August 2019 OPERS Report

Board discusses future health care packages

The Ohio Public Employees Retirement System Board of Trustees continued its discussion about the future of retiree health care by reviewing five options for pre-Medicare and Medicare coverage.

As stated in previous issues of the Board Report, due to the needs of the pension fund, there currently is no additional funding being contributed to the health care trust. Projections indicate OPERS will not be able to provide such funding to the health care trust for at least 15 years. As a result, the Board has been discussing possible health care changes since last year.

The changes described in each of five proposals center on eligibility, allowances and grandfathering of current retirees. Also discussed were provisions for disability benefit recipients and those who might be eligible for low-income subsidies.

While they made no decisions at the August meeting, the trustees centered on a package of changes that would impact all OPERS members in some way. But, importantly, it would retain access to health care for all members and retirees.

Highlights of this package include:

- Requiring high years-of-service levels to receive an allowance for those retiring at an early age (under age 65)
- Keeping current eligibility requirements of age 65 with 20 years of service for Medicare coverage
- Maintaining grandfathered population eligibility but with reduced allowances
- Reducing the base allowance for both the Medicare and non-Medicare plans
- Eliminating the group plan for non-Medicare and replacing it with an open-market model

Many more details will be available in coming months as the trustees near a decision. OPERS is currently conducting regional seminars on this topic. Go to the Education section on the OPERS website to sign up. These changes would not take effect before 2022.
Cost of living adjustment changes proposed

The Board discussed a temporary cost-of-living adjustment freeze to help improve funding of the pension plan.

OPERS has an unfunded actuarial accrued liability of $24 billion, an all-time high. OPERS is taking steps to reduce that liability, and one option that the trustees are considering is a two-year freeze of the COLA for all retirees in calendar years 2022 and 2023, after which the COLA would return to current conditions.

The proposal comes several years after passage of Senate Bill 343, which required active members to pay more for their retirement and work longer before they could retire.

In addition to freezing the COLA in 2022 and 2023, the proposal also includes delaying COLAs for future retirees for two years after retirement, instead of one, and restoring 85 percent purchasing power to some retirees.

The Board was apprised of measures by other pension funds around the country to improve funding, many of which include adjusting or freezing COLAs, including some in Ohio.

Trustees are expected to consider the proposal at a future meeting.

Discussion begins on retirement Group D

In the face of challenges to the Traditional Pension Plan and retiree health care, and to meet the changing needs of Ohio public workers, staff began discussions with the Board to create a unique tier of OPERS membership.

As proposed, those who join OPERS in 2022 and beyond would be part of Group D, a separate section of the Traditional Pension Plan that would have its own eligibility standards, benefit structures and unique features.

It would create a plan with enhanced flexibility and give members more control over their own retirement security. While discussions are preliminary, here are a few of the aspects being discussed:
• Contribution rates
• Gainsharing account
• Retiree Medical Account
• COLA
• Benefit eligibility and final average salary
• Portability

The Board will continue discussion on the creation of Group D during the September meeting.