

Ohio Council of Higher Education Retirees (OCHER) Report of September 20, 2016 Meeting

President Roger Anderson called the meeting to order at 9:30 a.m., and accepted the minutes and the treasurer's reports without objection. All member universities are current in their \$100.00 assessments.

Among the major "takeaways" from the meeting were: the retirement of Dr. Dick Hill from OCHER, thus the end of his very complete reports regarding STRS pensions and healthcare; the basic satisfaction of OPERS members with the converter system, despite a few glitches and the general satisfaction of STRS members with their healthcare, despite the ever-increasing costs to retirees (see attachment 1). Another important item that Greg Nickell (STRS Healthcare Director) said with "tongue-in-cheek" is that the "five second rule" is no longer scientifically valid.

Michelle Hobbs reported that OPERS is at \$87.5 billion, April, 2016. She also said that Operation Forward started the new converter system which appears to be working smoothly. OPERS also has a helpful website and a video to assist members. She added that OPERS shares transparency with the Ohio Treasurer's office.

Carl Leier, OSURA gave the HPA (Health and Pension Advocates) report that included information that most of us already know: retirees are living longer, investment returns are not as strong as we need, and health care costs continue to rise.

Marla Bump, STRS Legislative Liaison reported that nothing much was going on federally that affects us even though several senators continue to promote legislation that would adversely affect us. She also said that the OPERS connector plan does not seem viable for us at this time; no decision until sometime next year. There is still some concern about mitigating rate.

Dr. John Cavanaugh, the new Executive Director of ORTA, reported that William Winegarner, representing POP FIVE (Protect Ohio Pensions, Inc.) is, in fact, an individual using the ORTA logo urging groups and individuals to renew memberships in many of the state pension plans. He is really engaging in a scam. Cavanaugh also said some people are having problems with STRS regarding disability issues. He opined that perhaps an ombudsman is needed to resolve such problems.

Greg Nickell, STRS Health Care Director, repeated many of the concerns that health care fund assets face problems over the long haul unless ways are found to increase funds and/or reduce benefits. He also gave an update on STRS health care which focused largely on plans to keep health care benefits viable for members. Once again, the problem is too many retirees, with increasing health care costs and little new revenue. Changes in 2017 include emergency and urgent care co-pay increases; co-pays for prescription drug costs will increase by \$10.00; Medicare Part B premium reimbursements will be phased out over a three-year period (see attachment 2).

Campus and Association reports included:

--Bowling Green signed a three-year Collective Bargaining Agreement in April, providing a 3% raise for faculty each year.

--University of Cincinnati is looking at the feasibility for a Retirees Community and support for an Emeritus Center.

--OSURA abolished the complimentary membership for new retirees.

--NEOMED are setting up scholarships for faculty and staff.

--Wright State announced that President Hopkins will retire in 2017. Tom Hanks was on campus for the dedication of the Tom Hanks Center for Motion Pictures. David McCullough also visited and conducted writers' workshops.

Issues that OCHER should advocate were also presented by Jim Kweder from Cleveland State. (see attachment 3)

The next meeting is Tuesday, November 15, 2016.

Respectfully submitted,

George D. Beelen

Board NEWS

A SPECIAL PUBLICATION FOR EDUCATION-RELATED ORGANIZATIONS



Retirement Board continues detailed review of health care program

The State Teachers Retirement Board dedicated a significant portion of its September meeting to the STRS Ohio Health Care Program. Earlier this year, the board identified health care funding challenges as a key area of focus for 2016–17. The presentations at the September meeting included the results of member and retiree surveys, a report on how other states provide health care coverage for retired teachers and how STRS Ohio's plan compares to the market.

STRS Ohio's health care program covers nearly 130,000 individuals and paid \$673 million in benefits during fiscal year 2015. The Health Care Fund is valued on a calendar year basis, and as of Jan. 1, 2016, its balance was \$3.26 billion; however, there is currently no dedicated source of funds for the health care program. STRS Ohio no longer allocates 1% of the 14% employer contribution to the Health Care Fund because these funds are needed to strengthen the pension fund. Under current assumptions, the pension fund is not projected to be sufficiently funded and able to resume this allocation to the Health Care Fund for about 20 years. The board and staff are exploring ways to continue to offer a meaningful program for retirees.

STRS Ohio conducted an email survey of active and retired members to determine what coverage features matter to them most. Results show that most are satisfied with their current health care program. The survey results also indicated:

- Retirees rate the physician network as critical when choosing a health care plan, while actives rate premiums as their top concern.
- Both groups are least willing to reduce the hospital or physician networks to prolong the program's solvency.
- There is generally a higher tolerance to changes regarding prescription drug benefits.
- Nearly half of all respondents are willing to accept a 20% increase in premiums to extend the fund solvency five years.
- Nearly half of active member respondents said they are willing to delay enrollment until Medicare eligibility to improve the likelihood of lifetime coverage.

Staff shared information with the board about how other states provide health care coverage for retired teachers. Key findings included:

- There is no clear "normal" with regard to the entity that provides coverage. Ohio is one of 16 states that provide coverage through the retirement system. Other sources include state agencies, the last employer and the open market.
- Subsidy levels and designs vary greatly among states.
- Some states limit coverage based on Medicare enrollment.
- STRS Ohio's total contribution rate of 28% (member + employer) is in the bottom quartile of states' contribution rates.

Staff also shared that STRS Ohio's Aetna Medicare Plan has high enrollee satisfaction and competes well with the Medigap Plan F and other Medicare Advantage plans' total costs. The non-Medicare Basic Plan appears to be competitive with exchange plans for all subsidized benefit recipients.

The board plans to continue its review of the health care program at its October meeting. Staff is expected to present information on potential health care pathways and funding options.

ROBERT STEIN,
Retired Teacher Mer

MARK HILL, Vice
Contributing Mer

CRAIG C. BRO
Appointed Mer

CAROL CORRETT
Contributing Mer

PAOLO DEM.
Superintende
Public Instru

TAIYIA L. HAY
Contributing Me

YOEL MAYERI
Appointed Mer

JAMES MCGRI
Retired Teacher Me

TIM M
Contributing Me

DALE F
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Key Program Changes for 2017

The 2017 changes help extend the solvency of the Health Care Fund. Due to increasing claims costs and the lack of a dedicated source of funding, STRS Ohio faces significant health care funding challenges. The changes below do not provide a long-term solution for health care. In the months ahead, the State Teachers Retirement Board will be exploring viable funding options. Throughout the discussions, we will use our website, newsletters, email news service and social media channels to keep you informed.

SUMMARY OF CHANGES BEGINNING JAN. 1, 2017

Medical Coverage

- Emergency room copayments will increase to \$75 from \$65 for Medicare plans.
- Urgent care copayments will increase to \$40 from \$35 for all plans.
- Medical Mutual non-Medicare enrollees residing outside of Ohio will move to a Basic Plan administered by Aetna. The Aetna Basic Plan provides more network coverage for non-Ohio residents.
- The Alere disease management program for non-Medicare enrollees will be discontinued.
- Medical plans offered by HealthSpan are discontinued.

Prescription Drug Coverage

- Coverage for proton pump inhibitors (PPIs) will be discontinued for non-Medicare enrollees.
- Preferred network for retail pharmacies will be adopted and copayments/coinsurance at non-preferred network pharmacies will increase by \$10. See Page 6 for details.
- The one-half copayment program for diabetic prescriptions will be discontinued. Enrollees will pay the full copayment for all diabetic medications and supplies.
- Specialty drugs coinsurance percentage will increase to 13% from 10%, and the per prescription maximum will increase to \$550 from \$500.

Eligibility

- Medicare Part B premium reimbursements will be discontinued for survivors and beneficiaries who were age 65 by 2008 and either receiving a benefit or named as a beneficiary as of Jan. 1, 2008.
- Coverage for sponsored dependents of unmarried retired teachers will no longer be offered. This does not include disabled adult children.
- Premiums for dependent children will change to a per child rate.

Subsidy

- The subsidy multiplier for non-Medicare benefit recipients will be reduced to 1.9% per year of service from 2.1%. (Benefit recipients with Medicare will continue to receive a 2.1% subsidy per year of service.)
- The Medicare Part B premium reimbursement will be phased out over a three-year period. In 2017, eligible benefit recipients will receive between \$35.22 and \$29.90 monthly based on years of service. In 2018, all eligible benefit recipients will receive \$29.90 per month. Reimbursements will be discontinued effective Jan. 1, 2019.

OCHER ADVOCACY ISSUES, May, 2016

Fundamental Ongoing Retirement Issues

Monitor Ohio and Federal legislation, and ORSC, STRS and OPERS actions affecting the pensions and health care benefits of higher education retirees.

Monitor attempts to replace defined benefit plans with defined contribution plans for STRS and OPERS members.

Specific Retirement Issues, of 2016

- Monitor recurring Congressional efforts to move STRS and OPERS retirees under mandatory Social Security.
- Monitor the progress of federal legislation to require retirement plan brokers to meet standards of fiduciary responsibility. [The White House has issued a rule proposed by the Department of Labor to impose a fiduciary duty on financial advisers to take effect in April, 2017, and to require full compliance by January, 2018. Congressional Republicans oppose the requirement.]
- Monitor the progress of the federal Secure Annuities for Employee Retirement (SAFE) proposal. The proposal would offer annuities to government employees instead of defined benefit plans.
- Monitor the progress of proposed federal Public Employee Pension Transparency Act (PEPTA). [This bill is opposed by STRS and many national groups which represent state and local governments for seeking to impose inappropriate and burdensome federal mandates and steep penalties for noncompliance. [See Legislative News, April , 2016.]
- Monitor the progress of Ohio House Joint Resolution 6 which would end state agencies' and pension funds' investments in companies with specific business operations in Iran, Sudan, Syria and Cuba.
- Monitor the progress of Ohio House Bill 520 which contains language opposed by STRS to change the way the mitigating rate for the Alternative Retirement Plan is calculated.

University Issues

- Monitor the growing use of adjunct faculty and contract employees to avoid paying fair compensation and providing benefits on Ohio's university campuses.