

Ohio PERS NEWS

Your Benefit Connection

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

Pension Redesign Having Intended Effect

Occasionally we see misinformation about public pension systems in general, and the Ohio Public Employees Retirement System in particular. When that occurs, we believe we must set the record straight.

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

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.

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opersHealthCareInsert

2016 Health Care Open Enrollment Bulletin

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 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 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.



Summer 2015

OPERS NEWS – Your Benefit Connection is a quarterly newsletter providing news and information to more than 160,000 age and service retirees, disability benefit recipients and survivor benefit recipients of the Ohio Public Employees Retirement System. This publication allows us to communicate vital information concerning retirement benefits and health care coverage to our retirees and also educate them on the services we provide.

CONTACT INFORMATION:

www.opers.org

1-800-222-7377

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)*

Our system is strong – not only for our members and retired 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 the public with accurate information.

Legislative Update

OPERS monitoring state and federal issues

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.

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.

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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, complete the *Health Care Change Form*, available at www.opers.org, 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 enrolling your spousal dependent in health care coverage or to receive retirement benefit estimates.



Legislative update *(continued)*

State Legislative Update

The General Assembly wrapped up the state biennial budget (H.B. 64) deliberations the week of June 22. 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. The Ohio General Assembly will recess through the months of July and August.

For more information on these bills, visit the [Government Relations page at www.opers.org](#) to view a complete list of the current bills OPERS is actively monitoring.

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.

To view the reports, click on the CAFR/PAFR icon on the [opers.org](#) home page.

Ohio PERS Board of Trustees

The 11-member OPERS Board of Trustees is responsible for the administration and management of OPERS. Seven of the 11 members are elected by the groups that they represent (i.e., college and university non-teaching employees, state, county, municipal, and 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.

Elected

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Charles Latsa
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