

Providing
Uncompromised Service
and Continuing Forward

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Ohio Public Employees Retirement System

Responsible Financial Reporting

This *Popular Annual Financial Report* is derived from information contained in the *OPERS 2020 Comprehensive Annual Financial Report* (annual report), 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 annual report, which is prepared in conformity with GAAP and may be obtained by visiting OPERS website, 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 2020 Health Care Report* available at opers.org.



2019 Award for Outstanding Achievement—

For the 10th consecutive year, OPERS has received the GFOA Award for Outstanding Achievement in Popular Annual Financial Reporting for its popular annual financial report for the fiscal year ended December 31, 2019. This award is a prestigious national award recognizing conformance with the highest standards of creativity, presentation, understandability, and reader appeal for preparation of governmental popular reports. OPERS has received this award for each year we have produced a popular annual financial report.

Popular Annual Financial Report

(for the year ended December 31, 2020)

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To our fellow members and all stakeholders:

Recognizing our responsibility for transparent communication to all stakeholders, it's a pleasure to provide the *2020 Popular Annual Financial Report* (PAFR). As you know, 2020 was a year like no other. Through innovation and leadership, OPERS delivered on service to members, continued regular operations, forged ahead with the implementation of major new initiatives, and navigated a tumultuous investment market to finish with a strong year. Our theme—*Providing Uncompromised Service and Continuing Forward*—shows how we accomplished these actions.

Overview of 2020

Even in a pandemic, OPERS delivered strong progress on ongoing goals—especially the essential goals of sustainable funding for the pension plans and finishing the year on-track for implementing the major health care changes that will become effective in 2022. And, with investment returns in excess of expectations for both the pension and health care portfolios, we are proud to report that both portfolios ended the year with stronger funded ratios. Important because the funded ratio is a key measure of the System—it shows the assets accumulated to fund the liability for both active and retired members.

Although 2020 presented unique challenges, OPERS remained focused on continuing forward to attain strong progress toward five overarching plan goals. Specifically, the goals are to:

- Provide a stable pension for all OPERS retirees
- Continue to provide a meaningful retiree health care program
- Minimize drastic plan design changes by making incremental changes
- Be financially positioned to react to market volatility
- Maintain intergenerational equity

Key activities in 2020

OPERS follows a comprehensive plan to strengthen the financial foundation so important to our members and the Ohio economy. During 2019, the OPERS Board approved a four-part plan with a goal of reducing the unfunded pension liabilities. The plan components and status are as follows:

Proposed Retiree Cost-of-Living Adjustment Freeze—A significant portion of the unfunded liability relates to retiree benefits. This proposal would help provide intergenerational equity by modifying cost-of-living adjustments for new retirees as of 2022 to begin 24 months after retirement (rather than the current 12 months), and provides for a two-year freeze on the cost-of-living adjustment for all retirees. This change requires legislative approval.

Combined Plan and Member-Directed Plan Changes—Beginning in 2022, the Combined Plan will be consolidated under the Traditional Plan (defined benefit plan) and the Combined Plan option will no longer be available for new hires beginning in 2022. The consolidation project was approved and started in 2020, and is expected to be implemented effective January 1, 2022. The Member-Directed Plan will be modified with changes to the vesting schedule, annuitization, mitigating rate, cost-of-living adjustment and retiree medical account funding. Some of these changes would impact future new members only.

New Group D Tier—OPERS proposes to create a new benefit tier for future new members. The specifics of this new tier are in discussion with stakeholder groups. This component of the plan would require legislative approval.

Health Care Preservation Plan 3.1 (HCPP 3.1)—Changes to the health care program have helped strengthen the health care fund. Concerned with the solvency of the health care fund, OPERS adopted modifications to the health care program referred to as HCPP 3.1. The results are promising and more details of these changes can be found on page 13 of this report. With the HCPP 3.1 modifications, as of December 31, 2019, the date of the most recent health care valuation, the health care assets accumulated exceeded the actuarial liabilities by \$0.5 billion resulting in a funded ratio of 104.2%. Thus, the

current health care trust fund is expected to last approximately 23 years, a significant improvement over the prior-year solvency period of 11 years prior to the HCPP 3.1 changes. OPERS actuaries will also complete an experience study for the health care fund during 2021 and, as such, the above results may change.

The combination of these four components comprises the plan to reduce the cost of both the pension plan and the health care program and improve funding. The cost reductions are necessary to adequately fund the pension program and to extend the health care program.

Pandemic response

Like all businesses, OPERS was impacted by the global pandemic and the corresponding state-wide stay-at-home orders. The announcement and requirement to stay at home came quickly and required the organization to pivot to an organization-wide work-from-home model. OPERS relied on the emergency planning procedures in place from the regular disaster planning we conduct. The organization shifted to enable the staff to work from home and provide all services and operations normally performed in the office. We shifted our member outreach and training to virtual sessions offered online daily. We shifted counseling appointments to be virtual online counseling. We adapted our call center such that our member services representatives could answer calls with the full functionality they would have from the office. This was a massive undertaking and we are proud of the success of this effort.

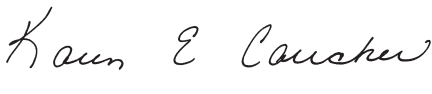
In closing

This PAFR is designed to provide complete and reliable information for transparent communication and to serve as a resource. We take our fiscal responsibility very seriously. We are effective and diligent managers of the assets held in trust for members of this System.

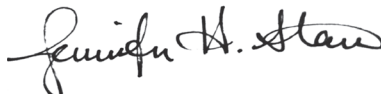
As stewards of the trust funds, we must take actions and make the responsible decisions that will carry this organization forward so that we can deliver on an important component of financial retirement security for all generations in our membership. This organization is led by a dedicated and diligent Board that works tirelessly with OPERS management and staff to help position us for the future. We all have a fiduciary responsibility to make decisions in the best interest of the more than one million members who rely on our actions. We have a responsibility to be prudent stewards and to look forward and prepare for the challenges we anticipate, not wait for them to occur.

We are pleased to report the activities of 2020. We will continue to take responsible actions to position OPERS to be a strong pension system and we will do this working with members, retirees and stakeholders. We will continue to provide uncompromised service despite the challenges and continue to take actions to move the System forward. We are honored to be associated with, appreciate and acknowledge the efforts of all involved as, together, we prepare for and step into the future.

Respectfully Submitted,



Karen E. Carraher, CPA
Executive Director



Jennifer H. Starr, CPA
Chief Financial Officer



Karen Carraher and Jennifer Starr

The concept of pensions is simple; the execution is anything but simple. To attain the funding levels necessary to ensure pension benefits and access to meaningful health care coverage, OPERS collects member and employer contributions and thoughtfully invests those assets. Over a member’s working career, the invested assets earn a targeted return accruing funding to support the member’s benefit during the retirement years.

OPERS is a mature pension system—meaning the System has almost as many retirees as active members. We work to proactively address challenges by making incremental adjustments to strengthen the financial foundation of the System. Only through constant monitoring and these incremental adjustments will the System be in the position of meeting the challenges of the future. Specifically, the challenges of a mature pension system are:

- Impacted by volatile economies and market downturns,
- Need to maintain a higher level of liquidity,
- Fewer active members contributing,
- Limited ability to suggest changes to active members that will produce meaningful reductions in liabilities, and
- Ongoing need to provide financial support to our members for health care.



2020
Pension Benefits Paid
\$6.5 billion



2020
Health Care Expenses
\$0.7 billion

Funded status: Funded status measures the progress of accumulating the funds necessary to meet future obligations. As we continue forward, we remain dedicated to maintaining and enhancing the stability of this System. As a result, OPERS has remained in compliance within the 30-year pension funding window required by law.

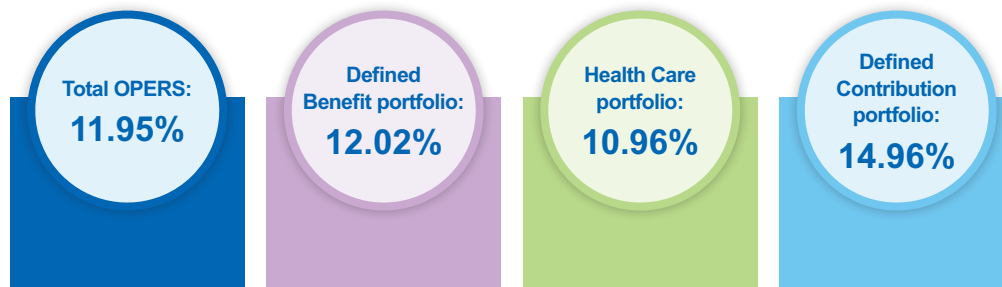
The December 31, 2020 pension valuation funded status is 82.9%—a significant improvement over the 79.5% funded ratio of 2019.

The improvement was due to the 2020 strong investment returns. However, until this number reaches a much stronger ratio, OPERS cannot allocate contributions toward health care.

As of the December 31, 2019 health care actuarial funding valuation (the most recent), OPERS was 104.2% funded. In the absence of employer contributions, the health care fund is expected to become insolvent after 23 years.

Investment returns: The year 2020 produced strong results for the OPERS portfolios. Strong years are critical for OPERS as a mature system because approximately two-thirds of pension benefits are paid through funding generated from investment returns. The remaining funding comes from employee and employer contributions.

2020 Investment Returns



Summary Comparative Statements of Fiduciary Net Position for all Plans and the Health Care Trust

Here are the assets and liabilities for the years ended December 31, 2020 and 2019. The net position represents the funds OPERS had accumulated by end of year to pay pension benefits for retirees, active and inactive members, as well as health care costs for current and future retirees. The improvement in net position reflects the strong investment returns earned in 2020.

Continuing forward: Both 2020 and 2019 were strong years for OPERS—and we worked to strengthen the financial foundation of the System to ensure the commitment to members of financial security in retirement is met. However, the System still has an unfunded pension liability of \$19.4 billion and the health care fund is expected to be solvent only for the next 23 years. So, while good years are always rewarding to report, we must always look to the future by anticipating neutral or negative markets when funding for pensions will be more limited.

	2020	2019	Amount Increase/ (Decrease) from 2019 to 2020	Percent Increase/ (Decrease) from 2019 to 2020
Assets				
Cash and Cash Equivalents	\$6,797,714,437	\$5,153,032,873	\$1,644,681,564	31.9%
Receivables	893,137,367	1,023,900,774	(130,763,407)	(12.8)
Investments	106,855,373,465	101,068,997,469	5,786,375,996	5.7
Collateral on Loaned Securities	10,082,726,257	8,338,502,346	1,744,223,911	20.9
Net Capital Assets	137,151,598	127,717,312	9,434,286	7.4
Prepaid Expenses and Other Assets	2,305,525	2,536,831	(231,306)	(9.1)
Total Assets	124,768,408,649	115,714,687,605	9,053,721,044	7.8
Liabilities and Deferred Inflows				
Benefits Payable	108,039,892	115,782,241	(7,742,349)	(6.7)
Investment Commitments Payable	282,169,031	927,267,321	(645,098,290)	(69.6)
Obligations Under Securities Lending	10,080,200,147	8,336,228,643	1,743,971,504	20.9
Other Liabilities	25,803,056	20,483,729	5,319,327	26.0
Total Liabilities	10,496,212,126	9,399,761,934	1,096,450,192	11.7
Deferred Inflows—Lesser Obligations	3,041,594		3,041,594	100.0
Total Liabilities and Deferred Inflows	10,499,253,720	9,399,761,934	1,099,491,786	11.7
Net Position Restricted for Pensions and OPEB*	\$114,269,154,929	\$106,314,925,671	\$7,954,229,258	7.5%

* Other post-employment benefits such as health care

Summary Comparative Statements of Changes in Fiduciary Net Position for all Plans and the Health Care Trust

Uncompromised service: This chart shows OPERS income (additions) and expenses (deductions). Investment earnings were the main component of income for both years presented. The slight increase in member and employer contributions for 2020 is less than the 2019 increase of 4.1% and reflects the impact of the global pandemic. Employers faced significant challenges throughout 2020, which resulted in lower or no wage increases and reductions in work force. OPERS paid \$6.5 billion in pension benefits and \$0.7 billion in health care expenses, net of health care receipts, to more than 216,000 retirees and their beneficiaries. Administrative expenses continued to decline year-over-year. In 2020, savings in

travel and employee medical insurance claims were due to the global pandemic, and we continued to recognize savings resulting from the implementation of more efficient software systems.

Continuing forward: OPERS knows that some years will have positive returns, while other years will be neutral or negative. When years are poor, OPERS absorbs the loss and continues to meet its commitment to members. As long-term investors, we work to maximize the availability of investable assets by reducing costs, controlling expenses, and structuring long-term solutions to address inequities and non-sustainable programs.

	2020	2019	Amount Increase/ (Decrease) from 2019 to 2020	Percent Increase/ (Decrease) from 2019 to 2020
Additions				
Member Contributions	\$1,517,737,361	\$1,516,077,941	\$1,659,420	0.1%
Employer Contributions	2,124,180,535	2,121,982,398	2,198,137	0.1
Contract and Other Receipts	79,934,979	67,502,046	12,432,933	18.4
Net Income from Investing Activity	12,030,115,041	16,100,992,982	(4,070,877,941)	(25.3)
Other Income, net	1,336,808	696,586	640,222	91.9
Interplan Activity	42,849,507	31,219,619	11,629,888	37.3
Total Additions	15,796,154,231	19,838,471,572	(4,042,317,341)	(20.4)
Deductions				
Pension Benefits	6,517,424,253	6,318,731,252	198,693,001	3.1
Health Care Expenses	978,656,779	1,019,120,295	(40,463,516)	(4.0)
Health Care Receipts	(253,390,867)	(251,231,366)	(2,159,501)	0.9
Refunds of Contributions	483,428,551	472,604,688	10,823,863	2.3
Administrative Expenses	72,956,750	76,159,025	(3,202,275)	(4.2)
Interplan Activity	42,849,507	31,219,619	11,629,888	37.3
Total Deductions	7,841,924,973	7,666,603,513	175,321,460	2.3
Net Increase	7,954,229,258	12,171,868,059	(4,217,638,801)	(34.7)
Net Position Restricted for Pensions and OPEB*, Beginning of Year	106,314,925,671	94,143,057,612	12,171,868,059	12.9
Net Position Restricted for Pensions and OPEB, End of Year	\$114,269,154,929	\$106,314,925,671	\$7,954,229,258	7.5%

* Other post-employment benefits such as health care

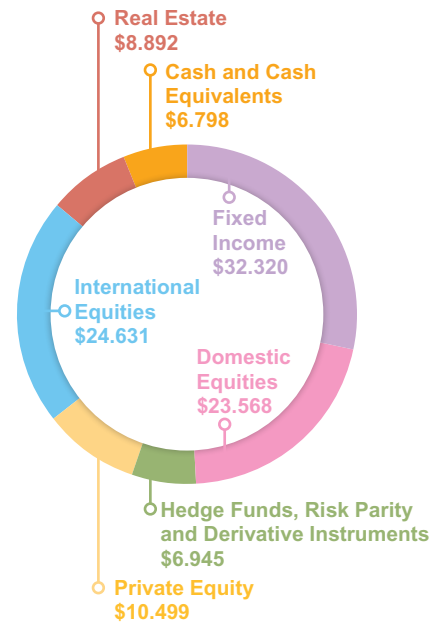
2020 Investment Overview

Investment results will always be an important focus for OPERS. Investment returns provide approximately two-thirds of the funding for each retiree’s pension. OPERS works to attain returns over the long term that will provide adequate funding for benefits.

Overall, 2020 was a very strong year, especially given how the year started with negative investment market returns. Combine this with the staggering economic impact of the global pandemic with the closure of businesses worldwide, the impact on unemployment and virtually the complete shutdown of some industries and we realize how truly impressive this investment return is and the extreme volatility of the investment market. The year 2020 was one of the most tumultuous years in the investment market in history:

- By the end of the first quarter, year-to-date investment losses were –10.74% for the pension portfolio and –13.49% for the health care portfolio.
- By the end of the second quarter, the year-to-date investment losses were –3.05% for the pension portfolio and –4.85% for the health care portfolio.
- Third quarter year-to-date investment returns finally reached a positive level with a 1.01% return for the pension portfolio and 0.50% for the health care portfolio.
- Suddenly, in November–December 2020, those figures grew impressively: December year-to-date returns were 12.02% for the pension portfolio and 10.96% for the health care portfolio.

Total Investment Summary
(\$ in billions)



It’s important to put the final returns of 2020 in context with the long-term focus of the System. Yearly returns will vary with the market volatility; we expect years with positive returns above our expectations and negative years with returns below our expectations. The goal is to structure an investment portfolio that will provide long-term returns. This long-term approach must be balanced by keeping in mind our short-term liquidity needs and liability due dates—meaning meeting our obligations to members.

The OPERS total return reflects the combined returns of the underlying portfolios that fund the pension benefits and the health care program. The total return for the OPERS portfolio for 2020 was 11.95%, which exceeded the benchmark return of 11.54%. That return marks the second consecutive year of favorable investment returns when we compare the 2020 return with the 2019 return of 17.59%.

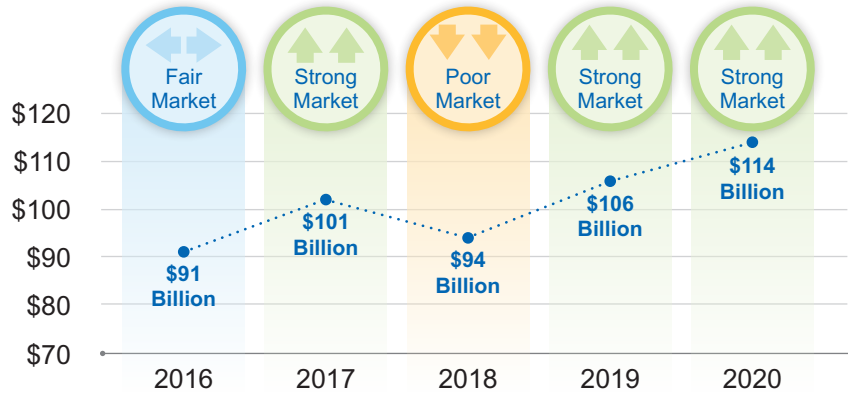
Historical Investment Returns (net of fees)

Year	Total Portfolio Return	Total Defined Benefit Return	Total 401(h) Health Care Trust Return	Total 115 Health Care Trust Return (Health Care Portfolio)	Total Defined Contribution Return
2020	11.95%	12.02%		10.96%	14.96%
2019	17.59	17.23		19.59	21.74
2018	(3.38)	(2.99)		(5.76)	(6.65)
2017	16.62	16.82		15.25	17.39
2016	8.23	8.31 ^a	4.73% ^a	5.11 ^a	9.51

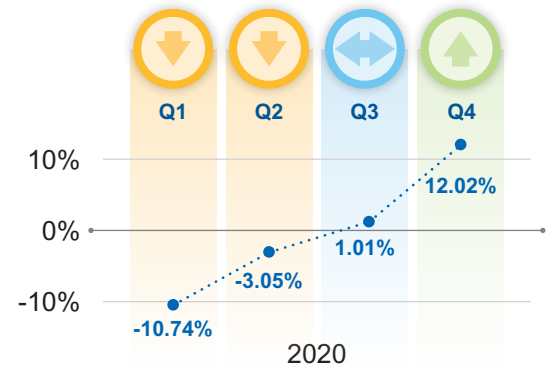
^a Returns are six-month cumulative returns as of June 30, 2016 in the 401(h) Health Care Trust. The 401(h) Health Care Trust and the Voluntary Employees’ Beneficiary Association (VEBA) Trust were closed as of June 30, 2016. Prior to July 1, 2016, the VEBA Trust assets were included in the Defined Benefit portfolio. On July 1, 2016, the 401(h) Health Care Trust and VEBA Trust assets were transferred to the 115 Health Care Trust portfolio. The combined return on the total health care assets for the year ended December 31, 2016 was 7.55%. The number disclosed in the 115 Health Care Trust column in 2016, 5.11%, represents the return for the 115 Health Care Trust portfolio assets.

As of December 31, 2020, net position was approximately \$114 billion.

Market Volatility Affects Financial Stability (\$ in billions)



Defined Benefit Portfolio Investment Return Volatility by Quarter



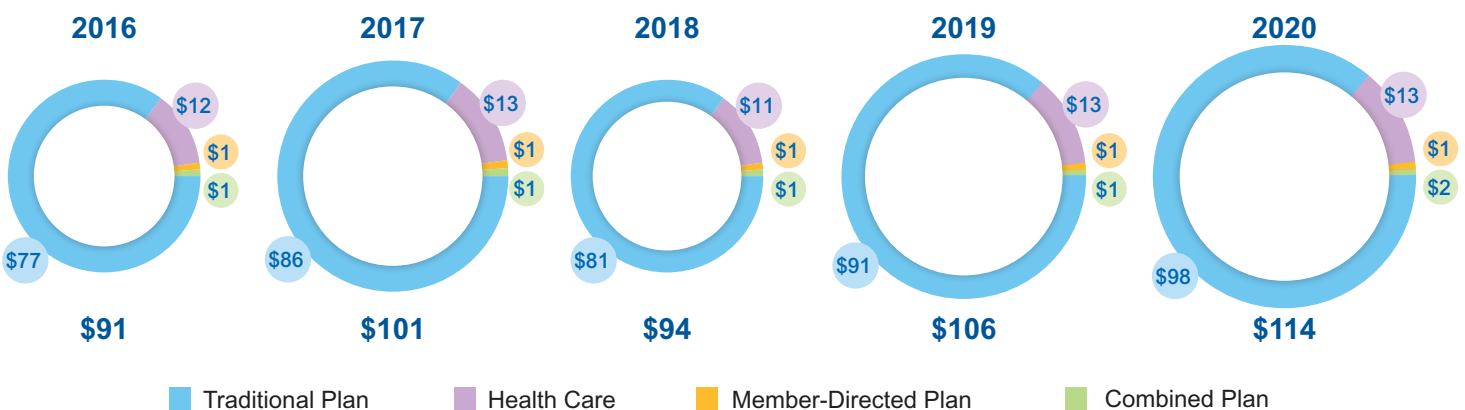
The underlying portfolios that make up the total OPERS portfolio are the Defined Benefit portfolio, the Defined Contribution portfolio, and the Health Care portfolio. These underlying portfolios have different asset allocations based on the funding and liquidity needs; thus, each portfolio’s investment returns will vary. By portfolio, the 2020 returns were:

- Defined Benefit portfolio returned 12.02%, compared to the benchmark return of 11.65%, and the anticipated actuarial funding plan rate of 7.20%.
- The Defined Contribution portfolio returned 14.96%, compared to the benchmark return of 15.04%.
- The Health Care portfolio returned 10.96%, compared to the benchmark return of 10.13% and the anticipated actuarial funding plan rate of 6.00%.

Continuing forward: The results of each year are important to continue to provide sufficient income for benefit payments. Consider that OPERS must provide more than \$540 million in benefit payments EACH MONTH. So, if investment income cannot cover the benefit payments, OPERS must use assets to pay benefits (the liabilities). This sell-off of assets limits future investment income and erodes the financial foundation. OPERS rejoices about years of strong investment returns as those funds will strengthen the foundation—by making assets available for investment—so that we can meet our commitment to members—current and future.

OPERS Net Position (\$ in billions)

Presented here is funding by plan and trust for the last five years:

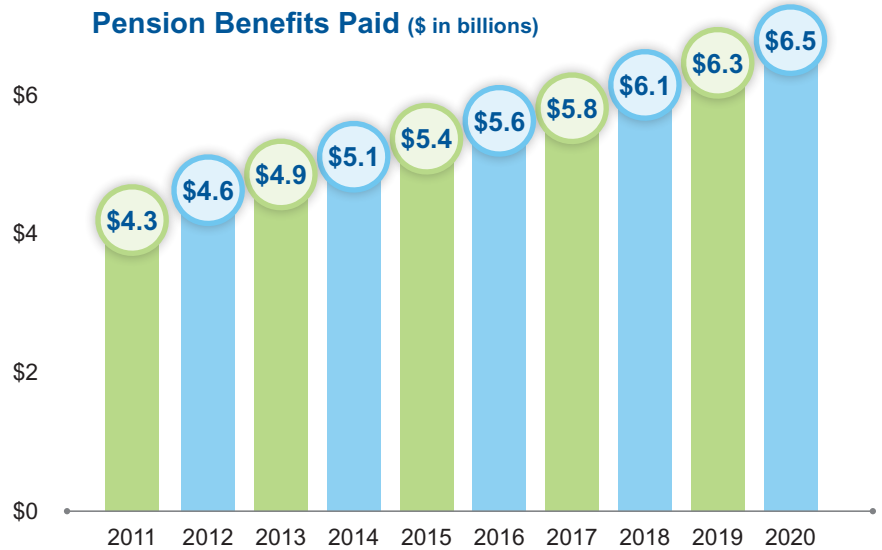
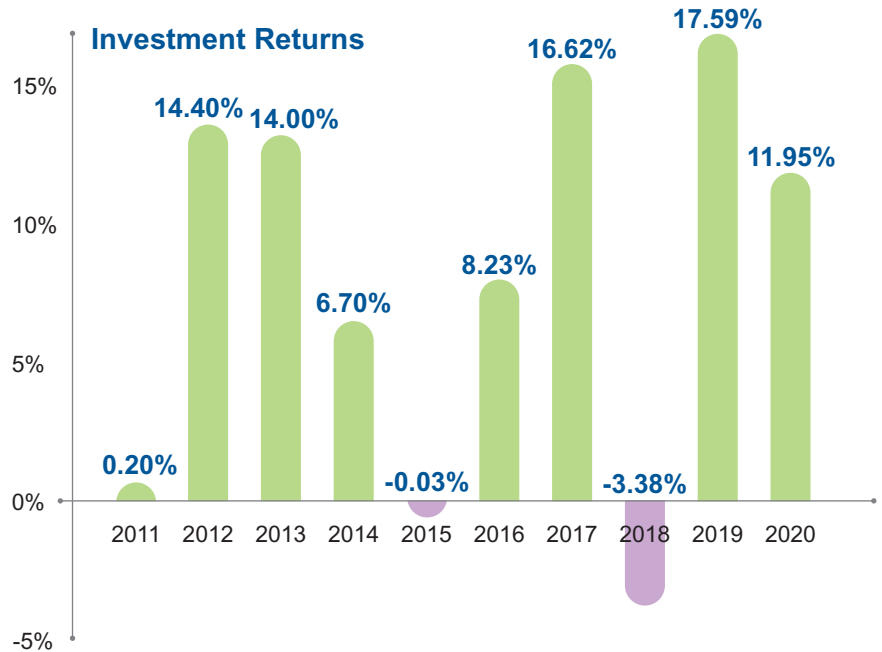


OPERS Provides Secure Retirement

For more than 85 years, OPERS has consistently provided pension benefits to retirees and beneficiaries. That's more than 1,000 months of payments to each and every generation of retirees.

That's a remarkable statement, especially considering that much of the benefit funding comes from investment returns. How can OPERS deliver on its commitment year after year? Only through responsible actions and the courage to anticipate change. Our ability to anticipate challenges has enabled this System to absorb significant changes in our landscape and still deliver on our commitments. Challenges such as members living longer in retirement than ever before, volatile global markets (most investment experts agree that 2020 was the most volatile market in history) and an ever-decreasing member-to-retiree ratio have placed deeper-than-expected strains on the OPERS foundation.

Consider some of the challenges OPERS has navigated: The Investment Returns chart shows investment returns over the past decade reflecting the extreme volatility in markets. Compare to the second chart indicating the ongoing increase of pension payments, also in the last 10 years. Pension payments grew 50.5%.



Ohio's Public Employees by Employer Type

OPERS serves more than 289,000 actively contributing members and nearly 3,700 employers who provide services to Ohio residents. This chart displays the number of active members who work in each of the primary employer groups, providing services that touch the lives of every Ohioan.

	State	Counties	Municipalities	Miscellaneous	Libraries	Villages	Townships	Law Enforcement/ Public Safety
Employers	241	250	244	508	253	656	1,308	235
Employees	104,812	81,209	45,705	18,659	10,639	10,431	9,823	8,157

Pension Funding Status

Retiree pension benefits are funded by contributions from members and employers and income earned from responsibly investing these funds throughout a member’s career.

OPERS is required by law to remain within a 30-year funding window—meaning the System is in the position to fund all pension liabilities within 30 years. Funded status measures the progress of accumulation of the funds necessary to meet future obligations. The December 31, 2020 valuation funded status was 82.9%. The unfunded liability was expected to be funded within 18 years on a funding basis.

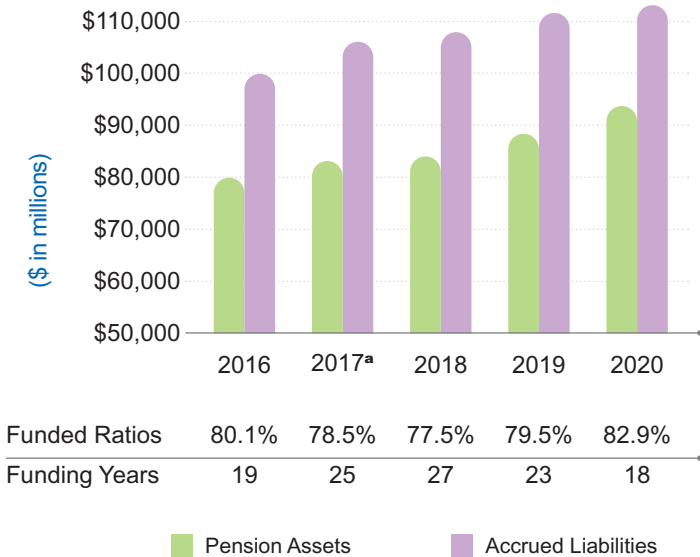
Continuing forward: We are dedicated to maintaining and enhancing the stability of this System. As a result, OPERS is continually making modifications to remain in compliance with the 30-year funding window required by law.

Why Our Actions Are Important

As of year-end 2020, OPERS served more than one million members, including 216,000 retirees and beneficiaries. In addition, the System works with approximately 3,700 public employers. With a net asset base of \$114.3 billion, OPERS is the largest public pension system in Ohio and the 12th largest public pension system in the nation.

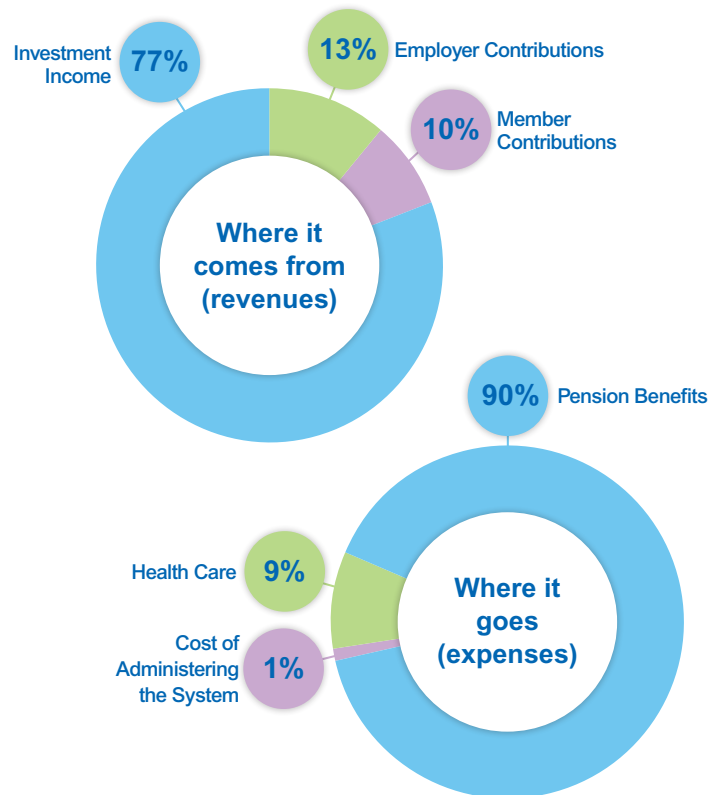
Continuing forward: OPERS cannot control many aspects of the business of pensions, including market volatility, global economies and, in 2020, the global pandemic. We must be diligent in making responsible decisions for the actions we can control and anticipating challenges beyond our control.

Pension Valuation Assets vs. Accrued Liabilities—Funding Basis¹ (All Plans)



^a Information after change in discount rate from 7.5% to 7.2%.
¹ 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 on this funding basis is used to monitor the funding status of OPERS.

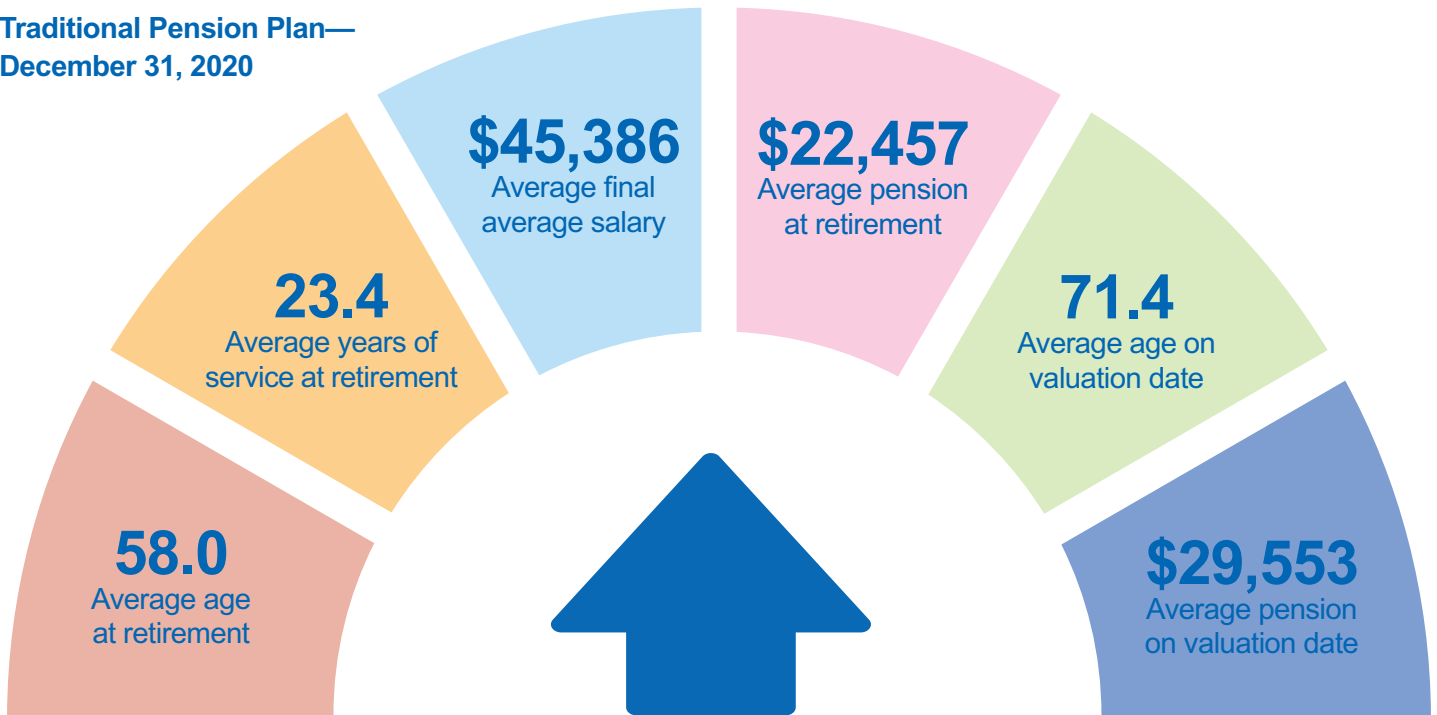
Where funding comes from



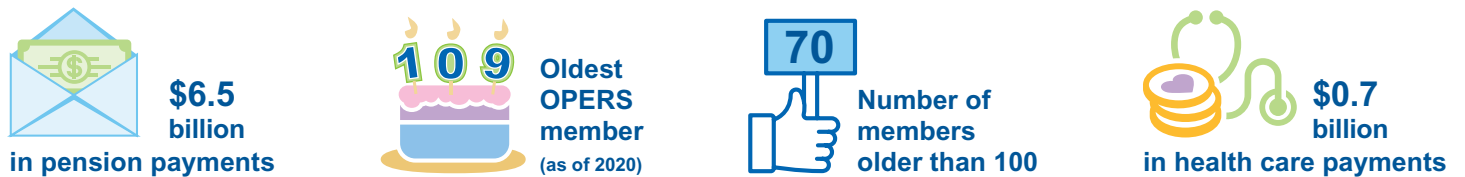
2020 Averages At-a-Glance

Here are the average benefits paid to retirees receiving a benefit under the Traditional Pension Plan, the System's largest plan. The cost of retirement will continue to increase as new retirees with higher final average salaries replace long-time retirees with lower final average salaries and as members continue to work longer.

Traditional Pension Plan— December 31, 2020



2020 Facts

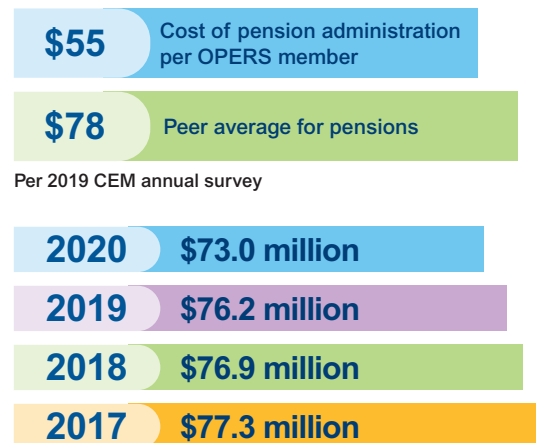


Controlling Expenses

Some things are within our control, such as administrative costs and choosing to diligently fund the investment portfolio into diversified asset classes to mitigate, or spread, risk (as it is less likely that all asset classes would yield poor results in any given year).

In 2020, in the most volatile market in history, OPERS delivered on reduced administrative costs (for the fourth year in a row) and a reduction of investment fees.

Controlling administrative expenses: As prudent stewards of public trusts, we work to reduce expenses without jeopardizing service.



Meeting Our Commitments

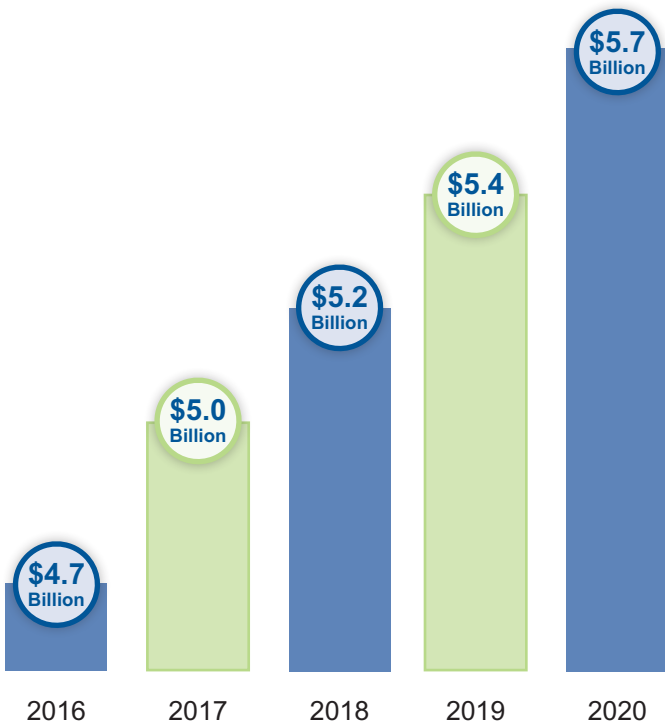
OPERS' mission is to provide financial security for our members in retirement. We do that by accepting contributions throughout an individual's working career. These contributions are then carefully and systematically invested to maximize earnings and the compounding effect of long-term contributions. Each OPERS Board member, management and staff member remains dedicated to the fulfillment of this mission.

OPERS provides retirement benefits that include pension payments, disability benefits and survivor benefits. Retirees meeting specific requirements may also receive health care coverage. See page 16 for health care costs by type.

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.

Continuing forward: The information below shows the trend in retiree pension benefits for the past five years. The graph tracks upward, 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.

Annuities and Installment Payments

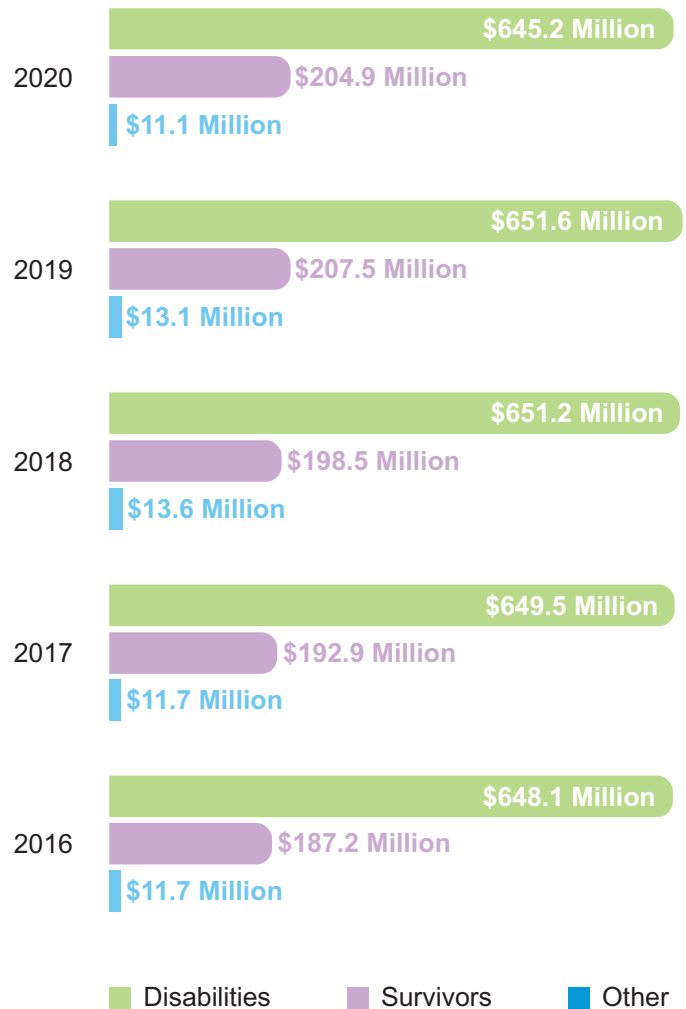


Retirement contributions: Employee contributions, employer contributions, and income from investments provide the funds necessary to finance retirement benefits. In 2020, we received a total of \$1.5 billion in member and \$2.1 billion in employer contributions.

The System's total net position was \$114.3 billion as of December 31, 2020. That's the asset base that OPERS uses to generate investment income—the income that provides approximately two-thirds of all retiree benefits.

Expenses: Expenses (including pension benefit payments, health care coverage payments and account refunds) for fiscal year 2020 were \$7.7 billion. In 2020, OPERS paid \$6.5 billion in pension benefits and \$0.7 billion in health care to more than 216,000 OPERS retirees and their beneficiaries.

Disabilities, Survivors, and Other Payments



Preserving Health Care: Health Care Preservation Plan 3.1

Health care is neither mandated nor guaranteed. The health care trust can only receive contributions if and when pension funding needs are met.

OPERS recognized and anticipated the importance of providing access to meaningful health care long before the issue hit national news.

Through the years, we worked to make responsible decisions to help ensure access to health care for all generations of OPERS retirees, present and future. We chose to responsibly pre-fund health care expenses and carefully evaluated and refined the health care options available—all the while investing funds to maximize growth and minimize risk. However, due to the pension funding needs, we are not able to add new funding to health care at this time.

Summary of Changes to Health Care—Effective January 1, 2022

In 2020, to improve the sustainability of the health care program, modifications to health care coverage for Medicare and non-Medicare retirees were approved.

Group plans offered to non-Medicare retirees and re-employed retirees will be discontinued. Eligible non-Medicare retirees will select an individual medical plan and will be provided a subsidy or allowance. Retirees will be able to seek reimbursement for plan premiums and other qualified medical expenses.

Eligibility

- Current retirees eligible (or who become eligible prior to January 1, 2022) to participate in the OPERS health care program will continue to be eligible after January 1, 2022.
- Eligibility requirements for those who retire after January 1, 2022, and who are in the Traditional Pension Plan or Combined Plan are:
 - **Medicare Retirees**—Medicare-eligible with a minimum of 20 years of qualifying service credit.
 - **Non-Medicare Retirees**—Non-Medicare retirees qualify based on their group—each group measures years of service credit and age to determine access to health care (refer to annual report, OPERS website at opers.org or contact a counselor for specific group information).

About HRA Allowances

As previously stated, non-Medicare retirees will have an allowance and assistance in choosing a health care plan on the open market via the OPERS non-Medicare Connector. The Connector will help retirees determine the best use of health care funding for their particular situation as well as provide assistance in enrollment. Retirees will receive a percentage of the base allowance (\$1,200 per month) determined by age and qualified years of service at retirement.

The base allowance used to determine the monthly HRA allowance for Medicare retirees will decrease from \$450 to \$350 per month. All eligible retirees will have HRA allowances determined based on their age and years of service at retirement.

Transition Deposit

To assist in the transition to the individual marketplace, a one-time HRA deposit of \$1,200 will be provided to retirees who are enrolled in the OPERS group plan effective December 1, 2021.

Dependent Children

Retirees will no longer receive an additional allowance for eligible dependent children, regardless of age, ability, or mental capacity. Retirees may use HRA funds to reimburse any qualified medical expenses incurred by their eligible dependents.

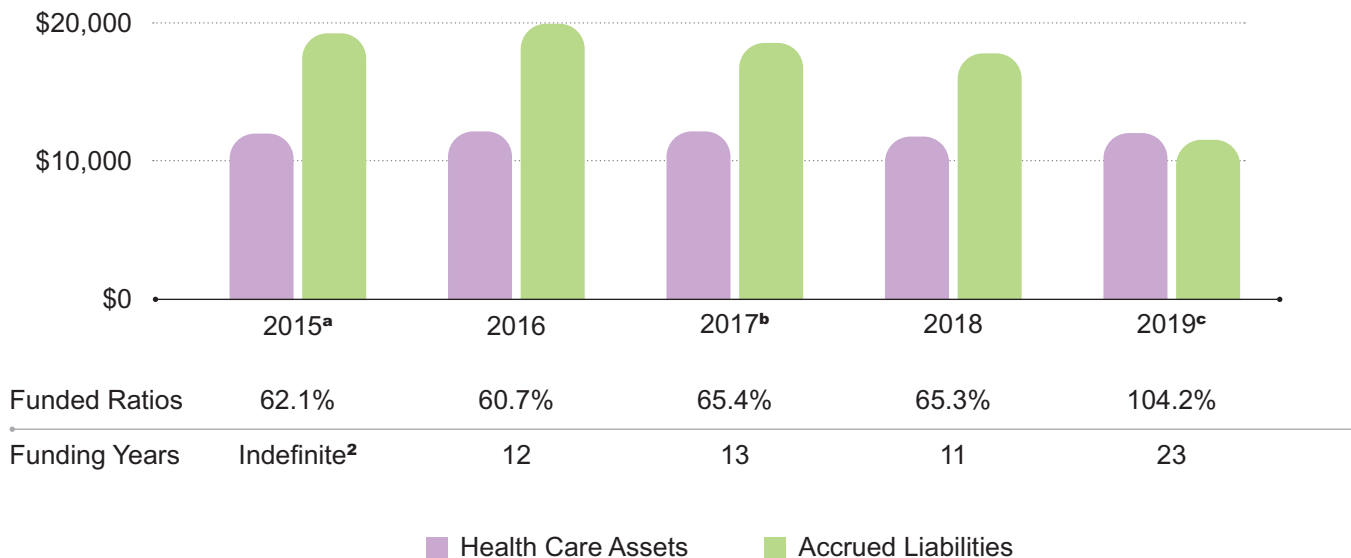
Re-employed Retirees

Eligible re-employed retirees will no longer have their HRA suspended during the re-employment period. Instead, re-employed retirees will receive the HRA allowance if enrollment requirements are met. The HRA deposits will accrue in a Re-employed Accumulated HRA but the funds will not be accessible to reimburse for qualified medical expenses during the re-employment period. Upon completion of the re-employment period, all funds will be available for reimbursement of eligible expenses incurred outside of re-employment.

Health Care Covered Lives	2019	2020
Traditional Pension Plan and Combined Plan Covered Lives		
Retirees & Primary Beneficiaries	142,369	138,906
Dependents & Other Beneficiaries	28,141	25,130
Member-Directed Plan Retiree Medical Accounts		
Retiree Recipients	6,940	7,171
Total	177,450	171,207

Health Care Funding Status

Health Care Ratios—Valuation Assets vs. Accrued Liabilities—Funding Basis¹
(\$ in millions)



^a Information after completion of experience study.

^b Information after change in discount rate from 6.5% to 6.0%.

^c Results reflect health care program changes effective January 2022, approved by the Board in January 2020.

¹ 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 on this funding basis is used to monitor the funding status of OPERS.

² Funding years represent an estimate of the number of years the fund will be able to provide health care under the intermediate actuarial assumptions. Indefinite indicates funds are expected to be sufficient to fund future health care needs.

Although health care is neither mandated nor guaranteed, the Board, management and staff recognize the importance to our members of providing access to meaningful health care. We know that access is a significant component of a secure retirement.

OPERS faces two major issues to providing health care:

- Health care expenses are expected to continue to increase based on the combination of the growing number of retirees, their increasing life expectancies and overall increases in the cost of health care due to medical advances.
- The funding status for pension benefits requires that all contributions be allocated to improve the

pension funding. Meaning, until the pension funding improves, no funding can be made available for health care.

The positive impact of the HCPP 3.1 modifications is clear.

- As of December 31, 2019, the date of the most recent health care valuation, health care assets accumulated exceeded actuarial liabilities by \$0.5 billion resulting in a funded ratio of 104.2%.
- Therefore, the current trust fund is expected to last approximately 23 years, a significant improvement over the prior-year solvency period of 11 years before the HCPP 3.1 changes were included in the valuation.

Continuing forward: The tradition of working to preserve the health care fund through incremental changes designed to lengthen the solvency of that fund will continue. Although a solvency period of 23 years is much better than a solvency period of 11 years, bear in mind that many exceed that 23-year threshold in retirement. Clearly more must be done to sustain the program for current and future retirees.

Throughout 2020, OPERS worked to implement the next series of changes including vendor selection and onboarding, technology preparation for processing and member education programs.

Funds Restricted for Member Health Care Accounts

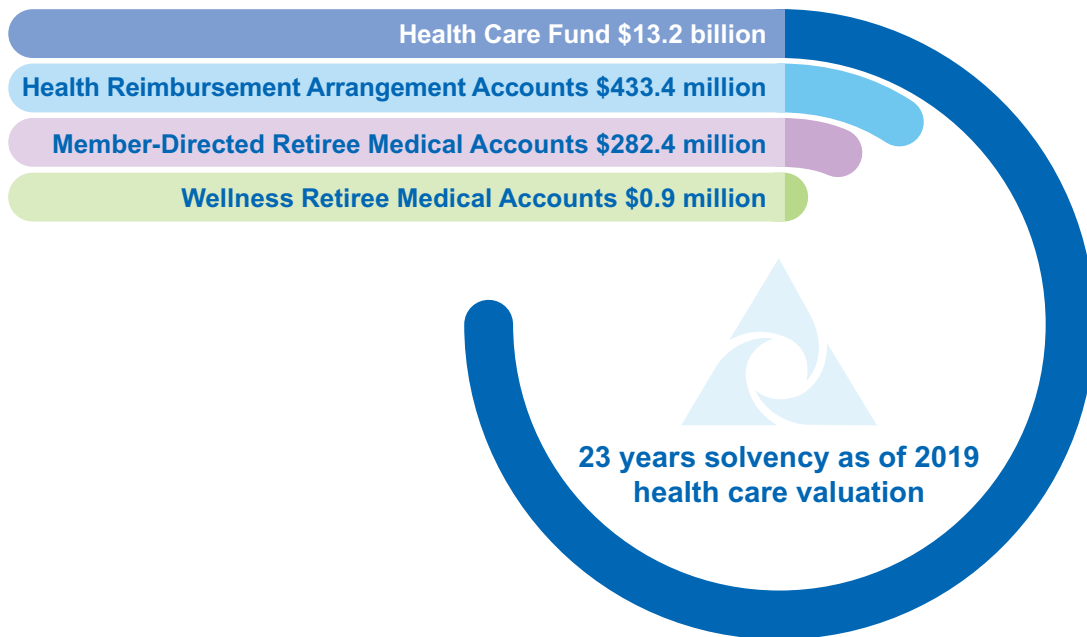
Health Care Funds by Type

OPERS notionally funds and tracks member balances in health care reimbursement accounts for Medicare-enrolled retirees that qualify to participate in health care. Additionally, OPERS funds Member-Directed Plan health care accounts. The financial statements recognize health care payments as an expense and as liabilities when claims are incurred by members (currently due and payable).

As a result, unspent balances remaining in member health care accounts are not recorded as liabilities in the financial statements. Total funds held in trust restricted for health care costs of all OPERS health care plans were \$13.2 billion as of December 31, 2020.

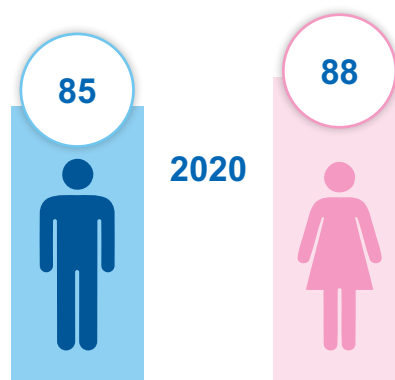
Included in the \$13.2 billion are restricted member health care account balances in the health care reimbursement accounts, Member-Directed Plan health care accounts, and discontinued Wellness accounts.

Health Care Funds by Type



Longer Life Expectancies

Continuing forward: Longevity is a strong quality for OPERS retirees.

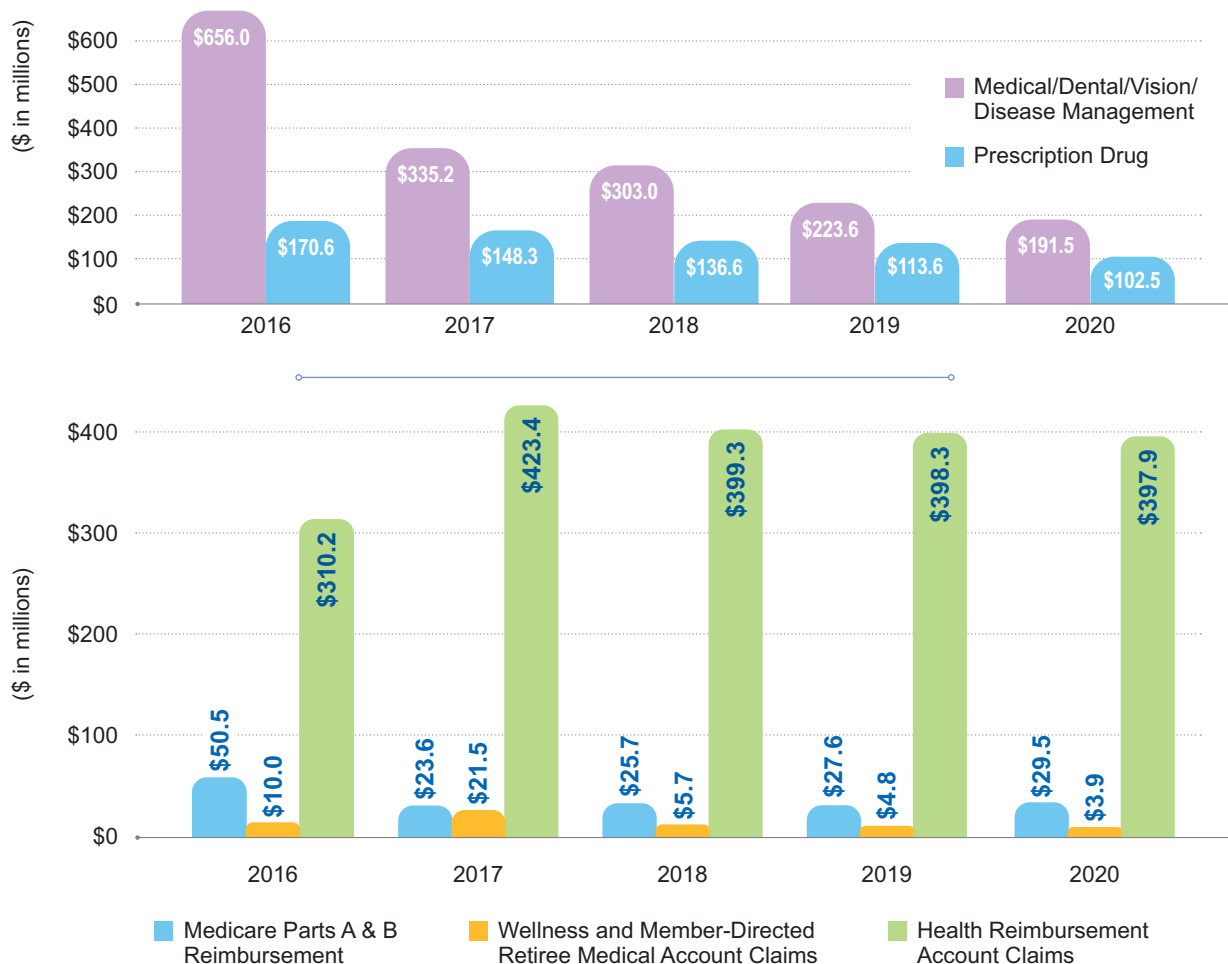


Although not required, health care coverage remains available to Traditional Pension Plan and Combined Plan retirees and their dependents. In 2020, disability recipients comprise 9% of the retiree population but represent 16% of health care expenses. OPERS periodically reviews and modifies the health care program to maintain the solvency of the health care fund for current and future retirees.

Ever-increasing Cost of Health Care:



Health Care Costs by Type



Plan Overviews and Enrollment Figures

OPERS offers members three retirement plans—each provides different features designed to accommodate individual member’s knowledge base and risk tolerance.

Traditional Pension Plan: Retirement benefit is based on a defined benefit formula determined by years of contributing service and final average salary. OPERS handles investments and absorbs all risk. Ideal for those who want security in retirement, have a low risk tolerance and low desire to handle financial transactions.

Member-Directed Plan: Retirement benefit is based on member contributions, vested employer contributions and the gains and losses on those contributions. Members choose from a variety of OPERS selected funds—including fixed income and equity funds, target date funds and a self-directed brokerage account. Provides control but significant risk for members.

Combined Plan: Hybrid plan where member contributions are deposited into a self-selected account (like Member-Directed Plan) and employer contributions are deposited into the guaranteed defined benefit option (like Traditional Pension Plan).

Each person has a different risk tolerance, retirement needs and willingness to handle financial transactions.

The chart below displays the number of active, inactive and retired members in each plan as of December 31, 2020. Inactive members are no longer contributing to OPERS, but have not refunded their accounts and may be eligible to receive a retirement benefit.

Continuing forward: The three-plan option will be eliminated for new future members. Effective January 1, 2022, new members will no longer be able to select the Combined Plan. Please see page 2 for more information.

	Traditional Pension Plan	Combined Plan	Member-Directed Plan	Total
Active Members	272,243	7,242	9,950	289,435
Average Age	44.5	46.0	45.5	
Average Service Credit (Years)	10.9	10.1	7.1	
Average Final Average Salary	\$44,412	\$56,310	\$58,002	
Inactive Members¹	669,682	2,417	5,774	677,873
Average Age	39.5	42.6	39.6	
Average Service Credit (Years)	1.2	4.8	3.1	
Average Final Average Salary	\$6,436	\$34,148	\$30,602	
Retired Members	215,728	465	330	216,523
Average Age	70.2	68.8	70.2	
Average Service Credit (Years)	22.8	11.6	N/A	
Average Annual Benefit	\$29,786	\$8,322	\$5,356	
Total Members	1,157,653	10,124	16,054	1,183,831

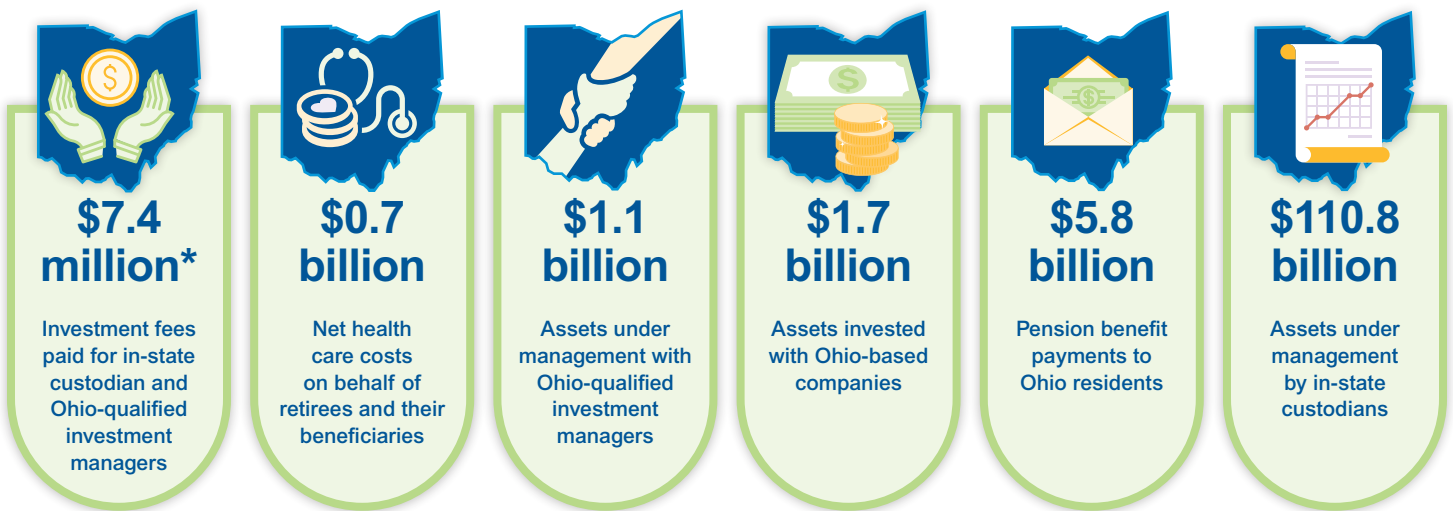
¹ Inactive members no longer contribute, but still have an account that may be activated upon return to public service and may be eligible to receive a retirement benefit.

OPERS Is Good for Ohio, Consider This:

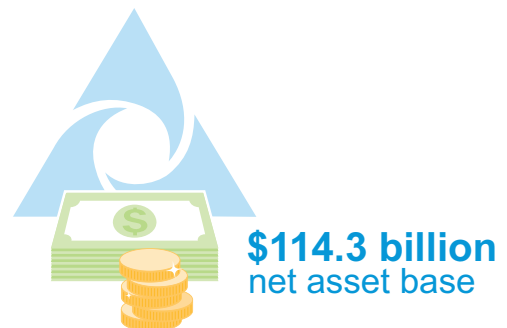
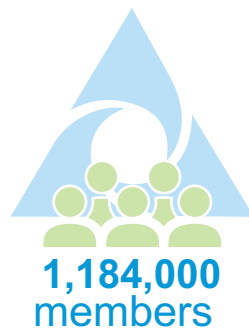
As the largest public pension system in Ohio, and the 12th largest in the U.S., OPERS is a significant economic driver for the state. The majority of our one million members and retirees live and work in Ohio, providing economic stability throughout the state.

For every dollar received by OPERS from public employers in 2020, \$3.41 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. In fact, 89.2% of OPERS retirees reside in Ohio.

Here are additional facts as of and for the year ended December 31, 2020:



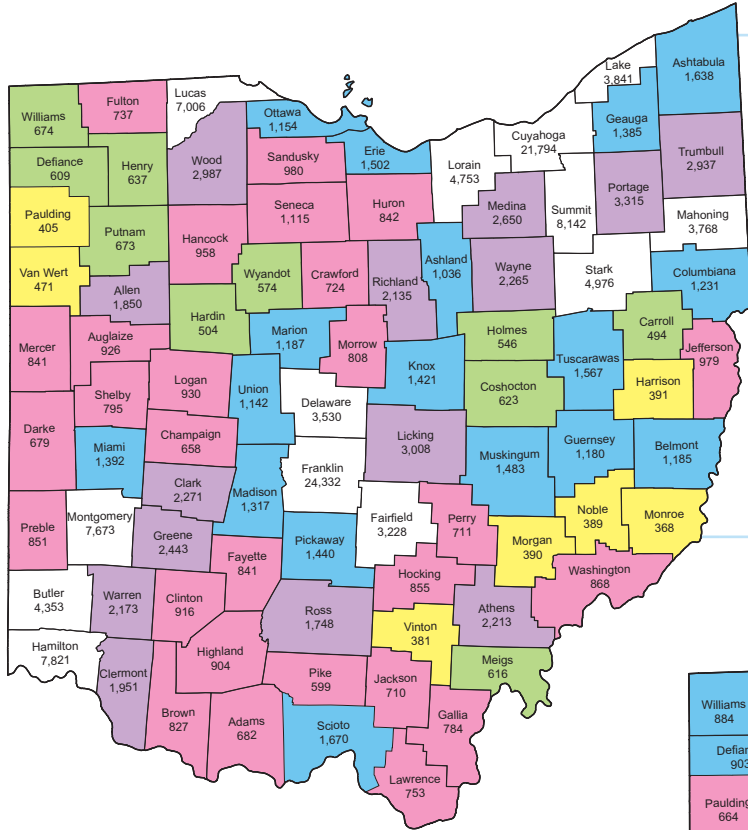
* A reduction from 2019 fees of \$8.1 million



OPERS is an important economic driver for the state of Ohio—we are the largest public pension system in Ohio and the 12th largest public pension system in the nation.

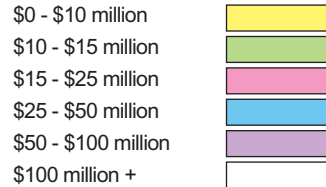
Since 1935, OPERS has worked to provide financial security for OHIO public employees in retirement. As of 2020, OPERS served approximately 1,184,000 members and worked with nearly 3,700 public employers that employed more than 289,000 Ohioans.

Employers and employees make retirement contributions each month throughout each public employee's working career. In total (including earned investment returns), OPERS as of 2020 had a net asset base of \$114.3 billion. Although significant, OPERS must diligently monitor that asset base and make the right decisions to maintain the funding window required by law.



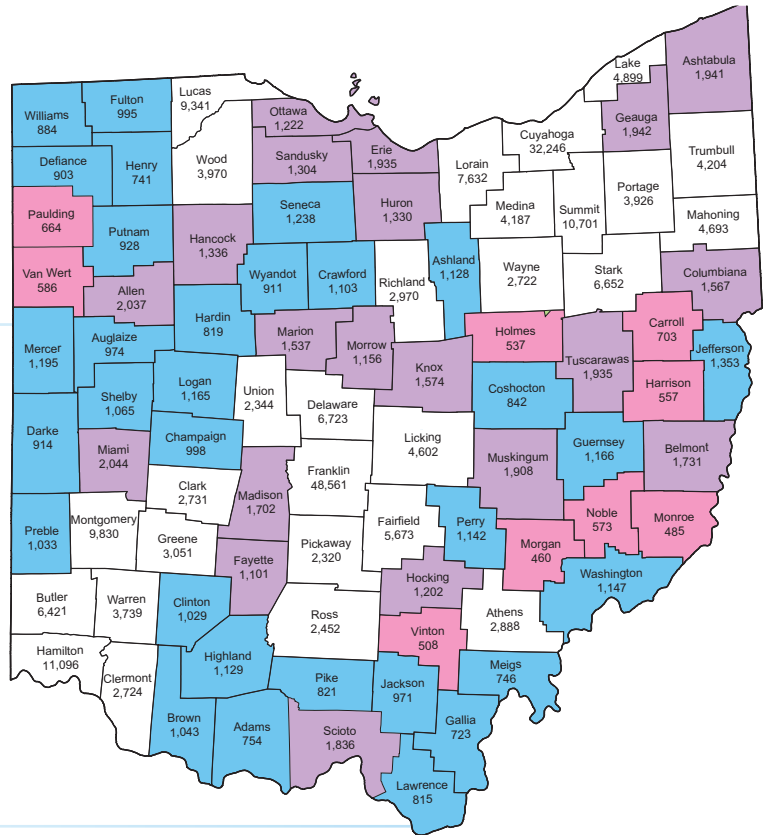
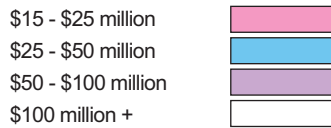
2020 Pension Benefits and Retirees by Ohio County

Pension Benefits Color Key



2020 Active Employees and Payroll by Ohio County

Payroll Color Key



89.2%
of OPERS retirees
live in Ohio




- ▲ Of the 216,500 OPERS retirees, 193,111, or 89.2%, remained Ohio residents as of December 31, 2020.
- ▲ Pension benefit payments of more than \$5.8 billion were distributed throughout Ohio to retirees and their beneficiaries, representing the OPERS impact on the state's economy.

Financial Security in Retirement

OPERS provides a strong financial element to provide secure retirement for members—but members need to augment that security with personal savings, healthy lifestyles and responsible decisions. OPERS works to help each member make just the right decisions. Members are encouraged to seek out OPERS-sponsored financial wellness programs. Visit opers.org to learn about educational opportunities available.

Preparing for financial security in retirement takes a lifetime. *All* members, regardless of career cycle, are encouraged to focus on responsible behaviors.

Retirement by the Numbers (all plans)

	1970	2020
 Number of Retirees	37,973	216,523
 Average Annual Benefit	\$1,737	\$30,100
 Average Years in Retirement	Not Available	38.8 yrs

Serving Members

Here's How OPERS Reached Out to Members in 2020:



Retirees continued to receive on-time pension benefit payments, totaling \$6.5 billion—more than \$5.8 billion was delivered to Ohio-based retirees.



Hundreds of thousands of eligible members received a personalized, annual account statement to help ensure each understands the status of benefits earned.



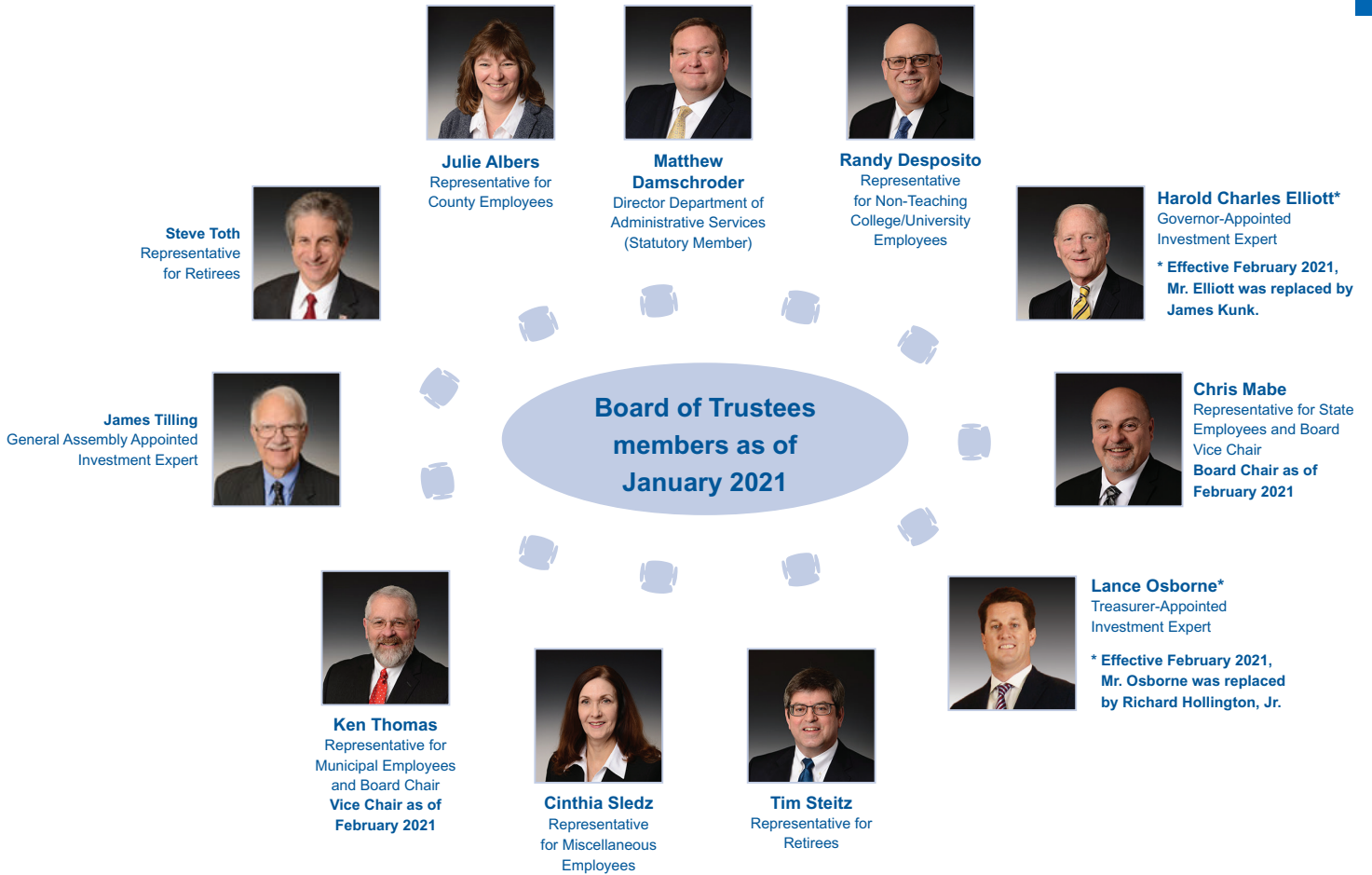
More than 68,000 members and retirees attended online seminars, three times the number who attended in 2019.



As virtual and remote services were used to reach members and retirees:

- The OPERS website attracted more than 1 million individual visits.
- Member Services Call Center handled 282,252 calls.

OPERS Board of Trustees and Leadership



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 typically meets monthly and receives no compensation, but is reimbursed for necessary business expenses.



Leadership Team (left to right): Eric Harrell, General Counsel; Tonya Brown, Director—Member Operations; Jennifer Starr, Chief Financial Officer; Gordon Gatien, Director—External Relations; Allen Foster, Director—Benefits; Karen Carraher, Executive Director; Chuck Quinlan, Director—Information Technology; Paul Greff—Chief Investment Officer; Caroline Stinziano, Director—Internal Audit; Mindy Bailey, Director—Human Resources

Image shown here from 2018 PAFR.

Mission

To provide secure
retirement benefits
for our members.

Vision

To be your trusted retirement
partner delivering responsive
high-quality service.



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