

Ohio PERS NEWS

YOUR BENEFIT CONNECTION

News and information for active members of the Ohio Public Employees Retirement System

Combined Plan

Pension Redesign Having Intended Effect

Occasionally we see misinformation about public pension systems in general, and OPERS in particular. When that occurs, we believe we must set the record straight.

Most recently, OPERS and the other Ohio public pension systems were admonished for not attaining progress fast enough after

achieving pension redesign in 2012.

Obviously, we disagree. Pension system performance needs to be measured over decades, not short periods of time. The pension reforms passed by

true. Your home mortgage isn't due all at once, and the same is true of a pension system. It is illogical to assume a pension system should have cash on hand to pay off liabilities all at once.

We monitor pension liabilities in two categories: retirees and active members. Retiree liabilities are funded at 100 percent through a separate fund. What is currently being funded is the ultimate pension liability that will eventually be due for active members that are still working.

The amortization period is the time in which we're required to be able to pay off our unfunded liabilities. By state law, the public pension systems have to be able to pay off these liabilities within 30 years. If they can't, they need to come up with a plan to do so.

Our amortization period has never gone beyond 30 years since this requirement has been in existence, and it currently stands at an impressive 21 years.

The immediate impact of the pension redesign was a decrease in our liabilities of \$3.2 billion and an eight-year decrease in our amortization period.

the Ohio General Assembly in 2012 and health care changes passed by the OPERS Board of Trustees are having their intended effect despite being in place for only three years.

Our asset levels are at an all-time high of \$91.2 billion due, in part, to the changes.

The myth is that all of the unfunded liabilities can be due at any one time – thus, the money is “owed.” This is simply not

(continued on next page)

Annual Report Available Online

○○○ 2

OPERS Recognizing Same-Sex Marriages

○○○ 3

Legislative Update

○○○ 4

Re-employed Retiree Health Care

○○○ 6

Changing Your Retirement Plan

○○○ 8



Ohio PERS NEWS – Your Benefit Connection is a quarterly newsletter providing news and information to more than 374,000 active members of the Ohio Public Employees Retirement System. An active member is anyone currently contributing toward an Ohio PERS retirement benefit. This publication allows us to communicate vital information concerning retirement benefits to our active members and also educate them on the services we provide.

CONTACT INFORMATION:

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Monday - Friday

8 a.m. to 4:30 p.m.

newsfeedback@opers.org

It is your responsibility to be certain that OPERS has your current address on file. If OPERS is not made aware of address changes, we cannot guarantee that you will receive important information pertaining to your OPERS account.

This newsletter is written in plain language for use by members of the Ohio Public Employees Retirement System. It is not intended as a substitute for the federal or state law, namely the Ohio Revised Code, the Ohio Administrative Code, or the Internal Revenue Code, nor will its interpretation prevail should a conflict arise between it and the Ohio Revised Code, Ohio Administrative Code, or Internal Revenue Code. Rules governing the retirement system are subject to change periodically either by statute of the Ohio General Assembly, regulation of the Ohio Public Employees Retirement Board, or regulation of the Internal Revenue Code. If you have questions about this material, please contact our office or seek legal advice from your attorney.

OPERS is not required to provide health care coverage to retirees or their dependents and will only do so at the discretion of the Board of Trustees.

Pension redesign *(continued)*

The “funded ratio” is a comparison of our assets to our liabilities. While full funding is an ideal situation, it’s not accurate to say a system is struggling simply because it is not fully funded.

What’s also important is the trend – which way are we heading? The Great Recession certainly had a negative impact on our funded ratio. But look where we’ve come since then. Our funded ratio dropped to 75 percent in 2008 and we’ve trended upward since then, to our current funded ratio of 84 percent. That’s a significant improvement.

Our system is strong – not only for our members but for all Ohioans who benefit from the \$6.6 billion annual economic boost we provide.

We take our fiduciary responsibility seriously, and we want to always provide our members and public with accurate information.

Comprehensive Annual Financial Report Available Online

The OPERS Comprehensive Annual Financial Report (CAFR) for the year ended Dec. 31, 2014, is available to view and print from our website, www.opers.org. The CAFR details important financial, investment, actuarial and statistical information about our system.

We also published a Summary Annual Financial Report, or PAFR, designed to relay in plain language key data contained in our CAFR. The summary report provides a condensed snapshot of our fiduciary net assets, investment returns, member demographics, benefit amounts and other related data.

To view the reports, click on the CAFR/PAFR icon on the opers.org home page.

OPERS Recognizing Same-Sex Marriages

Supreme Court decision in Obergefell v. Hodges

OPERS will recognize same-sex marriages in accordance with the recent U.S. Supreme Court ruling stating that all couples have a constitutional right to marry.

On June 26, the court decision in *Obergefell v. Hodges* held that the 14th Amendment requires the state “to recognize a marriage between two people of the same sex when their marriage was lawfully licensed and performed out-of-state.” The decision will impact several features of OPERS’ pension benefits and health care coverage. Here is a look at some of the highlights:

Retiree annuity

Retirees may add an existing spouse to a single-life annuity, switching to a joint-life annuity with the spouse as beneficiary, in a specified amount from 10 percent to 100 percent. This change can be made for one calendar year following the marriage. Retirees may add an existing spouse to a multiple-life annuity if there are not already four designated beneficiaries.

The retiree may add an impacted spouse to the retirement annuity any time during the year following the date of the *Obergefell* decision. Those who legally terminate a same-sex marriage may remove the former spouse from the joint- or multiple-life annuity with spousal consent or court order. A retiree receiving a single-life annuity may designate one or more beneficiaries to receive the remainder of the account (not a survivor benefit) at any time.

Survivor benefits

Same-sex spouses who survive the death of a member or a disability benefit recipient are now eligible for survivor benefits under the same eligibility requirements as other spouses. A deceased member’s impacted spouse is not eligible for a survivor benefit if the account has been refunded to a designated or other beneficiary. If OPERS is currently paying a monthly survivor benefit to other qualified beneficiaries, such as minor children, an eligible surviving spouse may now also receive monthly survivor benefits.

Beneficiary designation of members and disability benefit recipients

OPERS members can choose their account beneficiaries either by designation or by automatic succession. (Under automatic succession, a member’s beneficiary is determined in the following order upon death: surviving spouse, children, dependent parents, parents or the member’s estate.)

Certain life events, such as marriage and divorce, void specific beneficiary designations that had been made in the past. This will hold true of same-sex marriages in the future. If a new designation is not submitted to us after a marriage, divorce, dissolution, legal separation or the birth or adoption of a child, the beneficiary will be determined by automatic succession.

This instance of voiding specified beneficiaries not only is true for any future marriages, but also for previous

same-sex marriages that occurred prior to the Supreme Court ruling and after the member specifically designated a beneficiary.

Health care

Retirees and disability benefit recipients enrolled in our health care coverage may now enroll a same-sex spouse. To do so, fill out a *Health Care Coverage: Change of Coverage* form and submit it to OPERS along with a copy of the marriage certificate.

This health care coverage change must be made by Sept. 25, or during open enrollment for coverage effective Jan. 1, 2016.

Impacted surviving spouses receiving an annuity from OPERS may enroll in health care coverage if the retiree was eligible to enroll. This change also can be made outside of open enrollment for 90 days from June 26, or during open enrollment in the fall for next year.

OPERS is updating its systems to accommodate the Supreme Court ruling. If you encounter difficulties when trying to make changes through your online account, call Member Services at 1-800-222-7377.

You also can call to inquire about the cost of adding a spousal dependent to health care or to receive retirement benefit estimates.

Legislative Update

OPERS monitoring state and federal issues

State Legislative Update

The General Assembly wrapped up the state biennial budget (H.B. 64) deliberations the week of June 22. After a brief conference committee to iron out differences between the two chambers, the Ohio Senate approved the H.B. 64 conference committee report by a vote of 23-9. The House followed suit by a vote of 61-34.

Governor John Kasich signed the fiscal year 2016-2017 biennial budget on the last day of the fiscal year, June 30.

Though the effects on OPERS were minimal, the 2,800-page bill contains a few provisions of note for OPERS:

- Places rate caps on the Alternative Retirement Plan mitigating rate at the current rates: OPERS (0.77 percent), STRS (4.5 percent) and SERS (6 percent). **This does not impact the OPERS Board of Trustees ability to change the mitigating rate for the OPERS Member-Directed or Combined plans.**
- Increases the compensation for Township Trustees by 5 percent in 2016 and 2017, which will trigger an equivalent increase the following years in OPERS' minimum earnable salary required to earn a full month's service credit. The current minimum earnable salary is set at \$600 per month.
- Eliminates the requirement that each state public retirement system board annually submit to the Ohio Retirement Study Council the Ohio-Qualified Agents and minority business enterprises and Ohio-Qualified investment managers.

The Senate version of the budget also included language that would require OPERS, OP&F, SERS and Highway Patrol Retirement System to report to the Administrator of BWC when they grant a disability benefit upon determining that a member's post-traumatic stress disorder without

accompanying physical injury, qualifies that member for a disability benefit. This provision was removed from the final budget bill in conference committee.



The Ohio General Assembly will recess through the months of July and August. Staff will continue to meet with legislators and staff to discuss the OPERS Medicare Connector, health care changes and pending legislative issues upcoming in the latter half of 2015.

Federal Legislative Update

Sen. Sherrod Brown introduced legislation (S.1651) June 23, to repeal the Government Pension Offset and Windfall Elimination Provision. OPERS staff have reached out to Sen. Brown's office to discuss his legislation.

U.S. Rep. Kevin Brady's Equal Treatment of Public Servants Act of 2015, H.R. 711, continues to progress slowly. It now has 28 sponsors, including U.S. Rep. James Renacci, but the push to obtain more sponsors continues.

Under current federal law the WEP and GPO impact certain public employees, like those in Ohio, who have work experience in both the public and private sector. WEP and GPO require a reduction of monthly Social Security benefits for those individuals because they are eligible to receive a separate public pension from a state or local retirement system.

The WEP applies to Social Security benefits earned based on an individual's own work record, while GPO applies to Social Security benefits earned as a result of a spouse's work record.

The OPERS Board of Trustees supports passage of H.R. 711, which would modify the current WEP formula, reducing the negative impact for many of those OPERS members who have worked in both the public and private sector during their careers.

(continued on page 5)

Legislative update *(continued)*

U.S. Rep. Steve Stivers recently reintroduced the Fair Access to Safe and Timely Generics Act. This important legislation would address the practice employed by some drug manufacturers to deny samples of a drug to generic drug manufacturers because the drug is subject to an FDA Risk Evaluation and Mitigation Strategies program. OPERS staff has conveyed support for the FAST Generics Act.

For more information on these bills and to view a complete list of the current bills OPERS is actively monitoring for its members, visit the Government Relations page at www.opers.org. You can also view special reports and publications including, “I Am OPERS: Supporting the People Who Support Ohio,” “Good for Ohio,” and the monthly Government Relations newsletter, “OPERSource.”

Changes to the Combined Plan Fee Structure in 2016

OPERS staff conducted a review of the Member-Directed and Combined Plans and as a result, changes to the administrative fee structure of the plans will go into effect Jan. 1, 2016.

Beginning Jan. 1, 2016, the 0.1 percent fee deducted from all incoming member contributions will be eliminated and all Member-Directed and Combined Plan participants will be charged a monthly flat fee of \$5. This administrative fee will also replace the current inactive fee structure which is a monthly fee ranging from \$2 to \$6 for accounts with balances less than \$5,000. All inactive members will be assessed the \$5 monthly flat fee, regardless of account balance.

The mitigating rate will also increase incrementally beginning Jan. 1, 2016. The rate will increase to 1 percent Jan. 1, 2016, to 1.5 percent Jan. 1, 2017 and to 2 percent Jan. 1, 2018.

For more information on the changes coming to the Member-Directed and Combined Plans, visit www.opers.org to view a chart outlining the changes, or refer to your spring 2015 *Ohio PERS News*.

OPERS Board of Trustees

The 11-member Ohio PERS Board of Trustees is responsible for the administration and management of Ohio PERS. Seven of the 11 members are elected by the groups that they represent (i.e., college and university non-teaching employees, state, county, municipal, miscellaneous employees, and retired members); the Director of the Department of Administrative Services for the state of Ohio is a statutory member, and three members are investment experts appointed by the Governor, the Treasurer of State, and jointly by the Speaker of the Ohio House of Representatives and the President of the Ohio Senate.

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Health Care Options for Re-employed Retirees

OPERS has approved changes to health care coverage for re-employed retirees, and the new rules will go into effect in 2016.

The changes are in response to federal health care regulations that affect OPERS members who go back to work for an OPERS-covered employer after they've retired. They also provide that a Health Reimbursement Arrangement is insufficient coverage for an individual defined as an employee and would penalize OPERS if we provided coverage to re-employed retirees through an HRA.

Thus, OPERS will create separate plans for non-Medicare re-employed retirees and for Medicare-eligible re-employed retirees, both effective Jan. 1, 2016. Re-employed retirees 65 and over will be limited in the number of times they can move in and out of OPERS re-employed retiree coverage in a calendar year.

The new plans will apply to retirees who receive an OPERS pension and also work for an OPERS-covered employer. They will not apply to retirees receiving pensions who work in the private sector or to those who work for a public employer that does not participate in OPERS.

The updates are an extension of the changes that OPERS has made to its health care coverage beginning in 2012. These plan changes preserve health care coverage for the future and provide retirees with affordable choices and increased flexibility. They include a new allowance structure and establishment of the OPERS Medicare Connector, which will allow Medicare-eligible participants to choose coverage on the individual market.

About 8,400 re-employed retirees participate in OPERS health care coverage, and they generally fit into one of three categories:

- Intermittent workers, such as judges, librarians and seasonal employees, who cycle in and out of re-employment or who work limited hours

- Part-time workers, who work continually but for limited hours weekly
- Full-time workers, who go back to a full-time position upon retirement

Based on federal rules, re-employed retirees are classified as active public employees when they go back to work, even if it's for only a few days each year. That status precludes Medicare-eligible, re-employed retirees who join the Connector next year from accessing funds through a Health Reimbursement Arrangement, which we will use to reimburse participants for premiums and out-of-pocket expenses.

Permitting re-employed retirees who work in an OPERS-covered position to participate in the HRA would subject the entire plan to financial penalty.

Thus, OPERS will maintain a separate re-employed retiree plan for these Medicare participants in addition to the Connector. That will make it possible for members to switch from the Connector to the new group plan should they become re-employed, subject to certain limitations on the number of times they can change plans.

Connector participants who become re-employed will have the following choices:

- Select their employer's coverage if the employer offers it, which is a requirement of our health care coverage
- Remain in the plan they selected through the Connector but without receiving their HRA allowance or being able to access funds they may have accumulated in the account. (There are plans available that offer premiums as low as zero dollars per month that could make this option more attractive.) The HRA allowance equivalent will be provided as a premium reduction for those enrolled in the OPERS re-employed retiree plan.

(continued on page 7)

Re-employed retiree health care *(continued)*

- Leave the plan they selected through the Connector and enroll in the OPERS re-employed retiree plan. OPERS will provide the appropriate allowance similar to our current health care plan, based on age and service. If the allowance doesn't cover the full premium, we would deduct the remaining amount from retirees' pension benefits.

Eligible spouses and dependents would be included in the re-employed retiree plan if the retiree opts for that coverage.

About 28 percent of our re-employed retirees go from retirement to re-employment and back to retirement in the same year. Our new plan will allow Connector participants to do this once per calendar year. That will permit re-employed retirees who become fully retired again to have their HRA accounts and allowances unfrozen so they can fund a Connector-selected plan instead of waiting until the new plan year begins.

Like Connector participants, re-employed retirees under 65 will have a separate plan made available to them. The plan will be similar to the retiree-only, non-Medicare plan for 2015.

Important considerations

Although not considered re-employed retirees, independent contractors who return to service with the public employer from which they retired, or to any OPERS-covered employer within the first two months of retirement, forfeit their pension and therefore health care, for the length of their contracts. If you are age 65 and older and plan on returning to work in an OPERS-covered position after retirement, or you plan to return to provide services as an independent contractor, please call 1-800-222-7377 to speak with a Member Services representative so you can make informed decisions about your health care.

For more information, visit www.opers.org to view a video with OPERS Health Care Director Marianne Steger explaining these changes, or to view a re-employed retiree health care fact sheet.

OPERS provides health care coverage for eligible members who have at least 20 years of qualifying service at age 60, or who have 30 years of qualifying service at any age, and retire under the Traditional Pension Plan or the Combined Plan. If you are nearing retirement, consider taking advantage of the following resources to help you with your retirement planning and decision-making.

Ready to Retire: Learn, Plan, Act - If you are eligible to retire on or before Jan. 7, 2018 (Group A) this section of www.opers.org can help you identify the most ideal time frame for retirement and make an informed decision regarding your retiree health care coverage. These pages offer detailed information on the steps you need to take as you move toward retirement. You can also find a link to the **OPERS Retirement Planner**, an innovative tool that allows you to estimate both pension and health care costs at different retirement dates.

Health Care Video Series on YouTube

In this video series, OPERS Health Care Director Marianne Steger discusses a number of health care-related topics including re-employed retiree health care, the OPERS Medicare Connector, and health care for those under age 65. These videos can be accessed on the OPERS YouTube page. Go to www.youtube.com and search OhioPERS1.

OPERS Medicare Connector: Connector

Readiness Section of the OPERS Website - In 2016, retirees and spouses age 65 and over and enrolled in Medicare Parts A and B will purchase health care coverage via the OPERS Medicare Connector. The Connector will provide retirees with affordable choices and one-on-one help in selecting an individual plan. Visit the Connector Readiness section of www.opers.org for detailed information about the Connector.



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Educational Webinars and Recorded Online Presentations - OPERS offers targeted, educational webinars tailored to Combined Plan participants. Recorded online presentations can be viewed at any time and registration is not required. These presentations cover topics ranging from re-employment and refunding your account, to disability benefits and investment options. To register for a webinar or to view a recorded presentation, visit www.opers.org, and click on Educational Opportunities.

Changing Your OPERS Retirement Plan

Most members in the Combined Plan who had less than five years of service credit as of Dec. 31, 2002, and most members who began employment on or after Jan. 1, 2003, are eligible to plan change and participate in either the Member-Directed or Traditional Pension plans.

New rules that went into effect July 1, 2015, allow eligible members to make **only one** plan change at any time during their career, instead of three changes during specified times during their career. This plan change is irrevocable.

All eligible members will have an opportunity to make one plan change no matter how many times they've changed plans prior to July 1, 2015.

For more information refer to the "Changing Your Retirement Plan for Members in the Combined Plan" leaflet available at www.opers.org under Member Publications. If you are seriously considering a plan change, log into your OPERS online account or call 1-800-222-7377 to schedule a plan change counseling session.