

OPEB

The Ohio Story

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Ohio Public Employees Retirement System

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OPERS

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Important Ohio Statistics

Assets @ 12-31-07 \$83 billion

Members:

Active 382,177

Inactive 364,823

Benefit Recipients 161,346

Total Members 908,346

Number of Employer Units 3,707

Contribution rates @ 1-1-08

Member 10%

Employer 14%

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History of Healthcare in Ohio

Health Care Coverage Begins Group Rate - 0% subsidy	1962	
	1974	OPERS pays premium OPERS begins funding health care trust
Kaiser HMO offered	1975	
	1981	OPERS/ORS secure mail pharmacy in Columbus
Eligibility Increase from 5 to 10 years of service	1986	
	1993	PPO model replaces indemnity 2 health plan choices
Preventive services expanded flu vaccines, physicals, etc.	1999	
	2000	Rx co-pay increased OPERS consumerism model starts
Choices Plan begins Eligibility tied to years of service Disease Management introduced	2003	
Board approves Health Care Preservation Plan (HCPP) Major Plan design and subsidy level changes Board approves target solvency range of 15-25 years	2004	Incentive formulary introduced deductibles, co-pays and out-of-pockets Prescription drug costs managed below national average

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History of Healthcare in Ohio

<p>Active management of health care program introduced leveraged OTC medications, cost-effective alternatives</p> <p>ORS hospital payor initiative</p> <p>Wellness survey</p> <p>OPERS helps create National Public Sector Health Care Coalition</p>	<p>2005</p>	<p>Investments contribute \$900 million to health care fund</p> <p>Prescription drug costs managed below national average</p> <p>\$33 M in generic savings \$20 M in additional rebates</p> <p>Ohio Quit Line Partnership OPERS first plan sponsor</p>
	<p>2006</p>	<p>OPERS selected to lead Central Ohio Hospital Quality Initiative</p> <p>First Prilosec OTC® promotion with Ohio pharmacies</p> <p>Contribution changes</p> <p>Medicare D subsidy</p> <p>Comprehensive Wellness Program developed</p> <p>68 new drugs added to formulary</p>
<p>Health Care Preservation Plan implemented</p> <p>Board approved increase in target solvency range from 15 - 25 years to 20 - 40 year range</p> <p>Health Care Preservation Plan "2.0" approved</p> <p>OPERS co-leads Rx Purchasing Pool</p>	<p>2007</p>	

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Implementation Steps

- Comment on Exposure Draft; Testify on Exposure Draft (2003)
- Share preliminary information with Board and employers (2003-2006)
- Board approves HCPP (2004)
- Host multi-system education session (2005)
- Conduct preliminary actuarial analysis of impact (2005)
- Meet with interested employers (2005)
- Mock implementation (2006, using 2005 CAFR data)
- Comment on Medicare D Subsidy technical bulletin (2006)
- Cross-divisional team develops communication message and strategy (2006)
- Educate Board, legislators employers, members (2006-2007)
- Develop alternatives to help manage OPEB (2007)
- Develop alternative funding vehicles (2008)

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Communications Strategy

- Explain purpose and implication of standard in simple terms
- Educate constituency groups on OPERS' funding status and plan
- Strike balance between concern for action and panic

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Elements of Communication Message

- Accounting Standard
- No measure previously; OPERS used solvency as measure
- OPERS has been systematically prefunding the healthcare benefit for years vs. other systems that adopted a pay-as-you-go process. In addition, OPERS has invested healthcare assets into conservative, stable, less volatile investments
- HCPP provides framework for changes to healthcare plan
- Cost of healthcare is difficult to predict
- OPERS' goal is to have adequate funds to allow time to change the plan
- HCPP goal is to always have between 15 and 25 years of solvency
- Cost of education comparison
- Cost of raising a child comparison

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Implementation Results - Year 1 (\$ in millions)

	Accrued Actuarial Liability	Valuation Assets	Unfunded Actuarial Accrued Liabilities	Funded Ratio
2006	\$30,748	\$12,025	\$18,723	39%
2005	31,307	11,070	20,237	35%
2004	29,479	10,816	18,663	37%

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Health Care Solvency Period

Year	Estimated Years of Solvency
2007	27 years
2006	27 years
2005	18 years
2004	17 years
2003	18 years
2002	14 years
2001	21 years

*Data not available prior to 2001

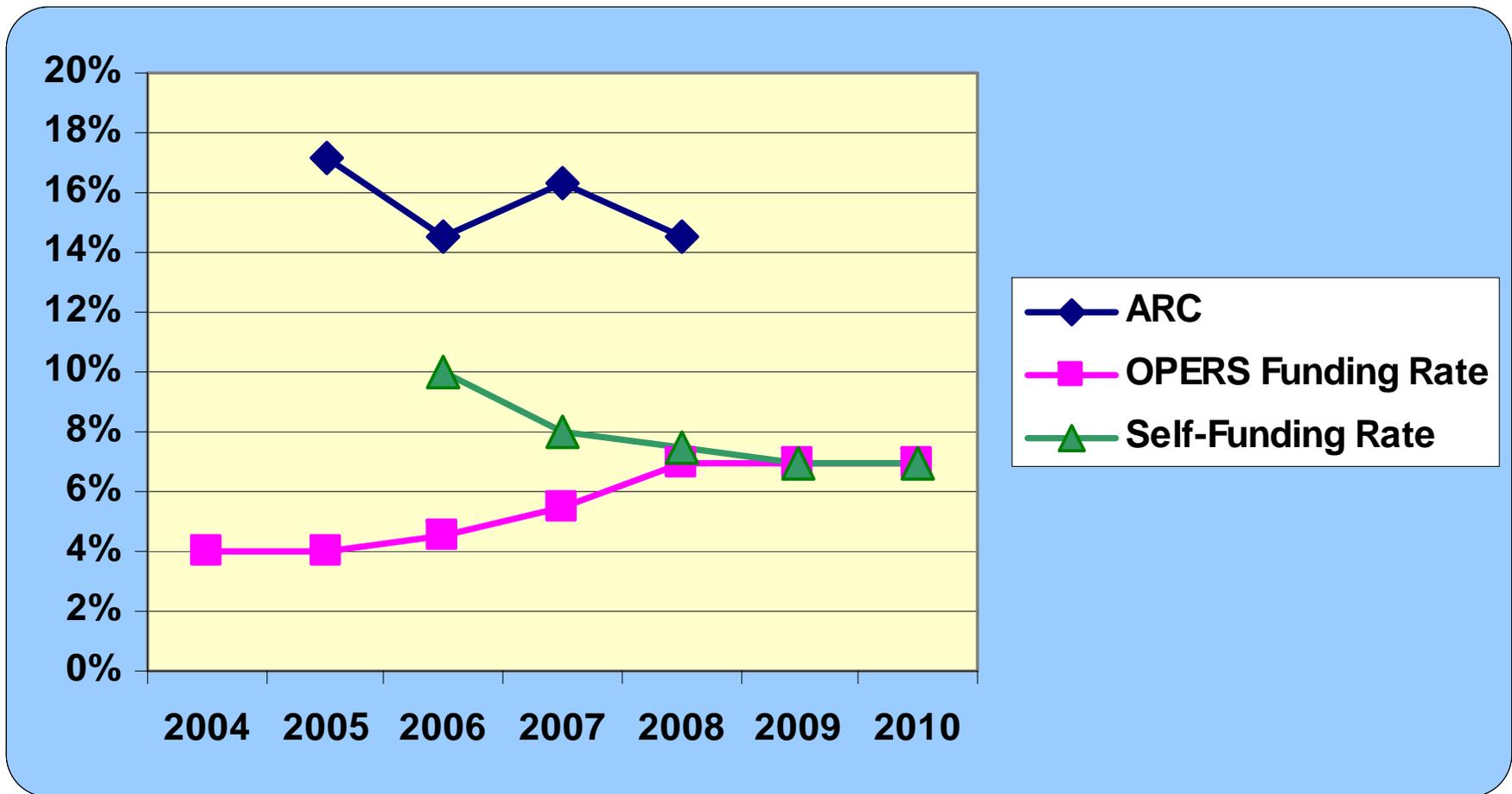
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Other Measures

Solvency Period	ARC	Self Funding Rate	OPERS Funding Rate
2008		14.57%	7.0%
2007	27	16.35%	5.0% / 6.0%
2006	27	14.57%	4.5%
2005	18	17.19%	4.0%
2004	17	16.64%	4.0%
2003	18		5.0%
2002	14		5.0%
2001	21		4.3%

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Other Measures



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Where Are We Now and What Challenges Do We Face?

- Board increased solvency goal from a rolling 15-25 years to a rolling 20-40 years
- Board adopted additional plan design changes that we expect to increase our solvency period to over 30 years
- Currently evaluating plan design structure due to 401(H) funding limits
- Likely will establish a Section 115 Trust
- Recently identified in the PEW report as one of only six states on track to have fully funded OPEB obligations within the next 30 years and listed as one of the states to watch