Date: November 10, 2015
To: OSURA Executive Board Members/Historian/Representatives

Jerry Dare
Sally E. Dellinger
Howard L. Gauthier
Raimund E. Goerler
Michele B. Hobbs
Richard M. Hill
Fern E. Hunt

Daniel L. Jensen
Carl Leier
Shirley McCoy
Sally W. Morgan
Gerald H. Newsom
Hallan C. Nottimier
Diane Selby

Thomas L. Sweeney
Marie T. Taris
Gisela M. Vitt
Nancy S. Wardwell
Elenore Zeller
Alabelle Zghoul

From: Gerald H. Newsom, President

OSURA Executive Board Meeting
Tuesday, November 10, 2015 from 9:00 to 11:00 AM
Northwood and High Building, Room 100
2231 North High St.

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AGENDA

9:00 Call to Order and Personals 9:55 Representatives' Report
9:03 Meeting Minutes — Sweeney 9:55 Bucks for Charity — Dell
9:05 President’s Comments — Newsom 9:55 Campus Campaign — Sweeney
9:33 Office Report — Lantz 9:55 Legislative Update — Hill
9:36 Committee Reports 10:00 OCHER/HPA — Wardwell/Hobbs
    Benefits — Nottimier 10:05 OPERS — Hobbs
    Fall Conference — Taris STRS — Hill/Gauthier
    Bylaws — Taris
    Communications — Wardwell
    Finance — Gauthier
    Friendship — Dellinger
    Membership — Selby/Vitt
    Special Interests Groups — Leier
    Vice President’s Report - McCoy

9:40 Old Business
10:40 New Business
10:50 Adjournment

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Please contact Jerry Newsom at newsom.1@osu.edu if you are not able to attend.

Next meeting: December 8, 2015

Cc: Tami Jones, Michele Bondurant, Pam Doseck, Karen Gainer
The Ohio State University Retirees Association (OSURA)

EXECUTIVE BOARD MINUTES
Tuesday, October 13, 2015, 9:00 a.m. - 11:00 a.m.
Community Room, Northwood-High Building
2231 North High Street, Columbus, Ohio 43201

Members:
| Jerome G. Dare | Sally E. Dellinger | Howard L. Gauthier |
| Raimund E. Goerler | Richard M. Hill* | Fern E. Hunt |
| Daniel L. Jensen | Carl V. Leier | Shirley F. McCoy |
| Sally W. Morgan | Gerald H. Newsom | Hallan C. Nottmier* |
| Diane M. Selby* | Thomas L. Sweeney | Marie T. Taris* |
| Gisela M. Vitt | Nancy S. Wardwell | |

Representatives & Other Committee Chairs:
| Phylis J. Carroll | Don M. Dell* | Michele B. Hobbs |
| Elenore R. Zeller | Alabelle B. Zghoul* | |

OSU-HR Office:
| Michele R. Bondurant | Diana L. Lantz |

Guests:
| * Not present |

Chair: Gerald H. Newsom, President

1. Call to Order – 9:00 a.m.

Personals – Sally Morgan was elected as President of the Ohio Nurses Association.

2. Minutes of September 8, 2015 (Thomas L. Sweeney) The minutes were approved as distributed. In addition, the Board reviewed the minutes of the Annual Meeting held in September, and they recommended approval by the general membership at the next Annual Meeting.

3. President’s Comments (Gerald H. Newsom) Jerry announced that the Board would not meet on days that the Columbus Public School system cancels or delays classes due to inclement weather.

The OSURA officers (Shirley, Tom, Dan, Hal, and Jerry) met with Tami Jones of Human Resources (HR) on September 22. Chad Warren from the Alumni Association (AA) also attended and was an active participant in the meeting.

The possibility that OSURA change its connection to the University from HR to AA was raised by Tami Jones, and that was the main topic of discussion. The AA already deals with 46 "affinitive-based groups" and OSURA would be the 47th.

We would transfer our database to The Advancement System (TAS) at AA. The TAS database is large, with 1.7 million names, including alumni, retirees, friends, and so forth.

The AA Customer Service unit handles registration and checks for their events, mostly electronically. This could be a time and money saver for us and for our members who have e-mail and web access.

OSU is moving away from hard copies and going to electronic communications; for example, the onCampus newsletter will cease printing hard copies after the December issue. It was noted that the $40,000 that the University provides to support OSURA is
now used for primarily for printing and mailing the newsletter and the directory. We have no assurance that the $40,000 support would transfer to AA if we move there.

Tami Jones thought that we should be able to move to AA within six months.

This proposed change represents a threat but also an opportunity. We need to make sure that if the database moves to the AA it would be configured so we could get needed reports that presently are not available from HR.

It’s not clear that AA is aware of the many things that Diana Lantz does to support OSURA, nor are they likely aware of the efforts of Michele Bondurant and others at HR. We need to make sure that AA is prepared to provide the same level of support.

Jerry has appointed a Task Force to develop our negotiating positions on the various issues. Members are Howard Gauthier, Dan Jensen, Carl Leier, Shirley McCoy, Jerry Newsom, Hall Noltimier, Bill Shkurti, and Marie Taris. That group will have a discussion meeting on October 28th and will meet with Tami Jones and Chad Warren on November 3rd. Eventually we will need a smaller negotiating team (likely 3 members) to do the actual negotiations.

Jerry also noted that OSU President Drake is available, at least for now, to be a speaker at the next Fall Conference if it can be held on Tuesday, September 13, 2016. Save the date.

4. **Treasurer's Report** (Daniel L. Jensen) Dan presented the Treasurer's Report as of September 30, 2015, in draft form because of unavailability of some of the required data. An excerpt of Dan's report follows:

<table>
<thead>
<tr>
<th>Account</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Big Ten Meeting Reserve</td>
<td>4,000</td>
</tr>
<tr>
<td>Emergency Fund</td>
<td>266</td>
</tr>
<tr>
<td>Life Membership Fund</td>
<td>148,703</td>
</tr>
<tr>
<td>Travel</td>
<td>3,129</td>
</tr>
<tr>
<td>Strategic Initiatives Reserve</td>
<td>10,000</td>
</tr>
<tr>
<td>Endowment Fund (part of the permanent OSU endowment)</td>
<td>143,482</td>
</tr>
<tr>
<td><strong>TOTAL FUND EQUITIES</strong></td>
<td><strong>$309,580</strong></td>
</tr>
</tbody>
</table>

Dan reviewed his detailed report with the Board and noted that an additional report, "OSURA Investment Accounts", has been included. This details the amount and location of the various association monetary assets.

See Dan's written report for complete details.

5. **Office Report** (Michele R. Bondurant and Diana L. Lantz)

Diana reported that the Office handled 186 incoming calls, 88 e-mails on the message boards, 293 e-mails from members, 158 checks, 7 Events with registration rosters and name tags, and 5 Weekly Events and Program Reports. In addition, the Office provided information for the Finance/Treasurer Report and for the Membership Report, as well as endowment information for the Friendship Committee.

The Directory is being worked on.

6. **Committee Reports**
**Benefits** (Hallan C. Noltimier) Since neither Hal nor Marie were able to attend the Committee meeting, Jerry sat as the Chair. He reported that funding for room rental for the Tax Seminar was requested for next fiscal year.

The Fall Conference was viewed by all as a great success. Unfortunately, many members who wanted to attend and who had attempted to register before the published deadline could not be accommodated. Next year, it should be made clear that, although there is a formal deadline, registrants will be accepted on a first-come, first-served basis. There is a likelihood that about 60 more registrants could be accommodated next year by using one of the break-out rooms for lunch.

**Bylaws** (Marie T. Taris) No report.

**Communications** (Nancy S. Wardwell) Nancy said that the next Newsletter would contain summaries of the presentations from the Fall Conference. There also will likely be a report on the Bucks for Charity drive from Don Dell.

**Finance** (Howard L. Gauthier) Howard reported that the Committee continues to work on the combined operating and HR budget for FY2017 with the expectation that it can be brought to the Board at its December meeting. He has asked each Committee chair to submit budget requests by November 1, 2015. The deadline for seeking funds for Strategic Initiatives is May 1, 2016.

The quasi-endowment fund has been finalized with all internal approvals. It will likely go to the OSU Board of Trustees at its next meeting in November.

The Committee continues to review the financing of life memberships.

OSU Internal Auditing has agreed to include OSURA in its cycle of reviews. OSURA financial controls will be reviewed every three years and recommendations will be provided to us.

The Committee has approved a request from the Membership Committee for $1,000 for a reception for new and complimentary members. The event will be held at the OSU Golf Course Club House on April 19, 2016.

See Howard’s written report in the Meeting Packet for details.

**Friendship Committee** (Sally E. Dellinger) Sally reported that the Committee continues its usual work.

**Membership** (Gisela M. Vitt) Gisela reported that the membership trend now is relatively flat. We have 62 more total members and 55 fewer paid members than this date last year.

One application for Associate Membership was approved at the last Committee meeting on September 23, 2015.

The matter of seeking advertisements for the Directory was briefly discussed at the Committee meeting. Committee members had a variety of views but, since it was too late for any efforts in this direction for the upcoming Directory, the discussion was put off until a later time. Board members expressed mostly positive views since advertising in the Newsletter has been financially successful with no apparent drawbacks.

Spotlight articles for the Newsletter will continue.
The Committee is holding an open house at the OSU Golf Club this coming April. (See also the report of the Finance Committee.) Board members, Committee chairs, and SIG arrangers will be encouraged to attend.

See further details, including current membership numbers, in the Meeting Packet.

**Special Interest Groups (SIG) Coordinating Committee** (Carl V. Leier) Carl noted that the SIGs are off to a good start for the year.

He has asked for budget requests from each SIG. Tertulia has requested $100, Health and Wellness $270, and the Dinner Series $1,000. Additional requests may yet be submitted. One suggestion is to simply budget $100 for each SIG with the possibility of more than that based on need.

Carl has had two suggestions for two new SIGs, Gardening and Cooking. He continues to seek chairs or contact persons for these potential new groups.

See Carl’s report in the Meeting Packet for details.

**Vice President's Report** (Shirley F. McCoy) Shirley reported that the Cultural Arts, Travel, and Social Committees continue to provide interesting and educational events.

Shirley referred to the published calendar in the Newsletter and specifically mentioned the Lunch Bunch and the Dinner Series, both starting this month, and later events such as the Holiday Buffet, the Picasso related event at the Wexner, and trips to Chicago and to Scandinavia.

Further ideas on how to handle next year’s Fall Conference were briefly discussed.

### 7. Representatives’ Reports

**Bucks for Charity** (Don M. Dell) Contribution packets have been sent out and have been received by the membership. Returns have started to arrive at the OSURA office.

Don plans regular articles for the Newsletter.

**Campus Campaign** (Thomas L. Sweeney) No report.

**FCBC** (Raimund E. Goerler) Rai reported that, since he was away, Ivan Mueller attended the first meeting of the year. Rai has volunteered to be a member of a task force on the Mitigating Rate, if such a group is formed.

**Legislative, Health Care, Pension, and Financial Update** (Richard M. Hill) In Dick’s absence, Jerry distributed Dick’s report. The report can be seen in the Meeting Packet.

**OCHER/HPA** (Nancy S. Wardwell, Howard L. Gauthier, and Richard M. Hill) Howard reported that at the recent HPA meeting the discussions centered on the effect of the 1% no longer being directed to the STRS health fund and on the Mitigating Rate.

Nancy noted that OCHER will meet on November 17, 2015.

**OPERS** (Michele B. Hobbs) Michele briefed the Executive Board on latest OPERS Source report, which can be found in the Meeting Packet.

The year 2014 was a good one for OPERS with a funding status of 83.8% and an amortization period of 21 years.
Michele further discussed the suggestion by State Treasurer Josh Mandel that OPERS put its spending details online as part of his OhioCheckbook.com initiative.

**SCBS and USAC** (Michele R. Bondurant) No report.

**STRS** (Richard M. Hill and Howard L. Gauthier) In Dick's absence, Jerry distributed Dick's report. The report can be seen in the Meeting Packet.

Howard noted that two issues seem of great importance to the STRS Board. The Mitigating Rate, now at 4%, should be much higher. There is fear that the rate may be capped, reduced, or eliminated by proposed legislation in the Ohio House, but some believe that lawmakers may only desire that there be a fixed rate in legislation so that confusion and uncertainty are avoided.

The second issue deals with what, if any, policy decisions must be made now to continue to make possible the elimination of the pension unfunded liability within 20 years. The current volatility in investment returns leads to great uncertainty in financial projections.

8. **Old Business** There was no Old Business.

9. **New Business / Add-on Items** There was no New Business. A question was briefly raised, however, as to whether or not senior leadership in HR and/or the Alumni Association should be invited to a future meeting. No conclusion was reached.

10. **Next Regular Board Meeting**

    Tuesday, November 10, 2015, 9:00 a.m. - 11:00 a.m.
    Community Room, Northwood-High Building
    2231 North High Street, Columbus, Ohio 43201

11. **Adjournment** – The meeting was adjourned at 10:34 a.m.

Thomas L. Sweeney, Secretary
October 25, 2015
Benefits Committee. November 3, 2015. Noltimier, Chair. Minutes of Oct. 6, 2015, approved. Chair’s update reported that the B.C. Task Force would meet a second time at 10:30 AM with Tami Jones (HR) and Chad Warren (AA) regarding OSURA remaining with HR or joining the Alumni Association (AA).

Goerler reported on the Oct. 21 FCBC meeting including (among other things) the ARP mitigating rate, growth of administrative employment, and growth of executive compensation. SCBS, no report. Hobbs, B.C. Secretary, presented OPERS report which included their concerns on excise tax on retirees health care plans; PERI, no report. Elder Care report presented by Meg Teaford focused upon a shortage of Geriatrics. OCHER, no report. Campus Campaign, no report. OSURA Discounts, no report. 403(b)/457 Retirement Plans, Moeller reported that HR is evaluating retirement plan vendors. Financial Matters, Jones reported (based upon published analysis) that individual investors (retirees) should do “due diligence” on their own behalf regarding their investment portfolio/retirement plan.

Annual Meeting/Fall Conference 2015, Turner reported that the Conference Planning Committee will meet Nov. 19 at MCL in Kingsdale, UA, to welcome new committee members and review the evaluation summary (by Warmbrot) as well as the 2015 Conference Financial Report. Meeting concluded at 10:15 AM. Newsom, Taris and Noltimier then attended the meeting with Jones and Warren.

Next B.C. meeting Tuesday, Dec. 1, 2015.

Hallan C.
Finance Committee Monthly Report
November 10, 2015

A review of the Treasurer's report was led by Dan Jensen. He noted that the expenditures and resulting balances were incomplete because some charges for printing and mailing of the newsletter had not been received from HR. In regard to the current budget, there is no information that the OSURA budget for 2015-2016 has been approved.

The committee recommended that the Treasurer transfer the $11,309 of endowment cash balance to the quasi-endowment principal and also transfer the proceeds from the Fidelity-held CDs maturing in October to the Fifth Third checking account as an addition to our operating reserve.

There was extensive discussion about the meeting that OSURA leaders had with Tammie Jones of HR and Chad Warren of OSU Advancement about the future of OSURA. It has been proposed that OSURA move from HR to the Alumni Association as part of OSU Advancement. An OSURA Task Force has been assembled to study the issues and make recommendations. A final decision is expected in six months. If this takes place a new Memorandum of Understanding will be necessary that sets expectations and responsibilities. The committee discussed what changes might be needed to conduct and record financial transaction in the new arrangement.

At its next meeting, the committee will complete the combined budget for 2016-2017 that will be presented to the Executive Board at its December meeting.
Number of Members at Significant Times:

<table>
<thead>
<tr>
<th>Date</th>
<th>(1) paid</th>
<th>(1A) annual</th>
<th>(1B) life</th>
<th>(2) comp</th>
<th>(3) total</th>
<th>not accept</th>
</tr>
</thead>
<tbody>
<tr>
<td>06/06/11</td>
<td>2794</td>
<td>1236</td>
<td>1558</td>
<td>719</td>
<td>3513</td>
<td>annual max (2.9% increase)</td>
</tr>
<tr>
<td>08/22/11</td>
<td>2639</td>
<td>1051</td>
<td>1588</td>
<td>599</td>
<td>3238</td>
<td>directory</td>
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<td>06/01/12</td>
<td>2763</td>
<td>1155</td>
<td>1608</td>
<td>1170</td>
<td>3933</td>
<td>annual max (12.0% increase)</td>
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<tr>
<td>08/31/12</td>
<td>2885</td>
<td>1258</td>
<td>1627</td>
<td>310</td>
<td>3195</td>
<td>directory</td>
</tr>
<tr>
<td>05/01/13</td>
<td>2937</td>
<td>1309</td>
<td>1628</td>
<td>802</td>
<td>3739</td>
<td>annual max (4.9% Decrease)</td>
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<tr>
<td>08/19/13</td>
<td>2904</td>
<td>1261</td>
<td>1643</td>
<td>214</td>
<td>3118</td>
<td>directory</td>
</tr>
<tr>
<td>06/02/14</td>
<td>2988</td>
<td>1343</td>
<td>1645</td>
<td>383</td>
<td>3371</td>
<td>443 annual max (9.8% decrease)</td>
</tr>
<tr>
<td>11/21/14</td>
<td>3051</td>
<td>1366</td>
<td>1685</td>
<td>166</td>
<td>3217</td>
<td>5C2 directory</td>
</tr>
<tr>
<td>11/02/15</td>
<td>2980</td>
<td>1285</td>
<td>1695</td>
<td>239</td>
<td>3219</td>
<td>497 current month</td>
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<tr>
<td>10/01/15</td>
<td>2979</td>
<td>1281</td>
<td>1698</td>
<td>233</td>
<td>3212</td>
<td>498 previous month</td>
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<tr>
<td></td>
<td>1</td>
<td>4</td>
<td>-3</td>
<td>6</td>
<td>7</td>
<td>-1</td>
</tr>
<tr>
<td>11/02/14</td>
<td>3047</td>
<td>1361</td>
<td>1686</td>
<td>169</td>
<td>3216</td>
<td>504 comparison with last year</td>
</tr>
<tr>
<td></td>
<td>-67</td>
<td>-76</td>
<td>9</td>
<td>70</td>
<td>3</td>
<td>-7</td>
</tr>
</tbody>
</table>

Note: Membership categories are the same as those used in the "Analysis" at the back of the Membership Directory.
# MEMBERSHIP REPORT

<table>
<thead>
<tr>
<th>Membership Category</th>
<th># of Memberships***</th>
<th># of Spouses/Partners of Retirees</th>
<th>Total # of Members in This Category</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Paid Membership</td>
<td>1952</td>
<td>1028</td>
<td>2980</td>
</tr>
<tr>
<td>A. Annual</td>
<td>841</td>
<td>444</td>
<td>1285</td>
</tr>
<tr>
<td>B. Life</td>
<td>1111</td>
<td>584</td>
<td>1695</td>
</tr>
<tr>
<td>2. Complimentary Membership</td>
<td>156</td>
<td>83</td>
<td>239</td>
</tr>
<tr>
<td>3. Total (1 + 2)</td>
<td>2108</td>
<td>1111</td>
<td>3219</td>
</tr>
<tr>
<td>4. Associate Memberships*</td>
<td>25</td>
<td>8</td>
<td>33</td>
</tr>
<tr>
<td>A. Annual*</td>
<td>21</td>
<td>5</td>
<td>25</td>
</tr>
<tr>
<td>B. Life*</td>
<td>4</td>
<td>3</td>
<td>7</td>
</tr>
<tr>
<td>5. Dual Spouse Memberships*</td>
<td>132</td>
<td>132</td>
<td>264</td>
</tr>
<tr>
<td>A. Annual*</td>
<td>41</td>
<td>41</td>
<td>82</td>
</tr>
<tr>
<td>B. Life*</td>
<td>83</td>
<td>83</td>
<td>166</td>
</tr>
<tr>
<td>C. Complimentary Membership**</td>
<td>8</td>
<td>8</td>
<td>16</td>
</tr>
<tr>
<td>6. Membership Not Accepted Membership</td>
<td>N/A</td>
<td>N/A</td>
<td>497</td>
</tr>
</tbody>
</table>

* Included in Paid Memberships.
** Included in Complimentary Memberships.
*** Some memberships are spouses/partners of deceased retirees.
SIG report:
The SIGs appear to be up and running.
Search for Chairs-Contact Persons for Gardening and Cooking clubs is still under way.
CV Leier
Bucks for Charity

As of Nov. 6, we had 72 donors for a total of $38,315. Past experience suggests that many donations come in “late” in the campaign, so I’m optimistic. However, I want to encourage all Board members to not only get their contributions made, but to also encourage others to do so.
I will compose one more article for the next newsletter and then (after a final number is known) write a “thank you” article.

Don
To Reduce Drug-Resistant Organisms - "Enhanced" Cleaning of Hospital Rooms:

MedPage Today (10/12, Smith) reports that "enhanced' cleaning of hospital rooms, added to standard procedures, appeared to reduce the risk of transmitting drug-resistant pathogens from patient to patient, a researcher said" at the IDWeek meeting. A study indicated that "adding bleach to the standard quaternary ammonium cleaning significantly reduced the risk of transmission of four organisms that cause healthcare-associated infections, according to Devenick Anderson, MD, MPH." Additionally, "adding ultraviolet light or bleach plus UV light...showed a trend toward a reduced risk. Anderson said."

Drug Maker's Strategy: Wringing Every Possible Use Out of Existing Drugs:

The Chicago Tribune (9/19, Russell) reported that as drug makers are under increasing "pressure to bolster sales," they have begun "wringing every possible use out of existing drugs." The Tribune cites AbbVie's Humira (adalimumab), which has been approved to treat nine conditions thus far, as an example. While Humira was initially approved to treat rheumatoid arthritis, it was approved last month to treat inflamed lesions, and AbbVie is now studying "whether Humira can also treat eye inflammation and fingernail psoriasis."

Average Health Cost per Couple - Projected To Be $240,000

Bloomberg News (10/8, Woolley) reports that the average 65-year-old couple "retiring this year will face health-care costs of $245,000 in the years ahead, up 11 percent from a 2014 estimate of $220,000, according to a new report" from Fidelity Investments. The estimated annual increase in "medical and prescription expenses stands at 4 percent to 6 percent, about the same as last year." According to Bloomberg, Medicare Part B and D premiums make up 34 percent of the $245,000 figure

Impact of Naps, Depression, Coffee - On Hypertension, CV Events

MedPage Today (8/31, Phend) reports that "long midday naps were associated with lower blood pressure, while a daily espresso habit and depression were linked to worse control in hypertension, observational studies suggested." However, these studies, which were presented "at the European Society of Cardiology (ESC) meeting...brought calls for caution in attributing causality."

Defined Benefit Plans: Three Big Drivers of Cost Savings (vs. DC)
Efficiencies of Pensions

Still a Better Bang for the Buck: Update on the Economic Efficiencies of Pensions

New research finds that pension plans are a far more cost-efficient means of providing retirement income as compared to individual defined contribution accounts.

The study calculates that the economic efficiencies embedded in defined benefit (DB) pensions enable these retirement plans to deliver the same retirement income at a 48% lower cost than 401(k)-type defined contribution (DC) accounts.

Download the research here.
Read Pensions & Investments story here.

The new analysis finds that there are three unique drivers of the cost savings.
More specifically, DB pensions:

1. Pool the longevity risks of large numbers of individuals to provide Americans with stable income that won't run out in retirement. Said another way, pensions only have to save for the average life expectancy of a group of individuals. Absent a group retirement plan, individuals must save enough on their own should they be among the half of retirees who will live longer than the average life expectancy. This DB pension longevity risk pooling feature generates a 10% cost savings.

2. Are "ageless" and therefore can perpetually maintain an optimally balanced investment portfolio. In contrast, a typical individual investor must down shift investments over time to a lower risk portfolio of cash and bonds, sacrificing higher investment returns generated from stocks. This DB pension balanced portfolio feature generates an 11% cost savings.

3. Achieve higher investment returns as compared to individual investors because they have lower fees and are managed by investment professionals. This lower fees and higher returns DB pension feature generates a 27% cost savings.

The report, Still a Better Bank for the Buck: Update on the Economic Efficiencies of Pension Plans, updates a 2008 NIPS study with similar findings. This new comparison of DB and DC plan costs takes into account recent developments in the retirement benefits landscape with regard to fees, investment strategies and annuities. It also builds an "apples to apples" comparison through a uniform set of demographic and economic assumptions.
State pension funds in funding compliance

State government is experiencing something that hasn't happened in 15 years:

All its pension funds are in compliance with Ohio law requiring adequate financing to repay all obligations in 30 years or less.

That's a huge contrast from just a few years ago, when the compliance timetable of a couple of the retirement systems was "infinity." In the past few years, the funds have redirected billions of dollars by trimming benefits and raising employee contributions to achieve the legal standard.

The last to make the threshold was the Ohio Police & Fire Pension fund, which dropped from 33 years to 30. The repayment period for accrued liabilities at the other funds, per the Ohio Retirement Study Council: Public Employees Retirement System, 21 years; School Employees Retirement System, 28 years; State Teachers Retirement System, 28.4 years; and the State Highway Patrol Retirement System, 29 years.
Defined Benefit Plans Are Good for Members & Ohio

**STRS Ohio Defends Public Pensions — Four Facts You Need to Know**

Did you know that the State Teachers Retirement System of Ohio is one of the nation’s largest public pension funds? STRS Ohio offers members three retirement plan options — a traditional Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan that is similar to the private sector’s 401(k) plans, as well as a Combined (CO) Plan that offers features of both the DB and DC Plans. The overwhelming majority (92%) of Ohio public school educators participate in STRS Ohio’s DB Plan. STRS Ohio members are not covered by Social Security.

Both public and private sector DB plans are becoming harder to find as corporations and governments look for less expensive alternatives — but many of these alternatives do not provide the retirement security of a traditional DB Plan. STRS Ohio will continue to be an advocate for DB plans and will keep members informed if Ohio’s DB plans are threatened and your voices need to be heard. Below are four facts you need to know about defined benefit plans:

1. **Defined benefit plans provide financial protection for both plan members and taxpayers.**
   DB members are provided a lifetime benefit they won’t outlive — a problem faced by so many who must rely on savings or investment plans to last an unknown length of time. These individuals face the possibility of slipping into poverty in their “golden years,” having to turn to taxpayer-funded public assistance, Medicaid or social services.

2. **Defined benefit plans are both efficient and economical.**
   A 2008 study by the National Institute on Retirement Security (NIRS) found that a defined benefit pension delivers the same retirement income at almost half the cost of a 401(k)-style DC account due to pooling of investment risk, continual diversification of assets and professional management. The cost to manage a DC account is about $1 per $100 of assets. Due to managing the majority of its investment assets in-house, STRS Ohio’s investment management costs are about $0.31 per $100 of assets. STRS Ohio’s DB Plan also offers survivor and disability protection for active members and health care coverage in retirement for those who meet eligibility requirements.

   STRS Ohio paid more than $7.1 billion in benefits during fiscal year 2014 to more than 152,000 individuals. The retirement system invests in Ohio, too — holding more than $1.3 billion in investments in companies headquartered in Ohio. STRS Ohio’s DB Plan can help recruit and retain quality educators.

   A reliable defined benefit pension is a foundation for a stable retirement. STRS Ohio’s DB Plan helps Ohio’s public schools, colleges and universities recruit and retain quality educators.

   STRS Ohio recently shared this message via email with all members who signed up for our eUPDATE email news service. If you would like to receive these updates, visit STRS Ohio’s website at www.strsoh.org and click on “Register for Email Updates” under the “Online Resources” heading.

   **INSIDE: STRS Ohio wants to provide information to help you maintain a comfortable retirement. Be sure to register for upcoming member education opportunities.**

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### Many Americans not prepared for retirement

As noted in the story on the left, defined benefit plans provide a stable, predictable income stream in retirement. Unfortunately, the U.S. Department of Labor reported that, over time, there has been a decline in the percentage of workers covered by defined benefit plans. This means that more workers face the investment risk associated with defined contribution plans — i.e., 401(k)-style plans. Under a DC plan, employees make investment decisions with the goal to accumulate enough assets to last throughout their retirement years.

STRS Ohio’s Defined Contribution Plan has several key advantages over most private-sector DC plans. For example, STRS Ohio contribution rates are set in statute, while in private sector plans, employers typically set their “matching” amount — and it’s likely to be much lower than STRS Ohio’s current employer contribution rate. Additionally, unlike some private-sector DC plans, STRS Ohio doesn’t allow members to borrow against their DC assets — what’s set aside for retirement is more likely to remain for retirement.

So how confident are Americans with their retirement readiness? A national study by the Employee Benefit Research Institute revealed:

- **Only 22% of workers are very confident they will have enough money in retirement.**
- **64% recognize that they are behind where they should be with their savings.**
- **42% of workers over age 45 have saved less than $25,000.**

(continued on Page 2)
OPERS CONCERNED ABOUT IMPACT OF EXCISE TAX ON RETIREE HEALTH CARE PLAN

An excise tax, or so called "Cadillac tax," was included as part of the Affordable Care Act (ACA). Scheduled to take effect in 2018, it is a non-deductible excise tax of 40 percent of the value of health coverage that exceeds certain benefit thresholds – initially, $10,200 for self-only coverage and $27,500 for family coverage. The thresholds will also be higher for retiree-only plans, or if the majority of covered employees are engaged in specified high-risk professions such as law enforcement and construction, and for group demographics including age and gender.

When the ACA was passed the excise tax was purported to only target a very small percentage of health plans. In fact, it is expected to affect health plans of all types covering millions of Americans—including retirees, low and moderate income families, public sector employees, small businesses, and the self-employed. A survey conducted by Towers Watson indicated that nearly half of U.S.1 employers are expected to hit the ACA excise tax in 2018 with 82 percent triggering the tax by 2023.

OPERS backs repeal or exemption from excise tax
The Ohio Public Employees Retirement System has evaluated the impact of the ACA excise tax on the OPERS retiree health care plan and supports the repeal or an exemption from the excise tax for retiree-only plans.

The tax could wind up costing OPERS millions of dollars at a time when our system has already made changes to our health care plan design to ensure that OPERS can continue providing coverage to our retirees and benefit recipients into the future.

The ACA excise tax design penalizes plans for health care cost factors they cannot control; for instance a plan may have one or more of the following: a higher percentage of disabled workers, increased utilization by older plan participants, higher than average utilization of specialty drugs, and/or increased costs due to geography/provider competition. Please note that retiree-only plans face significant cost increases compared with active-employee plans due in part to the factors noted above.

Furthermore the ACA excise tax is indexed to the consumer price index, which is lower than health care inflation, which means every year an increasing number of moderate health plans will be subject to the tax.

ACTION IS NEEDED NOW

The ACA excise tax problem needs to be addressed now as OPERS has already made plan design changes to avoid the tax, and without excise tax relief OPERS will continue to shift cost to our retirees through plan design up to, and beyond, the 2018 plan year. OPERS supports a repeal or an exemption for retiree-only plans. However, if the ACA excise tax is not repealed or exempted for retiree only plans, we urge Congress to consider one or more of the following changes to the ACA excise tax in lieu of repeal or exemption for retiree-only plans:

1. Treat all retired employees as similarly situated beneficiaries: The excise tax has a different impact on those under 65 and those over 65; we believe that health care plans should be allowed to aggregate all participants to determine the value of coverage.

2. Define "qualified retirees" to include those under 55: The law provides that an additional amount is added to the dollar limits for an individual who is a "qualified retiree." Part of the definition of a "qualified retiree" is that the individual has attained age 55 — because we have retirees in our coverage under 55, we believe that should be recognized.

3. Adjust excise tax thresholds for retiree-only plans: The law should permit increasing thresholds using annual, age-based adjustments, and that the thresholds for retiree-only plans be increased to reflect their higher costs.

4. Threshold escalators should reflect actual increases in health care inflation: Excise tax threshold increases applied annually should relate to health care inflation occurring in the marketplace.

5. Use actuarial value or safe harbors for determining the cost of coverage: We recommend allowing the cost of applicable coverage to be based on actuarial values as opposed to determining the actual cost of coverage provided to groups of employees.

OPERS continues to advocate for changes to the ACA excise tax when we meet with Members of Congress and their staff.
Main Points Overview Relating to Retiree Members:

1. Investment (Overall Asset Mix) FY 2016 YTD: $69.592 Billion, -4.4% since June 30, 2015
   - $4.580 Billion since June 30, 2015
   Investment Plan: 30 yr closed amortization

2. STRS Financials - Longitudinal Overviews

3. STRS Statistics - Ten Year Trends:
   Average Age & Service of Active (Contributing) Members
   Active (Contributing) and Retired Members
   Average Salary & Average Benefit

Next Regular Board Meeting: November, 19 2015. * From the STRS Executive Director's Report, and Other Sources (e.g., news-bounces@strsch.org; Legislative News). Underline, bold, and/or italics have been added in some citations above.

Dick Hill / Member, OSURA Executive Board
Average Age and Service of Active Members

Excludes reemployed retirees and DC-only members.

Active and Retired Membership

Active counts exclude reemployed retirees and DC-only members.

Average Salary and Average Benefit

Average Annual Salary excludes reemployed retirees and DC-only members. Since 2005, average salary has increased, on average, 1.0% per year. The average annual benefit has increased by 3.4% per year.