

# Strength for our future— planted deep, growing strong, reaching high



OPERS

Ohio Public Employees Retirement System

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### Planting seeds

Almost 80 years ago, the first seeds of OPERS were planted. The intent was to build a pension program to provide a secure retirement for public employees in Ohio. The seed flourished. Today, we are a strong, stable pension system with more than \$91 billion in net assets.



Dear Fellow Members:

On behalf of the OPERS Board of Trustees, management and staff, it is our pleasure to present this *2014 Summary Annual Financial Report* for the fiscal year ended December 31, 2014. We believe all stakeholders will find the theme, Strength for our future—planted deep, growing strong, reaching high, accurately reflects the spirit of our history and our 2014 achievements. You're invited to review our key 2014 activities:

**Ongoing implementation of pension changes:** As a System, we must be able to fund the unfunded pension liabilities within a 30-year window. Changes implemented in 2014 from the 2012 legislation have enabled us to continue to meet that mandate. OPERS can demonstrate that both the strength of the pension fund and solvency of the health care fund have steadily improved in 2014—as was anticipated when we partnered with stakeholders to ensure the pension legislation passed.

**Health Care Preservation Plan 3.0:** Neither mandated nor guaranteed, we know access to health care for our retirees is important for a secure retirement. While OPERS has one of the largest health care trust funds in the U.S., we recognized the need for change to ensure sufficient health care funds would be available for both current and future retirees.

In 2014, we focused on initiating the OPERS Medicare Connector (Connector), a program whereby eligible retirees over the age of 65 will receive funding (based on years of service and age at retirement) to apply to the health care program of their choice with the assistance of an OPERS vendor. Analysis shows the Connector will provide the majority of the 145,000 OPERS retirees who are over age 65 with better and more affordable health care than any group program OPERS could provide. We worked throughout 2014 to ensure retirees—present and future—fully understood the changes and their impact. These efforts will continue into 2015.

In addition, in 2014, OPERS established a 115 Health Care Trust to prepare to change the manner of funding health care through the Connector.

**Our Way Forward initiative:** This technology and business process redesign will refine internal systems so that OPERS can continue to deliver superior customer service to the expanding retiree population without adding significantly to staff. In 2014, almost 77% of retirement applications were filed online, compared to only 10% prior to the initial implementation of Our Way Forward. Most importantly, about 93% of retiring members now receive their first retirement payment by their effective date.

**Defined contribution solutions:** In 2014, the OPERS Board of Trustees approved several changes to the defined contribution plans and the Member-Directed Plan retiree medical account (MD-RMA). These changes were designed to update the defined contribution program to address various issues such as service credits in multiple OPERS retirement plans, modify health care vesting, identify a funding method for the Member-Directed Plan to complete the repayment of its start-up costs, and establish an administrative fee structure for the Member-Directed and Combined plans to ensure each plan is self-sufficient.

**Financial reporting standards:** The Governmental Accounting Standards Board (GASB) issued two standards intended to improve transparency of pension-related information in financial reporting. The new standards require pension systems to allocate the net pension liability, or unfunded liability, to all contributing employers. Throughout 2014, OPERS partnered with all affected public employers to ensure they have all the tools necessary to help implement these standards and understand the information OPERS is providing in 2015.

**Targeted outreach to all stakeholders:** We know our members and retirees are not pension experts and we recognize the trust placed in us to deliver on our promise of providing a secure retirement. As members and employers deposit contributions over the span of an employee's career, OPERS has the responsibility to deliver ongoing, accurate communication about the strength of the System and the pension benefits each employee has earned. Thus, our ongoing focus on outreach is both appropriate and of incalculable importance—for us and for our members, retirees and stakeholders.

**Thriving in all environments:** Our accomplishments in 2014 were substantial and have helped strengthen us for the future. However, we must remain alert to changes to our environment and continue to shape the organization so all branches are sturdy enough to support themselves and, therefore, support the overall strength of the organization.

*continued...*

Overall, 2014 was a good year and a good year is always a pleasure to report. We continued to reach high so that we can continue to deliver on our promise to all members. Our organization is strong and is shaped for ongoing growth by anticipating and acclimating to every environment. We expect to thrive in 2015, as we did in 2014. However, no one knows what any given year will bring—just as no one can control the weather. We know OPERS has been shaped to bend with any weather and that ultimately our strength will allow us to straighten and reach new heights in all environments.

Our promise to our members and retirees is clear: We will not simply endure, we will continue to thrive—that's our members' expectation; that's our promise; and that's our tradition. We continue to reach high—to serve our members.

Respectfully submitted,



Karen E. Carraher, CPA  
Executive Director



Blake W. Sherry  
Chief Operating Officer



Jennifer H. Starr, CPA  
Chief Financial Officer



Blake Sherry, Jennifer Starr, and Karen Carraher

## 2014 Financial Summary

We continue to work diligently to enhance the strength of the System by ongoing shaping of the System, monitoring of our environment, minimizing investment risk and monitoring expenses. Consider these results for 2014:

- **Funded status:** Funded status measures the progress of accumulating the funds necessary to meet future obligations. OPERS continues to thrive by constantly monitoring its environment to ensure we have remained in compliance with the 30-year funding window required by law. The 2014 funded status was 83.8% funded, with an amortization period of 21 years on a GASB-reporting basis.  
As of the December 31, 2013 health care actuarial valuation (the date of the latest study), OPERS was 60.8% funded, with funds expected to be sufficient to fund future health care needs.
- **Importance of strong investment returns:** Employee contributions, employer contributions, and income from investments provide the funds necessary to finance retirement benefits. As expected with a mature plan, approximately two-thirds of OPERS revenue, from which benefits are paid, is generated from investment returns. The remaining funding comes from employee and employer contributions.
- **Security for members:** Expenses (which include pension benefit payments, health care coverage expenses and refunds) for fiscal year 2014 were \$7.4 billion, an increase of 3.7% over 2013 expenses of \$7.1 billion. The increase in members receiving pension benefits reflects the baby-boomer generation reaching retirement age. Health care expenses rose 5.9% in 2014 to \$1.7 billion. These increases reflect our dedication to providing a secure retirement for our members. All told, in 2014, OPERS paid \$5.1 billion in pension benefits and \$1.7 billion in health care to more than 203,000 retired Ohioans and their beneficiaries.

This *Summary Annual Financial Report* is derived from information contained in the OPERS *Comprehensive Annual Financial Report* for the years ended December 31, 2014 and 2013 (CAFR), but does not contain detailed financial information by plan, nor is it presented in a manner to conform to Generally Accepted Accounting Principles (GAAP). For a complete set of financial definitions included in this summary report please refer to the OPERS CAFR, which is prepared in conformity with GAAP and may be obtained by visiting our website at [www.opers.org](http://www.opers.org) or by contacting OPERS to request a copy.

Additionally, those interested in learning more about the OPERS health care program are invited to obtain a copy of the OPERS 2014 *Health Care Report*. That report is also available online at [www.opers.org](http://www.opers.org) as of June 30, 2015.

## Summary Comparative Statements of Fiduciary Net Position

This statement shows the assets and liabilities as of the dates shown. The net position represents the funds OPERS has accumulated thus far to pay pension benefits and health care costs for current retirees as well as active and inactive members. Current retirees' benefits are 100% funded, while active members' future pensions are still being funded.

	December 31, 2014	December 31, 2013	December 31, 2012	Amount of Change from 2013 to 2014	Percentage Change from 2013 to 2014
<b>Assets</b>					
Cash and Receivables	\$3,971,695,394	\$4,426,228,595	\$4,992,701,305	(\$454,533,201)	(10.3)%
Investments, at fair value	87,891,142,075	85,137,610,781	77,617,850,120	2,753,531,294	3.2
Collateral on Loaned Securities	7,854,368,780	6,958,964,420	6,827,172,458	895,404,360	12.9
Capital Assets (Net)	133,629,210	131,389,851	121,172,935	2,239,359	1.7
Prepaid Expenses and Other Assets	2,261,461	2,912,709	3,841,978	(651,248)	(22.4)
<b>Total Assets</b>	<b>99,853,096,920</b>	<b>96,657,106,356</b>	<b>89,562,738,796</b>	<b>3,195,990,564</b>	<b>3.3</b>
<b>Liabilities</b>					
Accounts Payable and Other Liabilities	163,233,170	159,053,712	182,002,586	4,179,458	2.6
Investment Commitments Payable	593,164,943	554,398,461	1,116,869,935	38,766,482	7.0
Obligations Under Securities Lending	7,852,803,699	6,953,717,885	6,816,672,766	899,085,814	12.9
<b>Total Liabilities</b>	<b>8,609,201,812</b>	<b>7,667,170,058</b>	<b>8,115,545,287</b>	<b>942,031,754</b>	<b>12.3</b>
<b>Net Positions Held in Trust for Pension</b>					
<b>Benefits and Post-employment Health Care</b>	<b>\$91,243,895,108</b>	<b>\$88,989,936,298</b>	<b>\$81,447,193,509</b>	<b>\$2,253,958,810</b>	<b>2.5%</b>

## Summary Comparative Statements of Changes in Fiduciary Net Position

The statement below shows the annual additions (income) and deductions (expenses) for the System. Investment earnings and contributions typically make up the majority of the income. The deductions primarily represent annual pension benefit payments, health care costs and refunds.

Investment returns were favorable in 2014, meeting or exceeding targeted benchmarks. These results provided net investment income of \$5.8 billion to be added to the asset base.

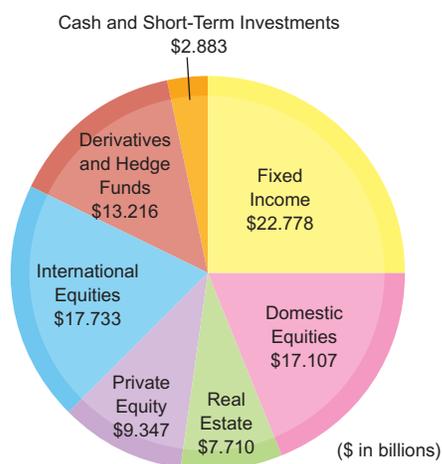
The anticipated increase in retirees as the baby-boomer generation moves through retirement age resulted in an increase in pension benefits and post-employment health care expenses. This increase in members receiving pension benefits is reflected in the 3.7% increase in 2014 total deductions compared to 2013. Health care expenses alone rose 5.9% in 2014 compared to 2013.

	December 31, 2014	December 31, 2013	December 31, 2012	Amount of Change from 2013 to 2014	Percentage Change from 2013 to 2014
<b>Additions</b>					
Member Contributions	\$1,545,835,210	\$1,458,086,045	\$1,426,415,134	\$87,749,165	6.0%
Employer Contributions	1,829,907,525	1,794,039,132	1,778,728,069	35,868,393	2.0
Net Investment Income	5,775,317,835	11,006,164,375	10,375,431,044	(5,230,846,540)	(47.5)
Other Income	466,010,116	383,127,051	429,924,781	82,883,065	21.6
<b>Total Additions</b>	<b>9,617,070,686</b>	<b>14,641,416,603</b>	<b>14,010,499,028</b>	<b>(5,024,345,917)</b>	<b>(34.3)</b>
<b>Deductions</b>					
Pension Benefits	5,112,123,787	4,931,491,707	4,590,938,871	180,632,080	3.7
Health Care Expenses	1,740,814,106	1,644,244,641	1,609,157,697	96,569,465	5.9
Refunds	425,701,829	441,284,204	307,486,279	(15,582,375)	(3.5)
Administrative Expenses and Other Deductions	84,472,154	81,653,262	86,598,838	2,818,892	3.5
<b>Total Deductions</b>	<b>7,363,111,876</b>	<b>7,098,673,814</b>	<b>6,594,181,685</b>	<b>264,438,062</b>	<b>3.7</b>
<b>Net Increase</b>	<b>2,253,958,810</b>	<b>7,542,742,789</b>	<b>7,416,317,343</b>	<b>(5,288,783,979)</b>	<b>(70.1)</b>
<b>Net Positions Held in Trust for Pension</b>					
<b>Benefits and Post-employment Health Care</b>					
<b>Beginning of Year</b>	<b>88,989,936,298</b>	<b>81,447,193,509</b>	<b>74,030,876,166</b>	<b>7,542,742,789</b>	<b>9.3</b>
<b>End of Year</b>	<b>\$91,243,895,108</b>	<b>\$88,989,936,298</b>	<b>\$81,447,193,509</b>	<b>\$2,253,958,810</b>	<b>2.5%</b>

## Investment Summary

The tradition of strength and stability OPERS has established is the direct result of dedicated management and a visionary Board that establishes investment policies to reduce the amount of risk inherent in the market. The 2014 investment market was relatively good and our returns were favorable. As a long-term institutional investor, OPERS invests in a diverse set of asset classes to minimize the risks inherent in the market. Through our investing strategies, systematic funding practices and long time-horizon, OPERS remains adaptable to changing market conditions working towards limiting losses in bad years and maximizing gains in good years. Because of that diligence and focus on the long-term, we've strongly positioned the System to withstand volatile conditions and grow strategically.

### Total Investments Summary (as of December 31, 2014)

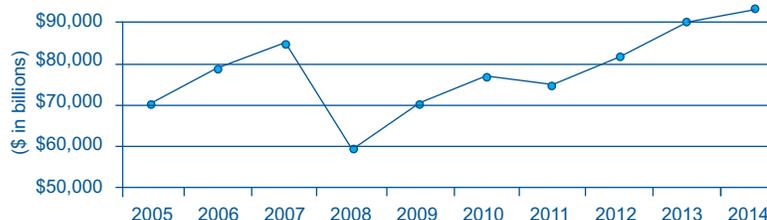


Year	Total Portfolio Return	Total Defined Benefit Return	Total 401(h) Health Care Return	Total 115 Health Care Trust Return*	Total Defined Contribution Return
2014	6.70%	6.96%	5.28%	(0.03)%	4.83%
2013	14.00	14.38	11.37		20.45
2012	14.40	14.54	13.72		13.37
2011	0.20	0.36	(0.52)		(2.59)
2010	13.90	13.98	13.53		13.74
2009	20.06	19.09	24.80		26.44
2008	(26.92)	(27.15)	(25.77)		(28.00)
2007	8.53	8.89	6.87		5.80
2006	14.66	15.05	12.78		12.96
2005	9.03	9.25	8.00		6.88

\* The 115 Health Care Trust was established in 2014. Returns are cumulative since funding of the 115 Health Care Trust portfolio began in November 2014.

## OPERS' Net Assets

Here's the history of OPERS' total net assets. As of December 31, 2014, net assets were approximately \$91 billion.



## OPERS: Good for Ohio

As the largest public pension system in Ohio, and the 11<sup>th</sup> largest in the U.S., OPERS is a significant economic driver for the state. The majority of our one million members and retirees live and work in Ohio, providing economic stability throughout the state. Studies show that for every dollar received from public employers in 2014, \$3.74 is returned to the economy through pension and health care payments made to retirees—retirees who spend the majority of retirement proceeds on goods and services within the state, which has an economic impact of generating additional return to the economy.

### Return on Taxpayer Investment

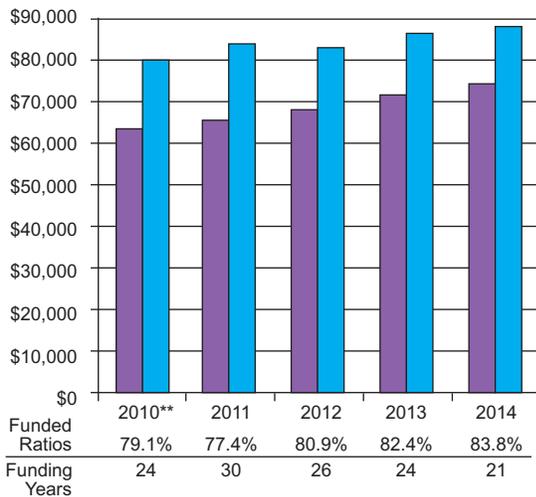
• OPERS' 2014 pension benefit payments to Ohio participants (90% live in Ohio)	\$4.6 Billion
• OPERS' 2014 retiree health care payments	\$1.7 Billion
• Assets invested with Ohio-based companies	\$1.0 Billion
• Assets under management with Ohio-qualified investment managers	\$2.7 Billion
• Fees paid to in-state custodian and to Ohio-qualified investment managers	\$17.5 Million
• Assets under management by in-state custodian	\$89.8 Billion

## Pension Funding Status

Retiree benefits are funded by contributions (from both the member and the public employer throughout an individual's working years) and income earned from the investment of these funds over the member's career. Retirees' pensions are 100% funded at the time of retirement. Funded status measures the progress of accumulating the funds necessary to meet future obligations. By law, OPERS must maintain a 30-year funding window—meaning the System will pay all liabilities within 30 years.

As of the December 31, 2014 valuation, OPERS has a funded status of 83.8%, with the unfunded liability expected to be funded within 21 years.

### Pension Ratios—Valuation Assets vs. Accrued Liabilities (\$ in millions)\*

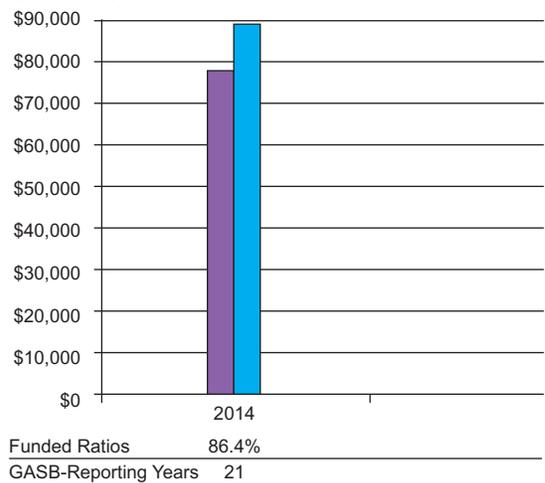


\*This table includes the funded ratio and funding years based on actuarial assumptions and includes the smoothing of investment gains and losses over a closed four-year period. Information shown is used to monitor the funding status of OPERS.

\*\*Information after completion of experience study.

■ Valuation Assets ■ Accrued Liabilities

### Pension Ratios—Plan Fiduciary Net Position (Assets) vs. Total Pension Liability (\$ in millions)\*



\*GASB 67 requires the System's valuation for financial reporting to be calculated using market values of assets (rather than smoothed assets). The information shown here is not used by OPERS to monitor funding and is for accounting purposes only. This table is for the Traditional Pension Plan only.

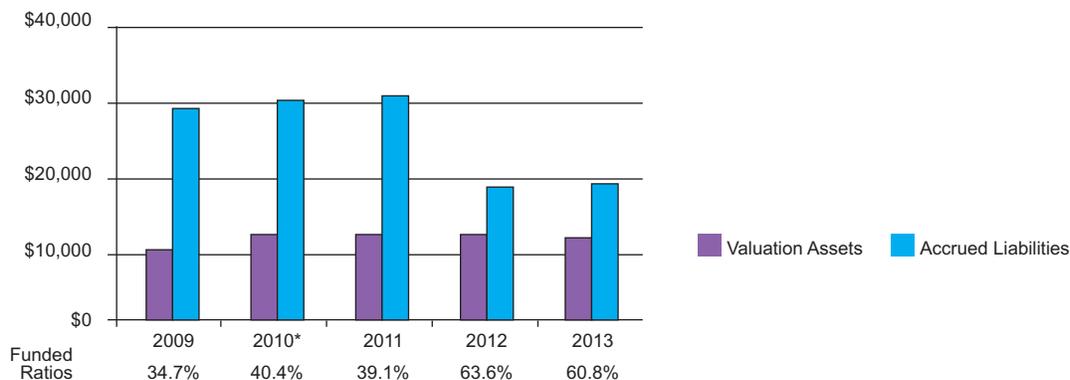
■ Pension Assets ■ Total Pension Liability

## Health Care Funding Status

Health care is a discretionary benefit and not statutorily mandated. However, OPERS has historically pre-funded this expense and, recognizing the importance of access to health care in retirement, OPERS made changes to the health care plan. The combined actions of pre-funding health care and the changes to the plan design have yielded favorable results.

As of the December 31, 2013, the most recent health care actuarial valuation, OPERS was 60.8% funded, with funds expected to be sufficient to fund future health care needs—a significant improvement over the 10-year solvency period calculated at the end of 2011.

### Health Care Ratios—Valuation Assets vs. Accrued Liabilities (\$ in millions)



\* Information after completion of experience study.

## Average Benefits

For the past three years, OPERS has experienced annual increases of more than 3.0% in the number of pension recipients due to the combination of a greater-than-expected number of members retiring to avoid the impact of pension and/or health care changes and the baby-boomers reaching retirement age. In addition to the increasing number of retirees, the increase in pension benefits represents the net effect of new retirees being added to the rolls less terminated benefits related to retiree deaths and disabled recipients returning to service. The cost of retirements will continue to increase as new retirees with higher final average salaries replace terminated long-time retirees with lower final average salaries.

### Average Defined Benefits Paid OPERS Retirees

### Traditional Pension Plan

Year	Average Age at Retirement	Average Service at Retirement	Average Final Average Salary	Average Pension at Retirement	Average Age on Valuation Date	Average Pension on Valuation Date
2014	57.6	22.8	\$39,749	\$19,686	69.7	\$24,849
2013	57.4	22.8	38,760	19,299	69.5	24,220

## OPERS Membership

OPERS administers three pension plans on behalf of more than 1 million members. The pension plans include:

- **Traditional Pension Plan**—a defined benefit plan under which pension payments are determined by a formula set by statute. The formula benefit amount is determined by the member's years of contributing service and final average salary.
- **Member-Directed Plan**—a defined contribution plan in which both the member and employer contributions are invested by the member, and the member's future retirement benefit is based on employee and vested employer contributions, and investment gains and losses.
- **Combined Plan**—a hybrid plan in which member contributions are deposited into a defined contribution account, and employer contributions fund a defined-formula benefit.

OPERS began offering the Combined and Member-Directed plans in 2003 to new employees and members with less than five years of service as of December 31, 2002. Participation in these plans is a choice members make at the time their employment commences. Beginning July 1, 2015, members will have one opportunity over the course of their career to elect one plan change rather than three.



### Monitoring sustainable growth

The age of a tree can be determined by meticulously counting the number of growth rings found inside the trunk—one for each year. Similarly, every year, OPERS provides a detailed personalized annual account statement that reflects the annual growth of the account and details the accrued time within the System.

The chart below displays the number of active, inactive, and retired members in each plan as of December 31, 2014. Inactive members represent members who no longer work in public employment, but have not refunded their employee contributions. These members may be eligible for a future retirement benefit, depending on their age and years of service.

	Traditional Pension Plan	Combined Plan	Member-Directed Plan	Total
<b>Active Members</b>	<b>328,341</b>	<b>7,413</b>	<b>10,755</b>	<b>346,509</b>
Average Age	42.4	42.9	42.3	
Average Service Credit	9.5 Years	6.9 Years	4.5 Years	
Average Salary (FAS)	\$31,820	\$41,494	\$36,205	
<b>Inactive Members</b>	<b>492,548</b>	<b>1,818</b>	<b>4,244</b>	<b>498,610</b>
Average Age	38.9	42.2	38.8	
Average Service Credit	1.3 Years	4.2 Years	2.7 Years	
Average Salary (FAS)	\$4,193	\$31,938	\$26,735	
<b>Retired Members</b>	<b>202,789</b>	<b>156</b>	<b>154</b>	<b>203,099</b>
Average Age	68.4	66.3	66.6	
Average Service Credit (YOS)	22.0 Years*	9.6 Years	N/A	
Average Annual Benefit	\$25,030	\$5,441	\$4,308	
<b>Total Members</b>	<b>1,023,678</b>	<b>9,387</b>	<b>15,153</b>	<b>1,048,218</b>

Note: Counts contained in this table may include a single member multiple times, if the member has active participation in multiple plans.

\* Includes disability retirees and survivors eligible for benefits with less than 25 years of service.

In addition to the pension plans, OPERS administers two health care funds with membership as of December 31, 2014.

- Health Care Fund (under Internal Revenue Code Section 401h)—Members in the Traditional Pension and Combined plans are eligible for post-employment health care coverage funded by a portion of the employer contributions received by the System over the duration of the member’s career. Members and their eligible beneficiaries may access this coverage only on retirement.
- Voluntary Employees’ Beneficiary Association (VEBA)—A portion of the employer contribution for members in the Member-Directed Plan is deposited into a VEBA account. The VEBA functions like a retiree medical account and is available for the member’s use upon termination or retirement.

The 115 Health Care Trust (under Internal Revenue Code Section 115) was established in 2014. This trust will provide health care similar to the 401(h) health care fund above for the benefit of members of the Traditional Pension and Combined plans. As of the end of 2014, no covered lives are in this trust. Open enrollment into this trust will begin in October 2015.

	401(h) Health Care Fund	VEBA	Total
Active Members		10,745	10,745
Inactive Members		4,194	4,194
Covered Lives:			
Retirees & Primary Beneficiaries*	167,327	3,509	170,836
Dependents & Other Beneficiaries	58,692		58,692
<b>Total Members</b>	<b>226,019</b>	<b>18,448</b>	<b>244,467</b>

\* A primary beneficiary is a survivor of a deceased member continuing to receive coverage on the member’s account.

### Thriving in all environments

When conditions are right, a tree thrives. In adverse conditions, available resources are used to sustain past growth. In all environments, extreme risk must be avoided. Similarly, OPERS invests to maximize positive results, sustain previously attained growth and limit exposure to extreme risk in the investment marketplace. Although risk is inherent in any investment portfolio, OPERS works to minimize risk with diligent adherence to Board policies. This way, OPERS is able to flourish when possible, thrive when needed, and survive if necessary—we adapt to our environment to ensure our ongoing strength.





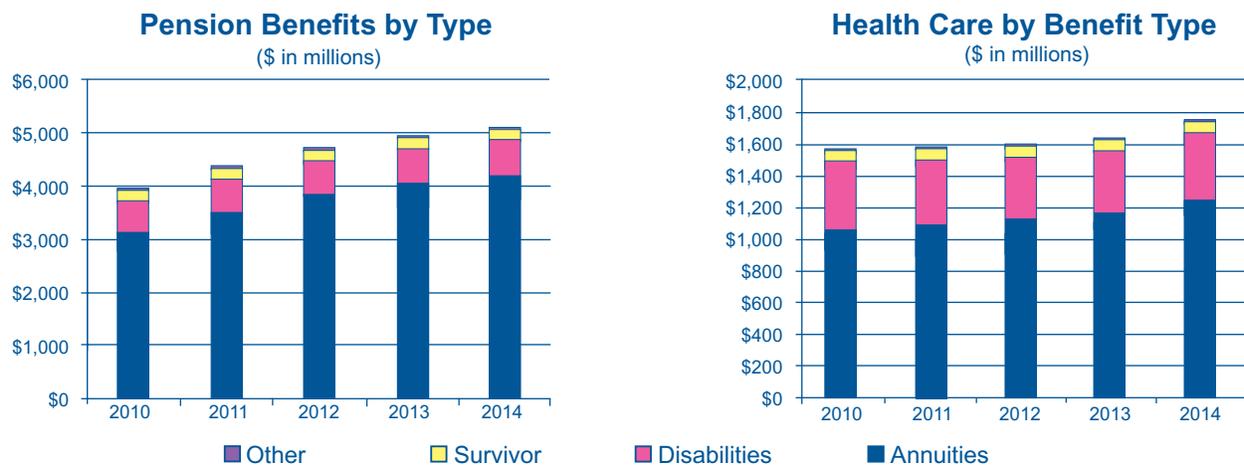
## The Business of Pension Systems

The mission of the System is to provide financial security for our members in retirement. We do that by accepting contributions throughout an individual's working career. With careful, systematic investing to maximize earnings and the compounding effect of long-term contributions, OPERS has maintained an 80-year tradition of providing financial security to our members. The importance of prudent investing cannot be overstated; investment earnings provide approximately 52% of each retiree's final benefit (the rest comes from employer and employee contributions) and 100% of the System's administrative expenses.

OPERS provides retirement benefits that include pension payments, disability benefits and survivor benefits. Retirees meeting specific requirements may also receive health care coverage.

In general, defined benefit pensions (Traditional Pension and Combined plans) are determined by a formula based on the number of years of service and the highest years of salary, multiplied by a factor determined by statute.

The information below shows the trend in retiree benefits for the past five years. The graph tracks upwards, and will continue to do so, as the number of retirees increases. In addition, as members continue to work longer, the value of their retirement benefit will continue to grow through wage increases—making the final average salary and service years higher.



Although not required, health care coverage remains available to defined benefit members with at least 10 years of qualifying service credit, but will increase to 20 years of service. On average, disability recipients comprise 12% of the retiree population but represent approximately 24-27% of health care expenses.

OPERS periodically reviews and modifies the health care program, which the Board has the authority to change, to maintain the solvency of the fund for current and future retirees. Plan design changes effective in 2012, with phased-in implementation dates, are designed to strengthen the health care program to preserve access to, and provide affordable, meaningful health care coverage to all our members—both current and future. See page 14 for a summary of health care changes.

### Supportable Growth

Trees do not grow beyond their ability to support themselves. During periods of stress, trees shed leaves, flowers, fruit and/or branches to survive, to preserve previous growth, and to bloom anew in another year. Only by continuing assessment of actual past experience can OPERS anticipate and prepare for future liabilities. We are diligent in our analyses. We know that only through ongoing testing and adjusting can this System continue to keep the promise of providing a secure retirement to our members.



## Summary of Pension 2012 Changes

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There are five key components to the OPERS pension plan changes. Members will be affected by each one based on their transition group.

- **Age-and-Service retirement eligibility:** The age-and-service requirements for retirement were increased. A minimum age for service retirement was established and, in most instances, the number of years required for service retirement was increased by two.
- **Final Average Salary (FAS):** The benefit formula factor that relates to a member's earnable salary was increased to the five highest years of earnable salary (up from three years).
- **Benefit formula:** The calculation used to determine the benefit amount for service retirement was modified. The benefit multiplier used for the first 30 years of service (2.2% of FAS) was increased to the first 35 years of service.
- **Cost of living adjustment (COLA):** The annual increase in a member's benefit will, beginning in January 2019, be based on the annual percentage change in the Consumer Price Index subject to a 3% cap, rather than a flat three percent.
- **Early retirement reduction factors:** The calculation used to determine a member's retirement benefit for early retirement was modified so that the factors are determined by the OPERS actuary rather than fixed in law.

In addition to the key components of the new pension law, other changes could affect the retirement of current OPERS members:

- **Alternative benefit formulas:** While maintaining the formula benefit for service retirement that is based on a member's FAS, two other alternate benefit formulas were eliminated. The first alternate formula was based on years of service multiplied by \$86; the second was an annuity based on the member's contributions multiplied by two.
- **Beneficiary designation:** A member may designate one or more beneficiaries prior to retirement but, if the member has contributions in more than one of the OPERS retirement plans, the designation will apply to all plans. Separate beneficiary designations by plan prior to retirement were eliminated.
- **Contribution-based benefit cap (CBBC):** A member's formula retirement benefit is limited (or capped) if the formula benefit exceeds, using a ratio established by the Board, an annuity based on the member's total contributions.
- **Disability benefits program:** A number of changes to the disability program were made with the goal of modernizing the program, including exclusions from coverage, standards for disability determinations, leave of absence, forfeiture of a disability benefit, continued employment, and an offset of Social Security disability insurance payments.
- **Inter-system transfers:** For transfers of service credit and contributions between OPERS and the other Ohio retirement systems, both the amounts of the transfers and the timing of the transfers were modified.
- **Minimum earnable salary:** Beginning in 2014, the minimum earnable salary required to earn a full month of service credit for pension was increased to \$600 per month (up from \$250) with future escalators.
- **Plans of payment:** The number of optional plans of payment that a member may choose for the payment of a retirement benefit or additional annuity were consolidated to three (from six) and one option (Plan E) was eliminated.
- **Service purchases:** For most service purchase types, the cost of the purchase was increased to 100% of the additional liability to the retirement system resulting from the purchase but the requirements to qualify for the purchase remained unchanged. The cost of the remaining service purchase types were also increased and, in some instances, the requirements to qualify for the purchase were modified.
- **Limit on membership determinations:** A limited five-year time frame for independent contractors to challenge their status as non-public employees was established.

## Transition for Pension Changes

Senate Bill (SB) 343 was enacted into law with an effective date of January 7, 2013. In the legislation, members were categorized into three groups with varying provisions of the law applicable to each group. Members who were eligible to retire under law in effect prior to SB 343 or who will be eligible to retire no later than five years after January 7, 2013 comprise transition Group A. Members who have 20 years of service credit prior to January 7, 2013 or who will be eligible to retire no later than 10 years after January 7, 2013 are included in transition Group B. Group C includes those members who are not in either of the other groups and members who were hired on or after January 7, 2013.

Retirement benefits are specific to each plan and members must meet the eligibility requirements based on their age and years of service within the plan. Retirement eligibility also varies by division and transition group. The chart below shows the retirement eligibility requirements for all divisions and transition groups. The requirements for the State and Local divisions apply to members who participate in either the Traditional Pension Plan or the Combined Plan. The Law Enforcement and Public Safety divisions are only applicable to the Traditional Pension Plan.

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

Benefit payments vary in amount depending on years of service credit, FAS, age, and plan of payment selection. FAS is the average of the three highest years of earnable salary for Groups A and B; and the average of the five highest years of earnable salary for members in Group C. The age-and-service formula benefit cannot exceed 100% of the FAS (Law Enforcement is 90%) or the limits under Internal Revenue Code Section 415 and may be subject to the contribution-based benefit cap. The base benefit amount calculated by the formula will be reduced if a member begins receiving a retirement benefit before he/she reaches the age-and-service requirements for an unreduced benefit.

## Key 2012 Changes in Health Care Plan Design

Shown here are the key components of the plan but not a complete, inclusive list. These changes are being phased in generally over a three year period. To find complete information, the OPERS Comprehensive Guide to Pension and Health Care Changes is available on the OPERS website at [www.OPERS.org](http://www.OPERS.org).

Component	2014 Impact of Changes
<b>Recipient Medicare B Premium Reimbursement</b>	For those eligible, Medicare Part B premium reimbursement will transition to \$0 reimbursement in 2017 with the first reduction occurring in 2015. <ul style="list-style-type: none"> <li>• 2014 reimbursement: \$96.40</li> <li>• 2015 reimbursement: \$63.62</li> <li>• 2016 reimbursement: \$31.81</li> <li>• 2017 and after: \$0</li> </ul>
<b>Service Credit</b> <i>(Excludes those with a retirement effective date of December 1, 2013 or before)</i>	Only the following types of service credit will apply to health care eligibility on or after January 1, 2014: Contributing service, other Ohio retirement system transfers, interrupted military (USERRA), unreported time and restored (refunded) service.
<b>Disability Recipients</b>	Members receiving a disability benefit prior to January 1, 2014 have continued access to health care coverage based on the annual review and approval of their disabled status and will not be subject to the five year rule described below. The allowance will be determined in the same way as an age-and-service retiree. If the recipient does not meet minimum age-and-service requirements, the minimum allowance will be used.  Members with an initial disability effective date on or after January 1, 2014 will have coverage during the first five years of disability benefits. After five years, the recipient must meet minimum age-and-service health care requirements or be enrolled in Medicare due to disability status to remain enrolled in the OPERS plan. If enrolled, the allowance will be determined in the same way as an age-and-service retiree.
<b>Voluntary Termination</b>	As of January 1, 2014, retirees who voluntarily elect to terminate their OPERS health care plan coverage may re-enroll, but only if they provide proof of creditable coverage in another health care plan.
<b>Minimum Earnings</b> <i>(Excludes those with a retirement effective date of December 1, 2013 or before)</i>	Beginning January 1, 2014, contributing service credit for health care will be accumulated only if the member earns at least \$1,000 per month. Partial health care credit will not be granted for months in which less than \$1,000 is earned. Credit earned prior to January 2014 will not be affected by this change.
Component	2015 Impact of Changes
<b>Age and Qualifying Service Member Eligibility Requirements</b> <i>(Excludes those with a retirement effective date of December 1, 2014 or before)</i>	Minimum eligibility for allowance: Age 60 with 20 years of qualifying service. Members retiring at any age with 30 or more years of qualifying service are eligible for coverage.  Members must have retired with an effective date of December 1, 2014 or earlier (off their employers' payroll no later than November 30, 2014), in order to qualify for OPERS retiree health care with 10 years of qualifying service.
<b>New Age and Qualifying Service Retiree Monthly Allowance Table</b> <i>(Applies to all retirees)</i>	Monthly allowances will range between 51% and 90% of the full monthly premium. The same allowance table will be used for current and future retirees.  Members retiring prior to January 1, 2015 with an allowance at or above 75% will not have an allowance below 75%. Members retiring at any age with 30 or more years of qualifying service will have at least a 71% allowance.
<b>Deferred Enrollment</b> <i>(Applies to all retirees)</i>	Retirees may defer entry into the OPERS health plan. As of January 1, 2015, a retiree's allowance will be determined based on years of service at retirement and age at enrollment.
<b>Spouse Coverage</b> <i>(Applies to all retirees)</i>	Spouses will transition to \$0 allowance over three years (2015-2017).  <b>Spouses under age 65</b> will have access to OPERS coverage at full cost through at least 2020.  <b>Spouses over age 65</b> will have access to the OPERS Medicare Connector beginning in 2016.  <b>Spouses of recipients who die before or after retirement</b> will no longer assume the retiree's health care allowance.
<b>Child Coverage</b> <i>(Applies to all retirees)</i>	If the retiree has at least 20 years of qualifying service and is enrolled in the Health Care Plan: Children (up to age 26) will receive half of the retiree's allowance percentage.  If the recipient has less than 20 years of qualifying service: Children (up to age 26) will transition to \$0 allowance over three years (2015-2017) and then have access to OPERS coverage at the full cost through at least 2020.

continued on next page

## Key Changes in Health Care Plan Design *(continued)*

Component	2016 Impact of Changes
<b>Health Care Plans</b>	<p><b>Medicare-eligible retirees:</b> OPERS will continue offering a medical plan and prescription drug plan for Medicare retirees through 2015.</p> <p>In 2016, OPERS will introduce the OPERS Medicare Connector for retirees enrolled in Medicare Parts A and B. Retirees and their spouses will have access to a licensed Benefit Advisor to help them select a plan on the individual market to supplement Medicare coverage. Eligible retirees will receive an allowance to purchase coverage through the OPERS Medicare Connector. Eligible spouses will receive an allowance through 2017.</p> <p><b>Non-Medicare retirees:</b> OPERS will continue offering a medical plan and prescription drug plan for non-Medicare participants.</p>
<b>Coverage for Retirees without Premium-Free Medicare Part A</b>	<p>OPERS will reimburse retirees without premium-free Medicare Part A for their Part A premiums as well as any applicable surcharges (also called late-enrollment fees). Retirees within this group must enroll in Medicare Part A and select medical and prescription drug coverage through the OPERS Medicare Connector. OPERS also will reimburse 50 percent of the Medicare Part A premium and any applicable surcharges for eligible spouses.</p>



### Board of Trustees members as of January 2015

OPERS management and staff work closely with the members of the OPERS Board of Trustees—the governing body of OPERS that is ultimately responsible for the administration and management of all OPERS activities. This dedicated Board meets monthly and receives no compensation, but is reimbursed for necessary expenses.

**Front row (left to right):** Robert C. Smith, Treasurer-Appointed Investment Expert; Charles Latsa, Representative for Non-teaching College/University Employees; James Tilling, General Assembly Appointed Investment Expert

**Standing:** John W. Maurer, Representative for Retirees; Sean Loftus, Representative for County Employees; Cynthia Sledz, Representative for Miscellaneous Employees and Board Chair; Christopher Mabe, Representative for State Employees; Steve Toth, Representative for Retirees; Ken Thomas, Representative for Municipal Employees and Board Vice Chair

**Not Shown in Photo:** Governor's Appointee—Vacant; David Payne, Designee for Robert Blair, Director of the Ohio Department of Administrative Services, Statutory Member

### Counting the rings

With detailed statistics, and ongoing analysis of those statistics, we know with certainty where the System is, where it was and where it needs to be. Statistics help us accurately chart growth by measuring everything we do and measuring our progress in all categories. In 2014, the statistics show OPERS had almost 240,000 unique website visitors, fielded more than 15,000 employer calls, mailed approximately 20,000 letters each month to members, and provided educational seminars, webinars and videos that reached more than 100,000 members and retirees, and answered more than 500,000 member calls.





### The canopy effect

Healthy trees provide safe havens and contribute to the social and economic well-being of communities and residents. So, too, does OPERS serve to provide a secure financial retirement for the public employees of Ohio. It takes time for a tree to grow large enough to provide significant shade—similarly, OPERS member accounts are invested over the working years of our members to provide the benefits earned. OPERS provides a financial canopy for each member in retirement. In addition, the OPERS canopy also provides significant benefit to the community.

In September 2012, landmark pension legislation became law. This legislation allowed the System to make changes to adapt to multiple shifts that had occurred in the environment over the past years—most notable was the changing demographics of our membership. Due to the deliberate and incremental implementation, OPERS can demonstrate that both the strength of the pension fund and solvency of the health care fund have steadily improved in 2014—as was anticipated when we partnered with stakeholders to ensure the legislation passed.

## Facts About OPERS

- As of year-end 2014, OPERS served more than one million members, including 203,112 retirees and beneficiaries. The System works with approximately 3,700 public employers.
- With a net asset base of \$91.2 billion, OPERS is the largest public pension system in Ohio, and the 11<sup>th</sup> largest public pension system in the nation.
- The Member Call Center fielded more than 500,000 calls.
- More than 100,000 members and retirees attended seminars, webinars and accessed videos online.
- Members (approximately 376,000) received an individualized account statement.
- More than 30,000 unique visitors accessed the new retirement planner launched in May 2014.
- OPERS is a significant economic driver for Ohio; here's how:
  - Nearly 100% of OPERS active members (contributing employees) pay taxes and reside within the state.
  - More than 90% of all retirees live within the state.
  - OPERS invests directly in Ohio-based companies through a special Ohio portfolio.

### More information is always available.



By phone: Member Services Center  
1-800-222-PERS (7377)  
8:00 AM-4:30 PM Monday-Friday



By mail: Ohio Public Employees Retirement System  
277 East Town Street  
Columbus, Ohio 43215



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



Online Accounts: <https://member.opers.org/eMBS/jsp/Login.jsp>



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