

OHIO COUNCIL OF HIGHER EDUCATION RETIREES (OCHER) REPORT OF MAY 21, 2019

Meeting called to order at 9:30 a.m.

The Minutes of March 27, 2019 OCHER meeting were read and approved with one minor change to a meeting date.

OCHER Treasurer, Jim Lapp (Univ. of Toledo). The current ending balance of the organization is \$5,934.25. There was a unanimous vote to make the \$500 contribution to HPA (Health & Pension Advocates for STRS).

Michele Hobbs (OSU) reported on OPERS Board Meeting:

- Both Medicare and non-Medicare participants will see increases in medical and drug deductibles. The complete health plan will be presented to members this summer before 2020 Open Enrollment.
- OPERS is still not funding the Health Care Fund.
- Contribution rates to OPERS for 2020 for both employers and employees will remain unchanged.
- OPERS Board staff indicated a preference to move members on OPERS pre-medicare coverage and those members on disability toward a coverage plan in the open market, plus a \$600 allowance. If this does occur, it won't be until **January 1, 2022**.
- Investment staff reported investment returns for the 1st quarter were good, but cautioned on market volatility.
- With the investment rate of return being lowered from 7.5% to 7.2%, the unfunded liability has increased from 18 years to 27 years.

Gerry Newsom (OSU) reported on STRS:

- Since the loss of 3.6% in STRS' investments at end of the 2nd quarter of FY 2019, things have been much better. The end of April brought a net gain of 5.9% an increase of 9.5% in 4 months. The target is 7.45%.
- Many teachers protested at the May STRS Board meeting for reinstatement of the COLA. Much was said by the Board to explain to the protestors that reinstating the COLA would have dire consequences on their future pensions. Teachers argued that if the Board stopped giving raises and bonuses to the investment staff, then they could afford the COLA. This would be unrealistic since the raises/bonuses amount to a few million dollars, while the cost of COLA reinstatement is more than \$10B.

STRS Health Care 2020:

- In 2020, the maximum out-of-pocket limit for **Medicare** retirees is required to increase from \$5,100 to \$6,350. This sounds dramatic, but only 6 enrollees reached the \$5,000 limit in 2018 so very few people will be affected.
- **Non-Medicare** will remain at \$5,100. Among non-Medicare enrollees, only 38 out of approximately 19,500 enrollees reached the \$5,000 limit in 2018.
- **Non-Medicare** enrollees are likely to get a 24 hour nurse hotline.
- Organ transplants will have to be performed at an Organ Transplant Center (Transplant Centers perform more transplants so the savings will be between \$300,000-\$400,000 and the outcomes will be better).
- The Aetna Medicare Advantage Plan is now projected to increase by less than 2.5%, much less than the 6% that was previously thought. The Board is likely to take these savings and apply them to the subsidy for the non-Medicare enrollees.

- The \$29.90 monthly subsidy for Medicare participants (which was due to expire in December 2019) is likely to continue in 2020.
- **Final health care decisions for 2020 (including what premiums will be) will be made at the June 2019 meeting.**

Miscellaneous STRS Information

- Pension reform in 2012 increased the years of service requirement by one year every two years, so in 2020 the number of years needed to retire increases to 33 years (STRS expects a 29% increase in retiree applications in 2019).

Legislative Report (Marla Bump, Director of Government Relations for STRS Ohio)

- Marla said that the pension systems are still relatively quiet on both the state and federal level due to the fact that legislators are focused on the budget right now.
- Marla also said she is meeting with all newly elected members in the Legislature to educate them about the STRS pension system.

Legislative Report (Gordon Gatién, Director of External Relations for OPERS)

- Gordon also stated that there are a lot of new members in the Legislature and he has been talking to them and so far they seem to be receptive to both OPERS and STRS.
- He indicated that OPERS staff continue to be focused on unfunded liabilities. Right now the pension fund is funded at \$27B or 78%.
- The new target investment rate is 7.2%. So far this year the investments have bounced back. However, the lower investment rate is directly related to the lower % of unfunded liabilities.
- Greg stated that OPERS continues to back their position in reducing the COLA. When the legislature defeated the reduction last year, he said the legislators were on OPERS side conceptually, but they were unwilling to take it to the next step. Greg said he is not sure where they will begin their discussion again on COLA advocacy. OPERS wants to cap the COLA at 2.25%, but Legislature wants 2.50%.

OPERS Health Care Fund

- Funded right now at \$11B, but spent \$900M in costs for 2018.
- The Board has been considering Health Care changes because they are on a path of unsustainability. Health care changes DO NOT have to go through legislation like the pension funds do.
- Board is focusing on the under 65 group. These models are very expensive and continue to rise making a health care plan unaffordable to the member.
 - a) Board is **considering** an allowance
 - b) Looking at changing the "grandfather" clause (i.e. increasing age and service)
 - c) There is no June meeting and July is strategic planning month, so won't get back to health care questions/problems until August.
 - d) **Whatever** is decided, a new health care model will not be implemented until 2022.
 - e) Communication is under Gordon Gatién's purview and he promises to communicate updates and changes to all members often.

Greg Nickell (STRS) Health Care Update:

The following are suggestions by the Board NOT official changes yet. In June 2019 motions will be made for approval.

- Increase in out-of-pocket prescription costs for Medicare \$5,100 to \$6,350. Non-Medicare will remain at \$5,100.
- Specialty drug costs will increase. Members on these drugs will receive a letter.
- SAVON SP program will be implemented for non-Medicare members. This is a manufacturer co-pay assistance program (Medicare doesn't allow for assistance programs). You HAVE to sign up for program and STRS sets the copays for each drug. If you don't sign up, you will have to pay the cost of the drug. An enrolled member of the program could potentially have a \$0 copay. SERS introduced this program to their non-Medicare members with favorable results.
- Medical Mutual will add a 24 hour nurse hotline. STRS expects to reap savings when the nurse can direct the member to the appropriate facility (emergency room or urgent care).
- All transplants to be done at Transplant Centers (right now centers are at OSU & Cleveland Clinic).
- There will be no changes to Aetna coverage premiums for 2020.
- 30+ years service not much change in premiums; less than 30 years service likely small increases.
- \$29.90 allowance will continue in 2020. They are considering 4 options regarding this:
 - a) The Board can do nothing, and allowance will expire in December 2019.
 - b) Approve the allowance for 1 more year.
 - c) Assume to continue the allowance every year (the cost is \$31M/year).
 - d) Only give allowance to members currently in the program; others hitting 65 this year wouldn't be eligible.

The sense is that the Board will consider options (b) or (c). The Health Fund is doing good now, but no one knows the foreseeable future.

- Board talked about terminating the Ault Care (HMO) contract because premiums were much higher than the Aetna Plan. Just before the final bid, Ault Care sent in a competitive bid.
- POS Rebate-Board spent much time discussing this topic. They feel it won't have a huge impact on members. Board needs to do more research on this topic and agreed to delay until 2021.

Randy Gardner - Chancellor of Higher Education (very interesting and talked very fast)

- OCHER member stated there's 2 problems with Higher Education-State support is decreasing; cost of education is increasing. **The Chancellor said there is no hope in reversing the cost of tuition.**
- All Higher Education related items go thru the Chancellor's office--policies regarding the budget; program changes; degree changes; opening/closing of Adult Education programs/centers; etc.
- One of Gardner's passionate initiatives is to let the community know that Higher Education is good for the area by connecting the schools to the communities--i.e. Senior Centers to sociology programs, or having a BCI Forensics Lab on BGSU campus.
- Gardner is looking for initiatives where more people are concerned about the quality of teaching at the Higher Education level. People have suggested to him to hire adjunct professors to lower tuition costs. Gardner sees this suggestion that not many people value the quality of teaching at the undergraduate level.
- Gardner is concerned about in the future having to downsize somewhere within higher education due to the decreasing population (i.e. couples choice to have only 1 child or none).
- The Chancellor's office has to work toward reaching the 724,000 people of working age in Ohio that don't even have GED's.

John Morrow - STRS Investment Team (he discussed the steps they follow to invest funds)

- STRS' actuary suggested the range of their rate of return should be 6.95% - 7.45%. The STRS Board selected 7.45%.
- The starting point for the investment team is to develop the rate of return.
- Determining the asset mix (they conduct an asset/liability study). In 1993, public funds were allowed to invest in international funds.
- Determine which funds the internal or external team will invest. Using the internal team is less expensive, but the external team handles high yield and merging market investments. The team (internal or external) that manages the portfolios depends on the asset classes included in the portfolio.

CAMPUS AND ASSOCIATION REPORTS FROM OCHER MEMBER UNIVERSITIES

Wright State University- Having many difficulties

- Faculty strike.
- Financial crisis. University had to add \$6M to their reserves to avoid being put on fiscal watch. Even though they added \$ to their reserves, their reserves are nowhere near where they used to be.

University of Toledo-

- Fall Semester 2018 enrollment (20,304) was down slightly from Fall 2017 (20,579).
- Retention has been climbing for 6 consecutive years and the 1st to 2nd year retention is now the highest its ever been.
- Fall Semester 2018 incoming freshman class had an average ACT score of just over 23 and an average GPA of 3.45.
- Toledo's Annual Day of Giving saw contributions of \$717,375. Retirees contributed over \$80,000.
- University launched "Downtown Connect" a late night bus service for students with final pick up at 2:35 a.m.
- University started "Rocket Fuel -Food Recovery Program". Students have to sign up for the program and then the participants are texted whenever there is leftover food following a catered event. Since late February, more than 700 lbs. of catered meals have been provided to students instead of going to waste.
- In April, Pres. Sharon L. Gaber unveiled University of Toledo's new brand--"Fueling Tomorrows". It's to be rolled out in July.
- Toledo was named recipient of the 2017-18 MAC Institutional Academic Achievement Award. Last year student athletes had an overall GPA of 3.266.
- UT Women athletes also received the same award with the highest overall conference GPA.
- The softball team recently won the MAC Tournament for the 1st time in history.

UT Retiree Association News:

- Membership stands at 700.
- Current balance in their Treasury is \$36,000.
- Retiree association has 2 endowed Scholarship Funds - UTRA Scholarship Fund (**\$50,000**) and Health Science Campus Retirees Scholarship Fund (**\$59,000**).
- Awarded \$8,000 in scholarships to 7 recipients last academic year and plan awarding another \$8,000 this year.

- An auxiliary group of retirees host a shoe sale at the hospital by the university. Part of the proceeds goes to the scholarship fund.
- Activities include annual holiday brunch, a wine tasting, tours of historic Libbey House and the Toledo Museum of Art; and a lecture on healthy living for the brain and body.
- Upcoming trips will be a tour of the Great Lakes Museum and bus trip to Chicago this summer.

University of Akron-

- University still in the state of flux.
- Still looking for a new President. The rumor is that the search is going well, but no one knows anything because the Search Committee has been sworn to secrecy.
- Akron is still undergoing reorganization; lots of programs being removed. No Physics degree program; deleted some Math courses.
- To help with the faculty problem, 3 past U of A Presidents are now teaching classes.
- Summer enrollment is down a bit.
- University has \$40M structural debt--referring to the debt they have on some of the buildings such as the stadium. They also said the stadium is falling apart already and they have lawsuits out on contractors, etc.

Miscellaneous OCHER Items:

- Members of OCHER who are leaving:
 1. Richard Vedder (Ohio University) 5/21/19 was his last meeting.
 2. Richard Anderson (BGSU) 5/21/19 was his last meeting. Richard will still remain OCHER's archivist so BGSU will continue to house the OCHER website.

Next meeting of OCHER is September 17, 2019.

Respectively submitted by
Marianne Anderson