution System (ECS), Employer Outreach, Notices | Newsletters, Forms | Publications, Carryover Public Employees, Membership Determination Process, Seminar Options

Benefit Recipients

Retirees: Rx Coverage, Your Health Care, Forms | Publications, Receiving Benefits, Benefit Payments, Requesting Medicare information from SSA, Seminar Options

Make Us Your Homepage, Browse our site: Select your section, Information Resources for Pension and Retirement Issues

From The OPERS Blog

- Documentary tackles retirement planning, Updated OPERS health care series: Eligibility, Service purchases can take time to initiate, 2012 annual statements on the way, Actuary: OPERS' DB fund tops assumed rate



Pension and Health Care Changes

In September 2012, the Ohio Legislature approved changes to the OPERS pension plan. At the same time, OPERS made changes to its health care plan for retirees. The pension changes take effect Jan. 7, 2013, and most of the health care changes take effect Jan. 1, 2014

Click here to view comprehensive guides that explain the changes



**View & Print New Member Handbook**  
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## Seminar Options

In September 2012, the Ohio General Assembly unanimously approved new pension legislation which went into effect Jan. 7, 2013. OPERS approved changes to the retiree health care plan which will begin Jan. 1, 2014. Education for OPERS members is based on group. A member's group is determined by age and years of service as of Dec. 31, 2012 assuming continuous employment.

**Step 1:** Identify your group. Click [here](#)

**Step 2:** Click on the group that applies to you

**Group A (Ready to Retire) - Eligible to retire on or before Jan. 7, 2018**

**Group B (Active members) - Members with 20 years of service credit on Jan. 7, 2013 or eligible to retire after Jan. 7, 2018 but on or before Jan. 7, 2023**

**Group C (Active members) - Eligible to retire under current eligibility requirements after Jan. 7, 2023 or members hired on or after Jan. 7, 2013**

**Member-Directed and Combined Plan Members**

**Retirees**

**New - For new hires within 180 days of employment**



# Ohio PERS



277 E. Town Street  
Columbus, OH 43215

1-800-222-7377

[www.opers.org](http://www.opers.org)

Available Media:   





**Thank you for supporting OPERS!**



**Questions?**



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