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### Pension Funding is Primary

Pension is a required benefit  
and must be funded first

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Health Care funding is discretionary;  
it cannot jeopardize pension funding

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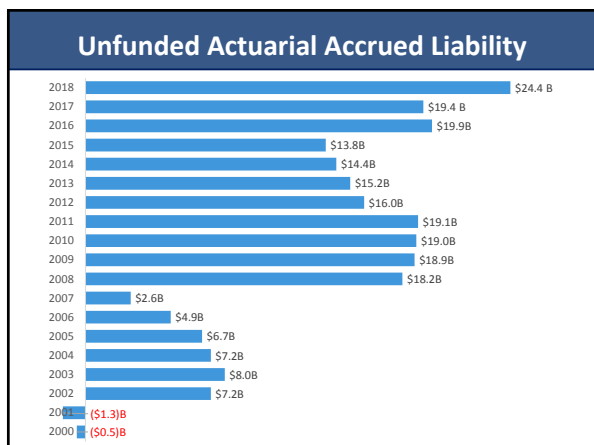
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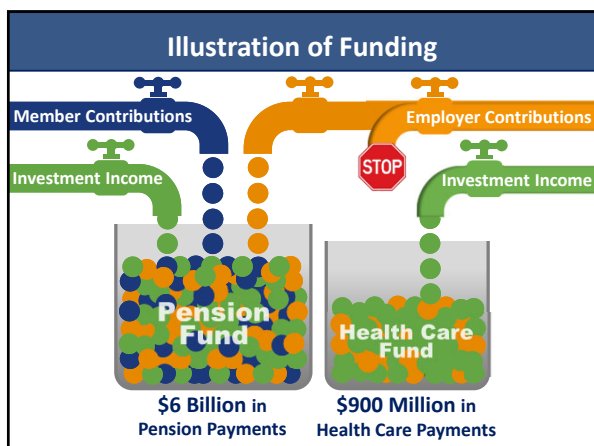
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Health Care Contributions		
Year	Planned	Actual
2013	1%	1%
2014	2%	2%
2015	3%	2%
2016	4%	2%
2017	4%	1%
2018	4%	0%
2019	4%	0%

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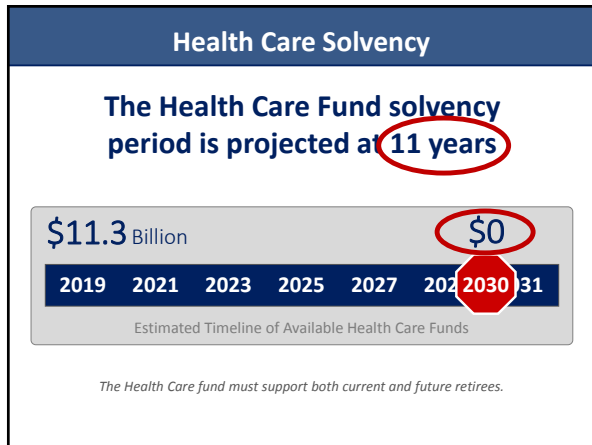
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**Health Care Funding Question**

**When can OPERS begin funding health care?**

If the OPERS pension fund earns its assumed rate of return of 7.2% for the next **15 years**, we could begin funding the Health Care Trust Fund in **2034**.

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**Health Care Funding Question**

**When can OPERS begin funding health care?**

A more realistic scenario is that we will not earn 7.2% for the next 15 years. If this were to occur, we could not begin funding the Health Care trust fund until somewhere between **2034 and 2067.**

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**Health Care Funding Issue**

**But, the math doesn't add up!**

Out of funds in 11 years 

Begin contributing again in 15 - 48 years 

In order to maintain health care, OPERS will need to make changes to the current plan design.

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**Health Care Project Goal**

Our objective is to continue offering Health Care. In order to do so we need to implement changes that will extend the solvency of the Health Care Trust Fund.

We cannot fund health care until the pension funding improves.

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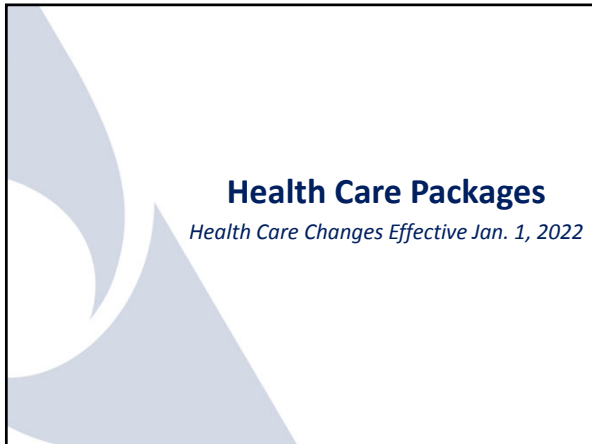
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**Health Care Packages**  
*Health Care Changes Effective Jan. 1, 2022*

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**Health Care Package Terms**

**Eligibility** – the age and years of service required to receive health care assistance.

**Base Allowance** – the dollar amount that health care assistance is based upon, of which retirees receive a percentage using an allowance table.

- The current Medicare base is \$450
- The current pre-Medicare base is \$1,306

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**Allowance for Medical/Pharmacy Costs**

**Medicare Example**

	<b>BASE ALLOWANCE</b>	<b>\$450</b>
<b>×</b>	<b>ALLOWANCE PERCENTAGE</b>	<b>75%</b>
<b>=</b>	<b>HRA DEPOSIT</b>	<b>\$337</b>

We use years of qualified service at retirement and age at enrollment to determine allowance.

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### Allowance for Medical/Pharmacy Costs

**Pre-Medicare Example**

<b>BASE ALLOWANCE</b>	\$1,380
×	<b>75% ALLOWANCE</b>
<b>MONTHLY PREMIUM</b>	\$345

We use years of qualified service at retirement and age at enrollment to determine allowance.

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### Health Care Allowance Percentage Chart

Years of Service / Age	60	61	62	63	64	65+
20	51%	54%	57%	60%	63%	66%
21	53%	56%	59%	62%	65%	68%
22	55%	58%	61%	64%	67%	70%
23	57%	60%	63%	66%	69%	72%
24	59%	62%	65%	68%	71%	74%
25	61%	64%	67%	70%	73%	76%
26	63%	66%	69%	72%	75%	78%
27	65%	68%	71%	74%	77%	80%
28	67%	70%	73%	76%	79%	82%
29	69%	72%	75%	78%	81%	84%
30	71%	74%	77%	80%	83%	86%
31	73%	76%	79%	82%	85%	88%
32	75%	78%	81%	84%	87%	90%

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### Health Care Allowance Percentage Chart Cont.

Years of Service / Age	60	61	62	63	64	65+
33	76%	79%	82%	85%	88%	90%
34	77%	80%	83%	86%	89%	90%
35	78%	81%	84%	87%	90%	90%
36	79%	82%	85%	88%	90%	90%
37	80%	83%	86%	89%	90%	90%
38	81%	84%	87%	90%	90%	90%
39	82%	85%	88%	90%	90%	90%
40	83%	86%	89%	90%	90%	90%
41	84%	87%	90%	90%	90%	90%
42	85%	88%	90%	90%	90%	90%

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### Health Care Package Terms

**Grandfathering** – a provision in which an old practice continues to apply to some existing situations while a new practice will apply to future cases.

Health Care Grandfathering at OPERS			
Prior to July 1, 1986	July 1, 1986 to Dec. 1, 2014	Jan. 1, 2015 to Dec. 1, 2021	Jan. 1, 2022 and After
Grandfathered	Grandfathered	Current Eligibility	Future Eligibility
5 years of service	10 years of service	Age 60 / 20 years, or (A) Any age / 30 years (B) Age 52 / 31 years (B) Any age / 32 years (C) Age 55 / 32 years	?

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### Health Care Package Summary

**Packages would be effective Jan. 1, 2022**

Package 1	Package 2	Package 3	Package 4	Package 5
No Health Care / Potential Annual Deposit	Under 65, No Coverage or Plan	Health Care for All with min. age 60	Health Care for All, Under 65 w/ Group C Eligibility	Health Care for All, Under 65 w/ Group Eligibility

Note:  
 Packages 2,3 & 4 phase out grandfathering  
 Package 5 retains grandfathering with reductions to the allowance

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### Package 5

#### Health Care for All, Under 65 w/ Group Eligibility

**Eligibility**

- Current retirees maintain grandfathering for access to health care, future retirees will have new requirements
- Group eligibility requirements apply for Pre-Medicare (under 65) retirees:
  - Group A: 30 years at any age
  - Group B: 32 years at any age or 31 years min. age 52
  - Group C: 32 years and min. age 55
- Medicare (65 and over) – must have 20 years of service with min. age of 65

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**Package 5**  
**Health Care for All, Under 65 w/ Group Eligibility**

**Allowance**

- Medicare retirees – base allowance from \$450 to \$350
- Pre-Medicare retirees – base allowance \$600 or \$900 to be used to purchase a health care plan on the individual market

All pre-Medicare retirees will move from a group plan to an individual plan effective Jan. 1, 2022

- Retirees who were subject to the 75% allowance grandfathering will be reduced based on their actual position on the allowance table with a floor of 51%

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**Package 5 – Non Grandfathered Retiree Example**

**Cathy**  
Cathy retired on Jan. 1, 2009 at age 60 with 35 years of service.

On Jan. 1, 2022, Cathy (age 73) will be impacted by the reduction in the **base** allowance which will reduce her current allowance amount.

Now: 78% x \$450 = \$351  
2022: 78% x \$350 = \$273



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**Package 5 – Grandfathered Retiree Example**

**Denise**  
Denise retired on Jan. 1, 2013 at age 64 with 12 years of service.

On Jan. 1, 2022, Denise (age 73) will maintain eligibility but will receive a reduced allowance based on the 51% allowance floor.

Now: 75% x \$450 = \$337  
2022: 51% x \$350 = \$178



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**Package 5 – Pre-Medicare Retiree Example**


**Joe**

Joe retired on Jan. 1, 2015 at age 55 with 33 years of service.

On Jan. 1, 2022, Joe (age 62) will no longer be in the OPERS group plan and will be provided an allowance subsidy to purchase a plan on the individual market.

Now: 76% x \$1,380 = \$1,049 (premium reduction)

2022: 76% x \$900 = \$684




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**Package 5 – Pre-Medicare Retiree Example**

**Derek**

Derek is an active member, eligible to retire with an effective date after Jan. 1, 2022.

He plans to retire with a reduced benefit at age 57 with 25 years of service. He would not have immediate access to health care, but will age in at 65.

Age 65: 76% x \$350 = \$266




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**Funding Path Forward**

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**Possible Path Forward**

1. Take steps to address/reduce current UAAL
2. Modify Defined Benefit Plan to provide more flexibility to expand and contract and establish reserves
3. Modify Member Directed and Combined Plans to address plan issues
4. Modify health care plan to extend the solvency of the Health Care Trust Fund

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**COLA Changes**  
*Effective Jan. 1, 2022*

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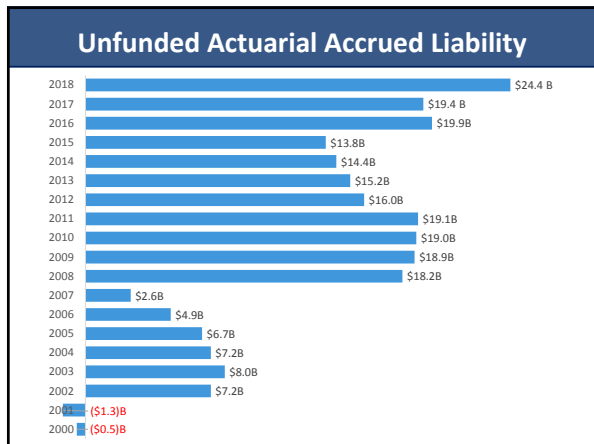
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**Board Approved COLA (Effective Jan. 1, 2022)**

**Approximate Savings \$3.44 Billion**

Freeze COLA for 2 years (no COLAs for 2022 and 2023)

After freeze, return to current conditions

85% purchasing power restored

First COLA - delay for future retirees to 2<sup>nd</sup> pension anniversary 24 months after retirement.

"Current Conditions" is defined to mean that retirees receiving a fixed 3% COLA prior to the freeze will receive a 3% COLA following the freeze period. Retirees receiving a COLA subject to a cap will return to receiving a COLA subject to a cap following the freeze period.

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**Fixed 3% COLA Freeze**

COLAs are paid on the anniversary date of your retirement.

You receive a fixed 3% COLA if your effective date is prior to Feb. 1, 2013

COLA	COLA	COLA Freeze	COLA Freeze	COLA Continues	COLA Continues
2020	2021	2022	2023	2024	2025

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**Fixed 3% COLA Example**

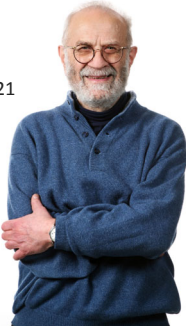
Retired: **March 1, 2012**  
 Initial Gross Benefit: **\$2,000 per month**  
 3% COLA: **\$60.00**

He will receive a COLA on his March 1, 2021 anniversary date increasing his monthly benefit to \$2,540.

For 2022 and 2023, he will **not** receive a COLA increase.

On his March 1, 2024 anniversary date, his 3% COLA will resume providing him a monthly benefit of \$2,600.

**Jack**




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### CPI-W Based COLA Freeze

**COLAs are paid on the anniversary date of your retirement.**

You receive a CPI-W based COLA if your effective date is Feb. 1, 2013 or after

COLA	COLA	COLA Freeze	COLA Freeze	COLA Continues	COLA Continues
2020	2021	2022	2023	2024	2025

As written in statute, OPERS uses the CPI-W index to determine COLAs.

For example, the 2024 COLA will be determined by the average CPI-W from July 1, 2022 to June 30, 2023.

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### CPI-W Based COLA Example

Retired: **August 1, 2018**  
Initial Gross Benefit: **\$3,000 per month**  
2019 COLA 3%: **\$90**, 2020 COLA 1.4%: **\$42**


Assuming a 2% COLA\* on her August 1, 2021 anniversary date her monthly benefit will increase to **\$3,192**.

For 2022 and 2023 she will **not** receive a COLA increase.

On her August 1, 2024 anniversary date, her CPI-W based COLA will resume.

\*The future year cost of living increases stated in this example are hypothetical only, not projections of the CPI-W average.

**Vanessa**



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### Board Approved COLA (Effective Jan. 1, 2022)

#### What's Next?

- Board approval was the first step.
- The next steps involve approval from the House of Representatives, Senate and the Governor

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**Defined Benefit Plan  
Changes**  
*Effective Jan. 1, 2022*

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**Group D Under Consideration**

**Additional Changes to active members (future retirees).  
These changes referred to as Group D would impact  
members hired on or after Jan. 1, 2022:**

- 11% contribution rate
- Age 62 with 35 years of service for unreduced eligibility
- 10 year Final Average Salary
- 2.0% benefit multiplier
- CPI-based COLA, not to exceed 2.0%
- Health care provided by funds accumulated in a member's retiree medical account (RMA) anticipated to be funded at 2% of the employer contribution rate

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**Combined and  
Member-Directed Plan  
Changes**  
*Effective Jan. 1, 2022*

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**Board Approved Changes** (Effective Jan. 1, 2022)

- Consolidate the **Combined Plan** into the **Traditional Plan** (*Closed to new participants, existing participants will continue*)
- Update the following features associated with the **Member Directed Plan**:
  - Vesting Schedule
  - Mitigating Rate
  - Annuitization
  - Retiree Medical Account
  - COLA

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**Next Steps**

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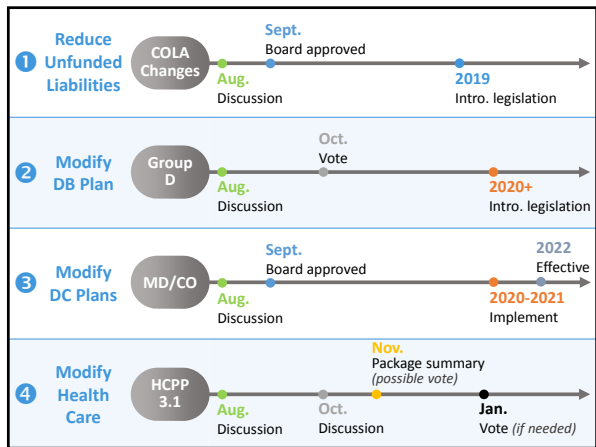
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Closing Remarks
<ul style="list-style-type: none"><li>• Requirements of Fiscal Officers</li> <li>• Training for new or existing employers<ul style="list-style-type: none"><li>– One on one site visits</li><li>– Opers.org<ul style="list-style-type: none"><li>• Recorded demos and webinars</li></ul></li></ul></li> <li>• Employer Outreach<ul style="list-style-type: none"><li>– 1-888-400-0965</li><li>– Monday-Friday, 8:00 am to 4:30 pm</li></ul></li></ul>

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<p><b>THANK YOU.</b></p>
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