

The OPERS Board of Trustees voted to adopt changes to health care coverage for OPERS Medicare and pre-Medicare retirees, effective Jan. 1, 2022. This action will preserve retiree health care coverage now and for years to come.

The changes preserve health care for all eligible members and retirees, extending the solvency of our health care fund from 11 years to nearly 19 years. In addition, preliminary 2019 investment returns of 19 percent will further extend solvency to nearly 23 years.

Here's a look at how OPERS operates and what these changes will mean in the future.

Health Care Changes 2022

Effective 2022, OPERS will make several changes to health care coverage. We will continue communicating the details of this plan between now and 2022. We have different types and levels of coverage for pre-Medicare retirees and Medicare retirees.

Pre-Medicare

- OPERS will replace the current self-insured group plan with a marketplace concept. Participants will seek coverage on the open market with the assistance of a service provider, and we will provide a monthly allowance to them to help pay for their coverage and out-of-pocket expenses.
- This framework is called a Health Reimbursement Arrangement, an IRS-approved method of providing tax-free money for health care expenses. OPERS will deposit money into notional Health Reimbursement Arrangement (HRA) accounts, which retirees can draw from to be reimbursed for qualifying expenses. Balances carry over from year to year.
- The initial base allowance for these retirees will be \$1,200 monthly. Retirees will receive a portion of this allowance based on their years of qualifying service credit and their age when they initially signed up for coverage. Allowances will range from 51 percent (\$612 per month) to 90 percent (\$1080 per month) of the base amount.
- Eligibility requirements for health care are changing. Those retiring after 2021 will need to have 30-32 years of qualifying service credit to be eligible for pre-Medicare coverage.
- Any pre-Medicare retirees currently eligible or receiving OPERS health care coverage will continue to remain eligible.

WHERE THE MONEY COMES FROM



MEMBER CONTRIBUTIONS

State-and-local members contribute 10%
Law enforcement members contribute 14%
Public safety members contribute 13%

No members contribute to Social Security



EMPLOYER CONTRIBUTIONS

Entities that employ our members contribute at the following levels:
State and local 14%
Law enforcement 18.1%
Public safety 18.1%



INVESTMENT INCOME

Member and employer contributions are invested by OPERS

Currently 2/3 of what we pay in pensions comes from Investments.

TWO FUNDS

OPERS maintains separate funds for pension and health care.

PENSION



The OPERS pension fund is used to pay pensions – more than \$6 billion each year. At the end of 2019, the pension fund held

approximately \$91 billion. When we refer to the overall funding level of our system, we're referring to the pension plan.

As of Dec. 31, 2018, the latest fully audited information available, OPERS was 78% funded. While 100% funding would be ideal, this level is not out of the ordinary range of public pension funds. OPERS is NOT at risk of not being able to fund pensions.

HEALTH CARE



By law, only a portion of the employer contribution can be designated toward the OPERS Health Care Fund.

Member contributions

fund pensions only and are always 100% guaranteed to the member and cannot be used to fund health care. Because we currently need all of the employer contributions for pensions, no money is being added to the Health Care Fund.

Thus, the only new money in the Health Care Fund comes from investment income.

Health Care Changes 2022 *(continued)*

Medicare

- OPERS will continue to offer the OPERS Medicare Connector for those age 65 and over who qualify for Medicare parts A and B. Retirees are actively using their HRA accounts through automatic reimbursement and continue to have an average balance of \$3,700 in these HRA accounts.
- The base allowance will be reduced from \$450 to \$350. Allowance amounts will range from 51 percent (\$178.50 per month) to 90 percent (\$315 per month) of the base amount.
- Any Medicare retirees currently eligible or receiving OPERS health care coverage will continue to remain eligible.

The allowance amounts will change. Participants who retired and enrolled before 2015 with 20 or more years of service could receive a lower amount. Those who enrolled before 2015 with fewer than 20 years of service will receive a 51 percent allowance rather than the 75 percent allowance they had been receiving.

The Health Care Issue

- OPERS is a pension fund at its core and added health care as a discretionary benefit program in 1974. OPERS is committed to preserving the health care program for all eligible members and retirees.
- OPERS believes retirement security should include meaningful health care coverage. However, it has become increasingly expensive to offer this coverage, as costs have risen at alarming rates nationally. Further, we have more people retiring now and fewer public workers contributing to the system.
- Those demographic factors affect our pension fund. Currently we are not able to earmark any of the employer contributions toward health care.
- The Health Care Fund, left unchanged, risked being insolvent by 2030 and actuarial forecasts indicate we could not fund it again until 2034. OPERS proactively evaluated changes to preserve health care for all eligible members and retirees. On Jan. 15, the OPERS Board took action to reduce health care costs, thus extending the plan's solvency from 11 to nearly 19 years. Preliminary investment returns could extend solvency an additional four years.

1962

OPERS offers health care for the first time, with retirees paying the full cost.

1974

Health Care Trust Fund established - OPERS funds retiree health care for the first time. Only five years of service are required to be eligible. Spouses and dependents have access.

1986

The eligibility requirement is increased from five years to 10 years of service.

2007-09

Plan design changes begin, including monthly allowances based on service only, tiered plans with differing coverage, funding changes and the implementation of a Medicare Advantage program.

2012

OPERS Medicare Connector is created for those over 65, ending allowances for spouses and dependents, ceasing Medicare Part B reimbursements and basing allowances on age and service.

2016

The OPERS Medicare Connector commences.

2020

New eligibility requirements and allowance levels are set, and OPERS ends its self-sponsored pre-Medicare plan. Those retirees will purchase insurance on the open market.

2022

2020 plan will go into effect.