

**OHIO COUNCIL OF HIGHER EDUCATION RETIREES (OCHER)
MEETING OF MAY 20, 2014**

After the usual reports from the secretary and treasurer, we heard the Legislative Update reports from Dick Hill. He reported on national and state matters:

-There is still considerable discussion as to how STRS will get to the 30 year funding mark. The STRS Board thought we were getting close but we recently learned that we are still around the 40 year mark. Several "fix-it plans" have been recommended; one that will be implemented will be to shift funds from the flush health care fund to the STRS pension fund for an indefinite period of time.

-Medicare Advantage Plan had been under fire and it was assumed that it would take a hit in the months and years ahead. However, in April the Centers for Medicare and Medicare Services announced that they were shelving controversial cuts to Medicare Advantage and replacing them with payment increases. It was reported that MA payments to health insurers will now rise by 0.4% next year instead of being cut by 1.9%.

-There is evidence that no matter what kind of health plan consumers choose, they will find fewer doctors and hospitals in the network or pay much more for the privilege of going to any provider they want. This is also giving rise to on-demand, concierge-like services. This is leading to STRS making it much more expensive for out-of-network services. Greg Nickell reported in his STRS Health Care update that we are probably witnessing the end of slow rising health care costs.

-Dick Hill said there is considerable concern regarding the decreasing number of new "actives" choosing an Alternative Retirement Plan (ARP) over STRS defined benefit plan: in 1998, 98% were DB; but by 2013; 57%.

-Market value of STRS as of April 30, 2014 is nearly 73 billion dollars, up 13% year to date.

-A one year mitigating rate moratorium has been passed by our State Legislature. The current mitigating rate is 4.5%. For every person covered by an ARP, STRS Ohio receives 4.5% of the 14% of the employer contribution to mitigate the negative impact that participation in an ARP has on STRS Ohio's Defined Benefit Plan. Marla Bump reported that STRS Government Relations is lobbying for a continuation of the mitigating rate.

OPERS REPORT: Gordon Gatien, OPERS Government Relations Officer indicated the market value of OPERS is 88.6 billion dollars (averaging 8.97 % over the last 30 years.) and that it is the largest of the Ohio public pension plans and the 11th largest in the nation. He said that OPERS serves more than a million members, active and inactive members. He reported that the OPERS website is being redesigned to increase the focus on health care changes taking place by January 1, 2015. He reported that OPERS paid more than \$5.8 billion in pension benefits and health care coverage during 2012. The average annual benefit for retirees under OPERS is \$26, 229. More than 90% of retirees live in Ohio helping keep the economy strong. For every dollar taxpayers pay for Ohio's pension plans \$3.26 ripples back into the

state economy. Gatien reported that OPERS receives money from three sources: employees 20%; employers (taxpayers) 19%; investments 61% (some put the figure as high as 66%).

-As we know a number of changes have been effected by SB 343: age and service eligibility have been increased, benefit formula to obtain 2.5 multiplier has been increased from 30 to 35 years, FAS has been increased from 3 to 5 years, the COLA has been modified from a fixed 3% to CPI increase, not to exceed 3%. There is "anti-spiking" and more restrictive disability legislation also. Some of the changes have already gone into effect, others in 2015, 2016, and 2017. These are all detailed on the OPERS website. - Perhaps the most significant change is the one that relates to health care. Some are related to age, some to spousal coverage and child care coverage. But the biggest change deals with the Connector. In 2016 OPERS will introduce the OPERS Medicare Connector for those enrolled in Medicare Parts A & B. Retirees/spouses will have access to Counselors to help them select a plan on the individual market to pursue coverage via the connector. A Monthly Health Care video is also available on the website (see www.OPERS.org-Perspective). OPERS will continue offering a medical plan and prescription drug plan for Medicare retirees through 2015.

-A joint venture called the RX Ohio Collaborative or ROC has been established to leverage collective purchasing power related to health care.

-In June, 2012 the Governmental Accounting Standards Board (GASB) issued two new standards, fundamentally changing the future accounting and financial reporting requirements for public pensions. The new standards will require each public employer to account for a portion of its public pension plan's unfunded liabilities on their balance sheet. The funding requirement will not change; only the reporting by the employers. Help is available for employers.

Respectfully submitted by

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