

OHIO COUNCIL OF HIGHER EDUCATION RETIREES (OCHER) REPORT OF SEPTEMBER 22, 2020

Due to the pandemic, this was the first meeting of 2020 and also the first meeting held through the Zoom format. Meeting called to order at 9:30 a.m.

The Minutes from November 19, 2019 OCHER meeting in Columbus were approved.

OCHER Treasurer, Jim Lapp (Univ. of Toledo). The current ending balance of the organization is \$6,500.45. The \$100.00, 2020-21 membership dues for OCHER were waived due to the pandemic. However, 3 universities opted to have OCHER retain their \$100.00 dues, so this will be credited to their 2021-22 membership. The \$500.00 contribution was paid to HPA (Healthcare and Pension Advocates).

Gerry Newsom (OSU) reported on STRS:

- STRS Board is meeting virtually.
- The March 2020 investment return was down by 10% but it recovered the last week of the month. Even though the 2020 rate of return has been well below the 7.45% mark, it was a remarkable recovery (the recovery was the fastest recovery of a bear market in history).
- Assets for STRS are \$78.8 billion, up more than \$10 billion from the low point in March.
- There are four ways COVID-19 can affect STRS:
 - Mortality**-premature deaths among retirees reduces the liabilities for STRS. STRS has realized a 1.3% reduction in liabilities, so it appears that mortality changes from the pandemic will not affect their financial plans significantly.
 - Retirements**-the pandemic is likely to increase the number of retirements.
 - Payroll Growth**-in past recessions, there has been a lower payroll growth, but STRS expects only a short-lived impact on K-12 growth. They expect more of an impact on higher education as a result of distance learning. Higher Ed is only 13% of total payroll, so overall effect won't be large.
 - Investments**-the near zero return on risk-free investments such as Treasuries, etc. means that a greater share of the portfolio will have to be invested in riskier assets. The Ohio Police and Fire Pension Fund are investing in gold.
- Spreading across the country is the idea of all employers to enroll their employees in an IRA if the employers don't already have a pension plan-5% of salary will be automatically taken from the employees pay to go into the IRA, unless the employee opts out of the program. The rationale behind this theory is that absent such retirement plans, more people would require public assistance to survive in their later years.
- New Jersey is behind in making their payments to the pension fund due to the pandemic.
- COVID-19 pandemic may cause more public pension plans to cut their COLA's, inviting more litigation on whether that is legal.
- As the stock market continues to climb, it's getting harder to make the case that the pandemic has caused major damage to pension investments. The bigger threat seems to be that governments won't make their required contributions.

Greg Nickell (STRS) 2021 Health Care Update:

MEDICARE RETIREES HEALTH CARE:

- There will be **NO CHANGES** to the AETNA Medicare Plan PPO
- The Medical Mutual Basic Plan will be adding a Transitional Care Program (helping enrollees to transition from hospital to home and also adding a Palliative Care Program (providing home-based support during treatment for serious illness at no additional cost).

PRESCRIPTION DRUG PLAN 2021:

- In 2021, the prescription maximum out-of-pocket limit for **Medicare** retirees will increase from \$6,350 to \$6,550. This will allow STRS to continue receiving federal insurance payments which is an important Health Care Program funding source.
- The prescription maximum out-of-pocket for **Non-Medicare** retirees will remain at \$5,100.
- The annual deductible is increasing from \$250 to \$275. (The last increase was in 2017).
- The 2021 dental and vision plans will have slightly less premiums, but it's a matter of pennies so not worth mentioning (but at least the premiums didn't go up).
- Dental and vision premiums are on a 2 year contract. STRS can get lower premiums when enrollees are committed to a 2 year time frame.
- The Retirement Board voted to indefinitely extend the \$29.90 monthly subsidy for Medicare Part B. 85,000 benefit recipients receive this reimbursement at an annual cost of \$31 million.

Miscellaneous STRS Information

- COVID-19 has seen an increase in virtual medical visits. In 2019 Aetna had 90 telemedicine calls. In 2020 that number increased to 36,000
- Per the STRS benefit recipient death certificates, less than 100 have had a COVID-19 diagnosis listed as a contributing factor in the persons' death. The average age was 84 compared to an overall STRS average age of death of 85.
- STRS has eliminated any cost share for any services directly related to COVID-19 (i.e. hospital, doctor, etc. costs). Greg is anticipating that this could extend into 2021. They are not sure what the impact of this decision will do to their health care costs.
- STRS health care staff are all working from home with no decline in service levels.
- Open Enrollment will be from November 1-24, 2020.

Legislative Report (Marla Bump, Director of Government Relations for STRS Ohio) and Gordon Gatien, Director of External Relations for OPERS)

- Marla and Gordon spoke to a few House Bills that were on the table right now:

House Bill 13-Broadband Ohio. This Bill will create a broadband expansion authority (committee). The reason OPERS is interested in this Bill is because 3 members of this committee are OPERS members. Each member would get an OPERS year of credit. It qualifies them for pension, but not healthcare.

House Bill 514-Requiring state retirement systems to broadcast their board meetings.

House Bill 515- Regarding alternative investments such as hedge funds.

House Bill 516-Prohibits retirement systems from doing business with former associates. The impetus of this Bill stems from an OPERS associate from 20 years ago has an interest in a real estate holding that OPERS has an interest in. But, 20 years is a long time ago (how many years does the Bill want to exclude former associates???)

Marla doesn't feel the above 3 Bills will rise to the level of priority by the end of the year.

House Bill 530-Pertains to fees paid to investment managers and salaries paid to associates. Gordon Gatien spoke to this Bill. He is not saying to give everyone higher pay raises, but at the

same time, higher salary employees means higher contributions to the system. The system needs to continue receiving contributions.

Another point Gordon made is that as pension recipients, we all want high quality people making good decisions on our pension investments, so we need to pay them well.

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

- Gordon says OPERS is worried about contributions to the system due to the pandemic furloughs, layoffs, etc.
- Gordon was asked by an OCHER member about the 2 Bills on the table regarding WEP (Windfall Elimination Provision). He responded that every Congress seems to introduce something on WEP and it usually ends up dying out every time.
- Gordon can only speak to OPERS investment position at the end of 2019 because these are the only figures that are audited. He said 2019 was a very good year for OPERS—they were 80% funded. 2020 looking like it won't hit the 7.2% rate of return. The last look, OPERS was at a 2% rate of return.

CAMPUS AND ASSOCIATION REPORTS FROM OCHER MEMBER UNIVERSITIES

- No individual campus reports were given. Every institution seems to be experiencing the same financial difficulties and pandemic problems.
- Many of the retiree committees aren't even meeting via ZOOM and have waived their yearly membership dues.

Next meeting of OCHER is somewhat undetermined. The OCHER President, Jerry Feezel (KSU) would like to have an interim meeting on October 20, 2020 to make up for the meetings that were missed in March and May 2020. Not everyone was in agreement with him, so he will make that decision. If no meeting in October, the next meeting (via Zoom) should be Tuesday, November 17, 2020.

Respectively submitted by
Marianne Anderson