

2021

# Connecting Members to the **Future**

Popular Annual Financial Report  
for the year ended December 31, 2021



Ohio Public Employees Retirement System

# Popular Annual Financial Report

(for the year ended December 31, 2021)

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**Connecting members to the future:** OPERS has built trust over the decades by never missing a pension payment—each month, hundreds of thousands of retirees depend on their pension benefit, and OPERS has delivered. That trust begins in the working years of each public employee—each paycheck provides employees with contribution information—annually, all public employees are provided with a personal account statement detailing the status of their account—building trust over the decades of their public working career.



**Board of Trustees as of January 2022**

**Front Row (left to right):** James Kunk, Governor-Appointed Investment Expert; James Tilling, General Assembly Appointed Investment Expert; Kathleen Madden, Director—Department of Administrative Services (Statutory Member); Richard Hollington, Jr., Treasurer-Appointed Investment Expert

**Back Row (left to right):** Julie Albers, Representative for County Employees; Tim Steitz, Representative for Retirees; Chris Mabe, Representative for State Employees and Board Chair; Steve Toth, Representative for Retirees; Ken Thomas, Representative for Municipal Employees and Board Vice Chair

**Not Shown in Photo:** Randy Desposito, Representative for Non-Teaching College/University Employees; Stewart Smith, Representative for Miscellaneous Employees (appointed to Board in March 2022)

OPERS management and staff work closely with the members of the OPERS Board of Trustees—the governing body of OPERS that is ultimately responsible for the administration and management of all OPERS activities. This dedicated Board typically meets monthly and receives no compensation, but is reimbursed for necessary business expenses.

## Leadership Team

**Front Row (left to right):** Allen Foster, Director—Benefits; Chuck Quinlan, Director—Information Technology; Tonya Brown, Director—Member Operations

**Back Row (left to right):** Caroline Stinziano, Director—Internal Audit; Gordon Gatién, Director—External Relations; Karen Carraher, Executive Director; Jennifer Starr, Chief Financial Officer; Paul Greff, Chief Investment Officer; Eric Harrell, General Counsel



## To our fellow members and all stakeholders:

On behalf of all management and staff, it's our pleasure to present you with the *2021 Popular Annual Financial Report* (PAFR). Our theme—*Connecting Members to the Future*—reflects our continued commitment to maintaining a strong system that delivers to all our members now and in the future.

We had hoped that 2021 would usher in a return to normal, however, that did not happen. Instead, the year was a continuation of many of the issues from 2020 with the addition of some new ones - resulting in the need for continued flexibility in the delivery of service. As we work to address challenges, we remain grounded by five overarching plan goals—designed to help us evolve. Specifically, the goals are to:

- Provide a stable pension for all OPERS retirees
- Continue to provide a meaningful retiree health care program
- Minimize drastic plan design changes by making incremental changes
- Ensure OPERS is financially positioned to react to market volatility
- Maintain intergenerational equity

## Key activities in 2021

**Investment Activity**—The investment market continued strong despite the ongoing pandemic. Total investment returns for 2021 were 15.34% for the Defined Benefit portfolio and 14.34% for the Health Care portfolio. The 2021 returns reflect the third year of double-digit returns. This makes a combined return of 51.47% for the Defined Benefit portfolio and 51.74% for the Health Care portfolio during the three-year period from 2019-2021. This translated into over \$45.3 billion in net investment earnings during that time period. While we cannot expect these investment market returns every year and realize the market will eventually experience a downturn, we want to acknowledge our appreciation for the strong investment years.

**Pension Funding Status**—In 2021, OPERS completed the five-year experience study for the period 2016 through 2020 and adjusted various assumptions following that study. One of the assumptions adjusted was the forward-looking long-term investment earnings assumption, or discount rate. OPERS lowered this rate from 7.2% to 6.9% effective 2020. This reduction in the investment earnings assumption increased the amortization period from 18 years (2020 results prior to the study) to 21 years (2020 results after the study). Similarly, the funded ratio decreased from 82.9% to 81.5% following the change.

The 2021 strong investment returns combined with the pension plan and health care changes from prior years have resulted in significant improvement in the overall funding status of OPERS. As of December 31, 2021, the date of the latest pension actuarial valuation, OPERS was 84.1% funded which is an improvement over the prior year's 81.5% funded level, post-experience study results. It is important that we recognize and celebrate the successes and note these strong results are a culmination of the shared commitment of all our members.

**Health Care Preservation Plan 3.1 (HCPP 3.1)**—During 2021, OPERS implemented modifications to the health care program referred to as HCPP 3.1, changes to help strengthen the health care fund. Incorporating the results from HCPP 3.1, as of December 31, 2020, the date of the most recent health care valuation, the health care assets accumulated to fund the liabilities exceeded the liabilities by \$1.2 billion resulting in a funded ratio of 110.4%, post-experience study results. Based on the combination of level of health care expenditures and that OPERS is currently unable to fund the health care fund, the current trust fund is expected to last approximately 25 years, a significant improvement over the prior year's solvency period.

**Combined Plan changes**—Beginning in 2022, the Combined Plan will be consolidated under the Traditional Pension Plan (defined benefit plan) and the Combined Plan option will no longer be available for new hires beginning in 2022. This component is being implemented and will be effective January 1, 2022.

**Mainframe replacement**—OPERS staff embarked on a project to replace the mainframe computer system and migrate the various applications to a new system. The multi-year project involves transferring the coding language to a new language and migrating the applications to the new platform with appropriate testing.

**Outreach and education**—Customer service is always a high priority and education is critical during times of anticipated change. We work to ensure all stakeholders—especially current retirees and our members—the retirees of tomorrow, understand the challenges, can provide feedback on options and ultimately understand the outcome. In 2021, we increased our outreach to ensure members and retirees understood the health care changes and their impact and worked with the retirees during open enrollment to successfully enroll them in a new plan.

The activities reported here for 2021 illustrate our focus and progress on the path to move OPERS forward in connecting members to the future and continuing to deliver on our promise of providing a secure retirement for our members—present and future.

## In closing

As stewards of the trust funds, we must take actions and make the responsible decisions that will carry this organization forward so that we can deliver on an important component of financial retirement security for all generations in our membership. This organization is led by a dedicated and diligent Board that works tirelessly with OPERS management and staff to help position us for the future. We all have a fiduciary responsibility to make decisions in the best interest of all one million members. We have a responsibility to be prudent stewards and to look forward and prepare for the challenges we see, not wait for them to occur.

We are pleased to report the activities of 2021. We will continue to take responsible actions to position OPERS to be a strong pension system and we will do this working with members, retirees and stakeholders. We will continue to provide uncompromised service despite the challenges and continue to take actions to move the System forward – *connecting our members to the future.*

Respectfully Submitted,

*Karen E. Carraher*

Karen E. Carraher, CPA  
Executive Director

*Jennifer H. Starr*

Jennifer H. Starr, CPA  
Chief Financial Officer



Karen Carraher (seated) and Jennifer Starr

# 2021 Financial Highlights

OPERS is a mature pension system with almost as many retirees as active members. We work to proactively address the challenges we face, including volatile economies and the limited ability to make plan changes that will produce meaningful reductions in liabilities, by making incremental adjustments to strengthen the financial foundation of the System. Only through constant monitoring and these incremental adjustments will the System be prepared to meet the challenges of the future.

Every five years our actuaries perform an experience study, which includes a review of historical results and forward-looking projections to determine the appropriate set of assumptions to fund the plan. In 2021, following the completion of the most recent experience study, OPERS made adjustments to various demographic and economic assumptions utilized in our pension and health care actuarial valuations. The most notable being a reduction in the actuarial assumed rate of return for pension from 7.2% to 6.9%. The 2020 and 2021 valuation results discussed within this popular annual financial report reflect these changes in assumptions.



2021  
Pension Benefits Paid  
**\$6.8 billion**



2021  
Health Care Expenses  
**\$0.9 billion**

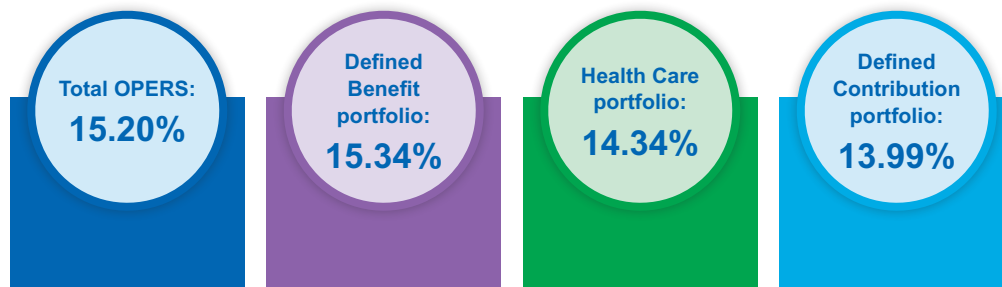
**Funded status:** Funded status measures the progress of accumulating the funds necessary to meet future obligations. As we continue forward, we remain dedicated to maintaining and enhancing the stability of this System. As a result, OPERS has remained in compliance within the 30-year pension funding window required by law.

The December 31, 2021 pension valuation funded status is 84.1%—a significant improvement over the 81.5% funded ratio of 2020 (post-experience study). The improvement was due to strong 2021 investment returns combined with the increasing impact from the pension changes of 2013. Since those pension changes were phased in, we are now seeing a greater portion of the liability reflect those members that were subject to more of the pension changes, which is reducing the liability.

As of the December 31, 2020 health care actuarial funding valuation (the most recent), OPERS was 110.4% funded (post-experience study). In the absence of employer contributions, the health care fund is expected to become insolvent after 25 years.

**Investment returns:** The year 2021 produced strong results for the OPERS portfolios. Strong years are important for OPERS as a mature system because approximately two-thirds of pension benefits are paid through funding generated from investment returns. The remaining funding comes from employee and employer contributions.

## 2021 Investment Returns



## Summary Comparative Statements of Fiduciary Net Position for all Plans and the Health Care Trust

Presented below are the assets and liabilities for the years ended December 31, 2021 and 2020. The net position represents the funds OPERS had accumulated by end of year to pay pension benefits for retirees, active and inactive members, as well as health care costs for current and future retirees. The improvement in net position reflects the strong investment returns earned in 2021.

While our net position continues to grow, the System has an unfunded pension liability of \$18.8 billion and the health care fund is expected to be solvent only for the next 25 years. OPERS continues to take action to strengthen the financial foundation of the System to ensure the commitment to members of financial security in retirement is met, even in years when net position may remain flat or decline.

	2021	2020	Amount Increase/ (Decrease) from 2020 to 2021	Percent Increase/ (Decrease) from 2020 to 2021
<b>Assets</b>				
Cash and Cash Equivalents	\$4,601,033,654	\$6,797,714,437	(\$2,196,680,783)	(32.3%)
Receivables	890,094,917	893,137,367	(3,042,450)	(0.3)
Investments	121,654,291,561	106,855,373,465	14,798,918,096	13.8
Collateral on Loaned Securities	8,215,168,629	10,082,726,257	(1,867,557,628)	(18.5)
Net Capital Assets	132,058,024	137,151,598	(5,093,574)	(3.7)
Prepaid Expenses and Other Assets	2,083,696	2,305,525	(221,829)	(9.6)
<b>Total Assets</b>	<b>135,494,730,481</b>	<b>124,768,408,649</b>	<b>10,726,321,832</b>	<b>8.6</b>
<b>Liabilities and Deferred Inflows</b>				
Benefits Payable	179,566,492	108,039,892	71,526,600	66.2
Investment Commitments Payable	114,333,543	282,169,031	(167,835,488)	(59.5)
Obligations Under Securities Lending	8,216,926,869	10,080,200,147	(1,863,273,278)	(18.5)
Other Liabilities	24,486,671	25,803,056	(1,316,385)	(5.1)
<b>Total Liabilities</b>	<b>8,535,313,575</b>	<b>10,496,212,126</b>	<b>(1,960,898,551)</b>	<b>(18.7)</b>
<b>Deferred Inflows—Lessor Obligations</b>	<b>2,614,095</b>	<b>3,041,594</b>	<b>(427,499)</b>	<b>(14.1)</b>
<b>Total Liabilities and Deferred Inflows</b>	<b>8,537,927,670</b>	<b>10,499,253,720</b>	<b>(1,961,326,050)</b>	<b>(18.7)</b>
<b>Net Positions Restricted for Pensions and OPEB*</b>	<b>\$126,956,802,811</b>	<b>\$114,269,154,929</b>	<b>\$12,687,647,882</b>	<b>11.1%</b>

\* Other post-employment benefits such as health care

# 2021 Income and Expenses

## Summary Comparative Statements of Changes in Fiduciary Net Position for all Plans and the Health Care Trust

The statement below shows OPERS income (additions) and expenses (deductions) for 2021 and 2020. Investment earnings were the main component of income for both years presented. The 3.1% increase in member and employer contributions in 2021 is consistent with increases pre-pandemic. In 2020, only a slight increase of 0.1% occurred, reflecting the impact of the global pandemic and the significant challenges employers were facing.

OPERS paid \$6.8 billion in pension benefits and \$0.9 billion in health care expenses, net of health care receipts, to more than 219,000 retirees and their beneficiaries, compared to \$6.5 billion and \$0.7 billion in 2020. The increase in pension benefits paid reflects growth in the number of retirees and beneficiaries receiving benefits, demographic changes in the retiree population, and an annual simple cost-of-living adjustment. The increase in health care expenses reflects the rising cost of health care and increased activity in 2021.

	2021	2020	Amount Increase/ (Decrease) from 2020 to 2021	Percent Increase/ (Decrease) from 2020 to 2021
<b>Additions</b>				
Member Contributions	\$1,564,633,333	\$1,517,737,361	\$46,895,972	3.1%
Employer Contributions	2,189,843,795	2,124,180,535	65,663,260	3.1
Contract and Other Receipts	91,249,363	79,934,979	11,314,384	14.2
Net Income from Investing Activity	17,131,577,656	12,030,115,041	5,101,462,615	42.4
Other Income, net	490,886	1,336,808	(845,922)	(63.3)
Interplan Activity	40,246,132	42,849,507	(2,603,375)	(6.1)
<b>Total Additions</b>	<b>21,018,041,165</b>	<b>15,796,154,231</b>	<b>5,221,886,934</b>	<b>33.1</b>
<b>Deductions</b>				
Pension Benefits	6,772,996,281	6,517,424,253	255,572,028	3.9
Health Care Expenses	1,074,193,456	978,656,779	95,536,677	9.8
Health Care Receipts	(221,080,037)	(253,390,867)	32,310,830	(12.8)
Refunds of Contributions	591,091,983	483,428,551	107,663,432	22.3
Administrative Expenses	72,945,468	72,956,750	(11,282)	(<0.1)
Interplan Activity	40,246,132	42,849,507	(2,603,375)	(6.1)
<b>Total Deductions</b>	<b>8,330,393,283</b>	<b>7,841,924,973</b>	<b>488,468,310</b>	<b>6.2</b>
<b>Net Increase</b>	<b>12,687,647,882</b>	<b>7,954,229,258</b>	<b>4,733,418,624</b>	<b>59.5</b>
<b>Net Positions Restricted for Pensions and OPEB*</b>				
<b>Balance, Beginning of Year</b>	<b>114,269,154,929</b>	<b>106,314,925,671</b>	<b>7,954,229,258</b>	<b>7.5</b>
<b>Balance, End of Year</b>	<b>\$126,956,802,811</b>	<b>\$114,269,154,929</b>	<b>\$12,687,647,882</b>	<b>11.1%</b>

\* Other post-employment benefits such as health care

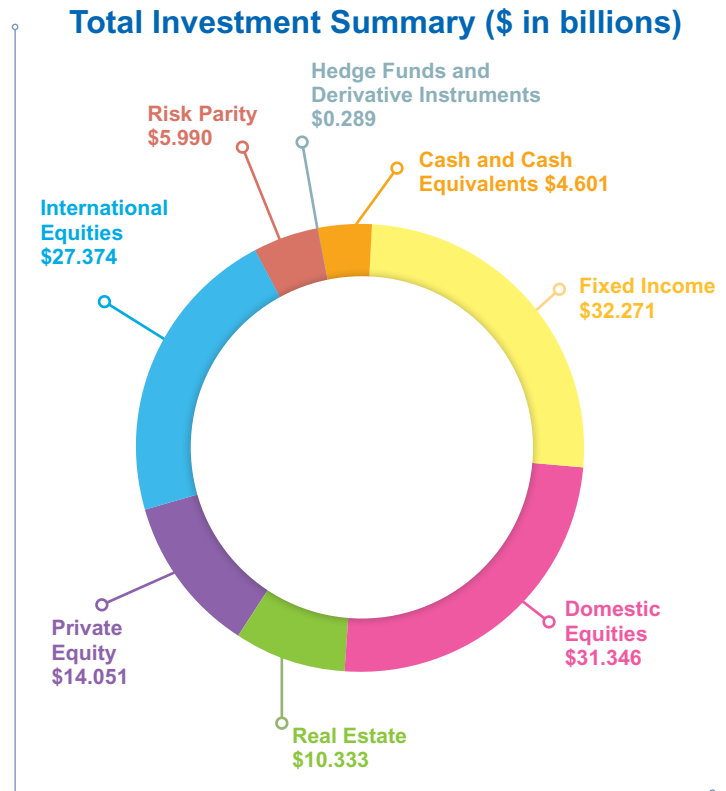


### 2021 Investment Overview

Investment results will always be an important focus for OPERS. Investment returns provide approximately two-thirds of the funding for each retiree’s pension. OPERS works to attain returns over the long term that will provide adequate funding for benefits.

In 2021, major investment themes revolved around global recovery, the re-opening of economies and the emergence of inflation not seen in decades. Despite this volatile macroeconomic background, the OPERS defined benefit portfolio returned 15.34%, above the portfolio benchmark return of 15.28% and above the assumed rate of return of 6.9%. The health care portfolio returned 14.34%, which also exceeded the portfolio benchmark return of 13.76% and exceeded the assumed rate of return of 6.0%.

The OPERS total return reflects the combined returns of the underlying portfolios that fund the pension benefits and the health care program. The total return for the OPERS portfolio for 2021 was 15.20%, which exceeded the benchmark return of 15.08%. This marks the third consecutive year of favorable investment returns for the System.



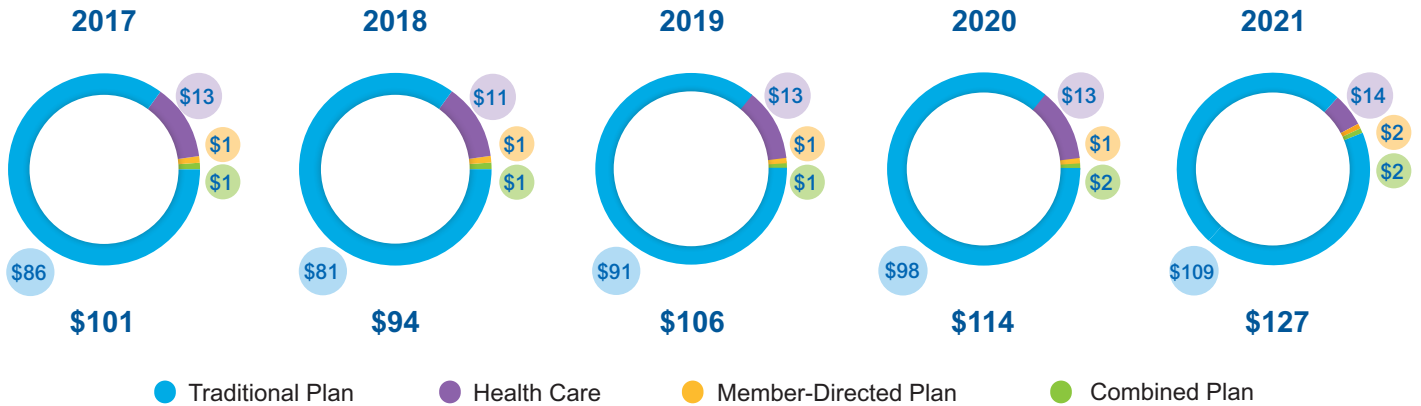
### Historical Investment Returns (net of fees)

Year	Total Portfolio Return	Total Defined Benefit Return	Total 115 Health Care Trust Return (Health Care Portfolio)	Total Defined Contribution Return
2021	15.20%	15.34%	14.34%	13.99%
2020	11.95	12.02	10.96	14.96
2019	17.59	17.23	19.59	21.74
2018	(3.38)	(2.99)	(5.76)	(6.65)
2017	16.62	16.82	15.25	17.39

It is important to put the final returns of 2021 in context with the long-term focus of the System. Yearly returns will vary with the market volatility; we expect years with positive returns above our expectations and negative years with returns below our expectations. The goal is to structure an investment portfolio that will provide long-term returns. This long-term approach must be balanced by keeping in mind our short-term liquidity needs and liability due dates—meaning meeting our obligations to members. The upcoming year presents its own unique set of challenges, but the OPERS Investment Staff will remain vigilant in protecting OPERS capital.

# 2021 OPERS Net Position

Presented here is net position by plan and trust for the last five years (in billions):



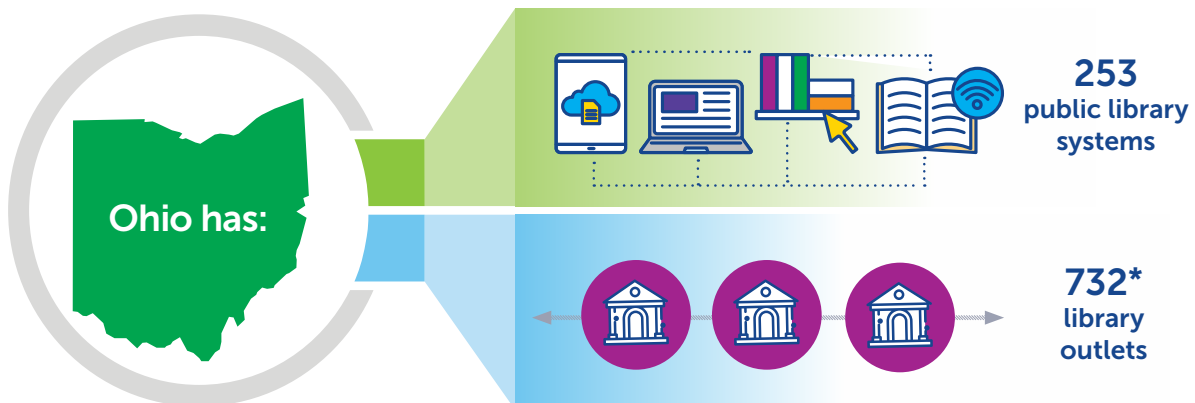
## Ohio's Public Employees by Employer Type

OPERS serves more than 290,000 actively contributing members and nearly 3,700 employers who provide services to Ohio residents. This chart displays the number of active members who work in each of the primary employer groups, providing services that touch the lives of every Ohioan.

	State	County	Municipalities	Miscellaneous	Libraries	Townships	Villages	Law Enforcement/ Public Safety
Employers	241	245	244	510	253	1,307	654	236
Employees	102,947	82,420	46,745	18,906	10,977	9,904	10,443	7,979



**Connecting members to the future:** Employees of Ohio's 253 library systems are OPERS members during working careers, and still have the opportunity to enjoy the library offerings as retirees. Every county has library services providing retirees with access to multiple types of media, socialization, educational programs, AND, for some retirees, a healthy lifestyle walk to their library branch.



\*Some library information from State Library of Ohio Website

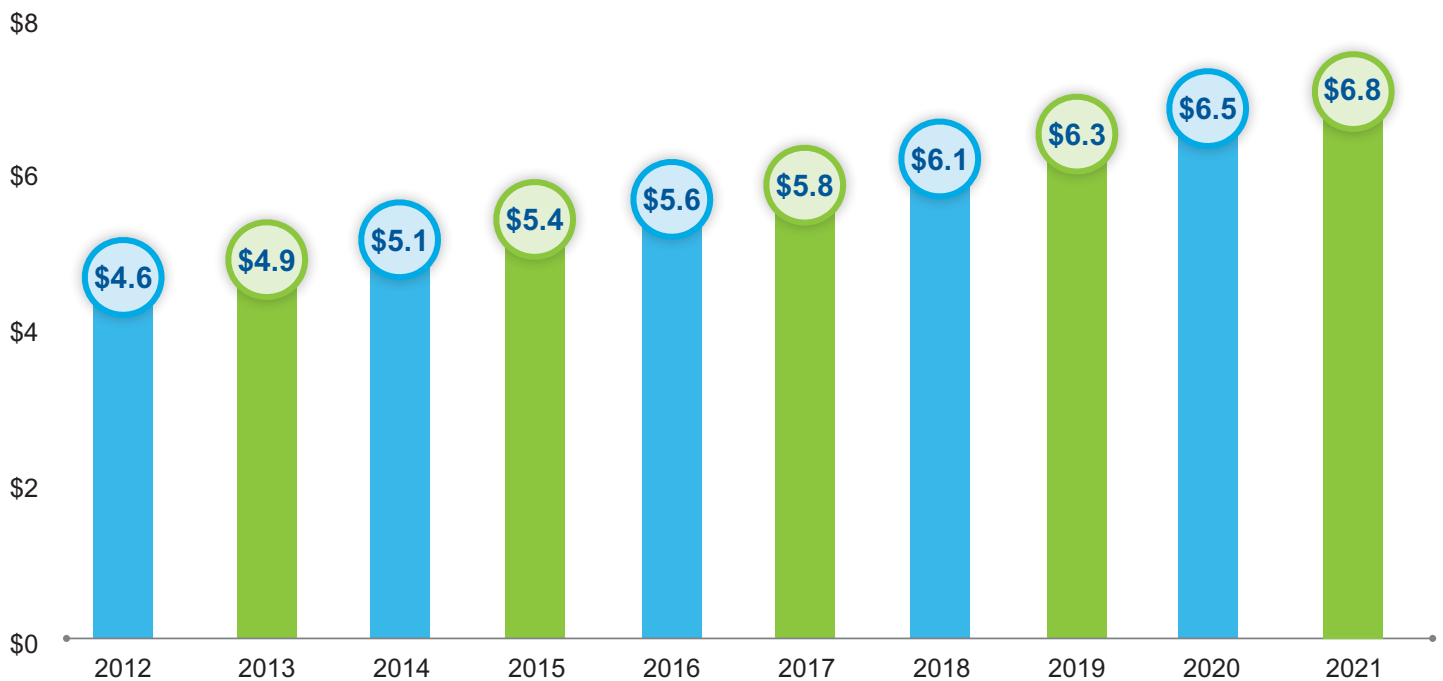
## OPERS Provides Secure Retirement

For more than 85 years, OPERS has consistently provided pension benefits to retirees and beneficiaries. That's more than 1,000 months of payments to each and every generation of retirees.

How does OPERS continue to deliver on its commitment year after year? Only through responsible actions and the courage to anticipate and plan for change. This has allowed the System to face challenges such as members living longer in retirement than ever before, volatile global markets and an ever-decreasing member-to-retiree ratio.

Demonstrating these challenges, pension payments have grown 47.5% over the past 10 years, from \$4.6 billion in 2012 to \$6.8 billion in 2021.

## Pension Benefits Paid (\$ in billions)



## Why Our Actions Are Important

As of year-end 2021, OPERS served more than 1.2 million members, including more than 219,000 retirees and beneficiaries. In addition, the System works with approximately 3,700 public employers. With a net asset base of \$127.0 billion, OPERS is the largest public pension system in Ohio and the 13<sup>th</sup> largest public pension system in the nation.

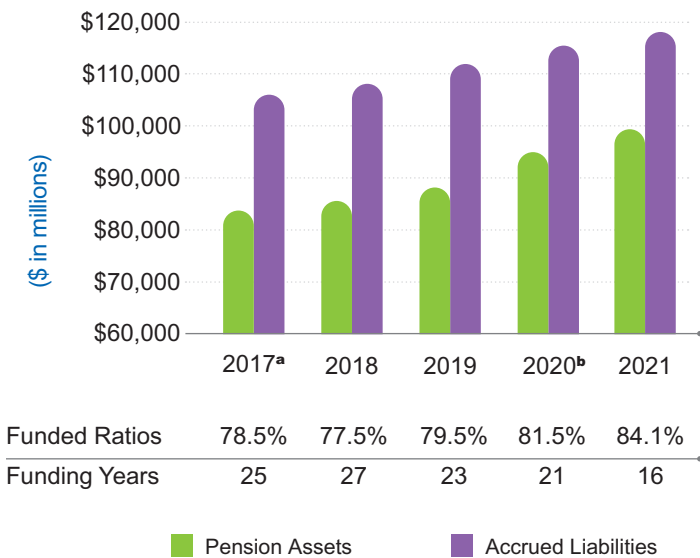
OPERS cannot control many aspects of the business of pensions, including market volatility, global economies and other unpredictable events, such as the global pandemic. We must be diligent in making responsible decisions for the actions we can control and anticipating challenges beyond our control.

### Pension Funding Status

Retiree pension benefits are funded by contributions from members and employers and income earned from responsibly investing these funds throughout a member's career.

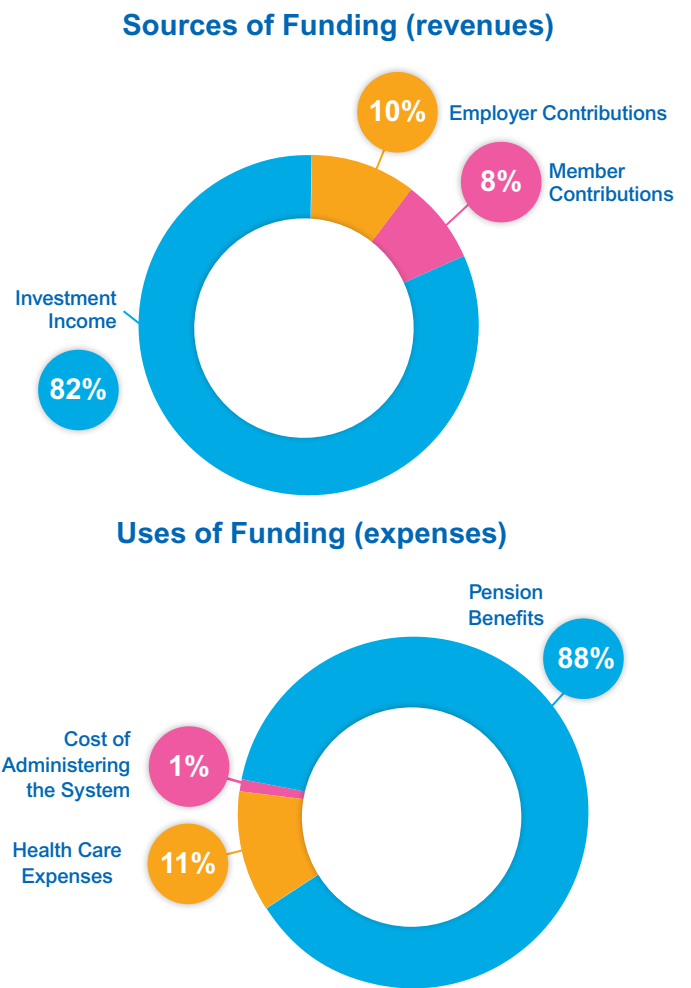
OPERS is required by law to remain within a 30-year funding window—meaning the System is in the position to fund all pension liabilities within 30 years. Funded status measures the progress of accumulation of the funds necessary to meet future obligations. The December 31, 2021 valuation funded status was 84.1%. The unfunded liability was expected to be funded within 16 years on a funding basis. We are dedicated to maintaining and enhancing the stability of this System.

### Pension Valuation Assets vs. Accrued Liabilities—Funding Basis<sup>1</sup> (All Plans)



<sup>a</sup> Results after change in discount rate from 7.5% to 7.2%.  
<sup>b</sup> Revised actuarial assumptions based on experience study.  
<sup>1</sup> This table includes the funded ratio and funding years based on actuarial assumptions and includes the smoothing of investment gains and losses over a closed four-year period. Information shown on this funding basis is used to monitor the funding status of OPERS.

### Primary Sources and Uses of Funds in 2021



### 2021 Facts

**\$6.8 billion**  
in pension payments

**106**  
Oldest OPERS member  
(as of 2021)

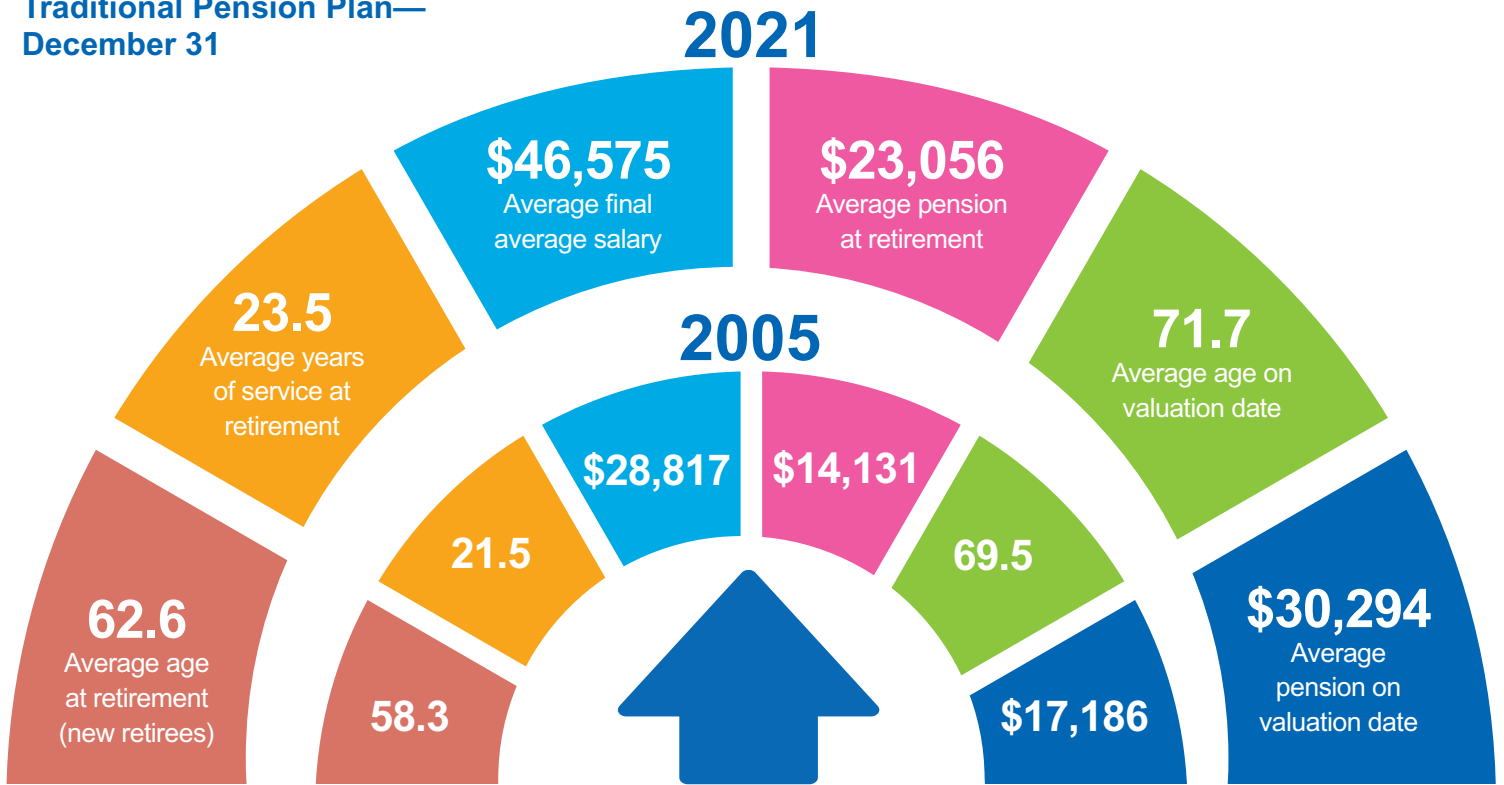
**79**  
Number of members older than 100

**\$0.9 billion**  
in health care payments

## 2021 Averages At-a-Glance

The average benefits paid to retirees receiving a benefit under the Traditional Pension Plan, the System's largest plan, are included below with several other averages. The cost of retirement will continue to increase as new retirees with higher final average salaries replace long-time retirees with lower final average salaries and as members continue to work longer.

### Traditional Pension Plan— December 31



## Controlling Expenses

Some things are within our control, such as administrative costs and choosing to diligently fund the investment portfolio into diversified asset classes to mitigate, or spread, risk.

As prudent stewards of public trusts, we work to reduce expenses without jeopardizing service. In 2021, OPERS delivered on keeping administrative costs flat, with a slight reduction compared to 2020.

Per 2020 CEM Annual Survey

**\$55** Cost of pension administration per OPERS member

**\$77** Peer average for pensions

### Administrative Expenses

**2021** \$72.9 million

**2020** \$73.0 million

**2019** \$76.2 million

**2018** \$76.9 million

**2017** \$77.3 million

### Meeting Our Commitments

OPERS' mission is to provide financial security for our members in retirement. Each OPERS Board member, management and staff member remains dedicated to the fulfillment of this mission. We accomplish this by receiving contributions throughout an individual's working career. These contributions are then carefully and systematically invested to maximize earnings and the compounding effect of long-term contributions.

OPERS provides retirement benefits that include pension payments, disability benefits and survivor benefits. Eligible retirees may also receive health care coverage. See page 16 for health care costs by type.

In general, defined benefit pensions (Traditional Pension and Combined plans) are determined by a formula based on the number of years of service and the highest years of salary, multiplied by a factor determined by statute.

The information below shows the trend in retiree pension benefits for the past five years. The graph trends upward, and will continue to do so, as the number of retirees increases. In addition, as members continue to work longer, the value of their retirement benefit will continue to grow through wage increases—making the final average salary and service years higher.

### Pension Annuities and Installment Payments

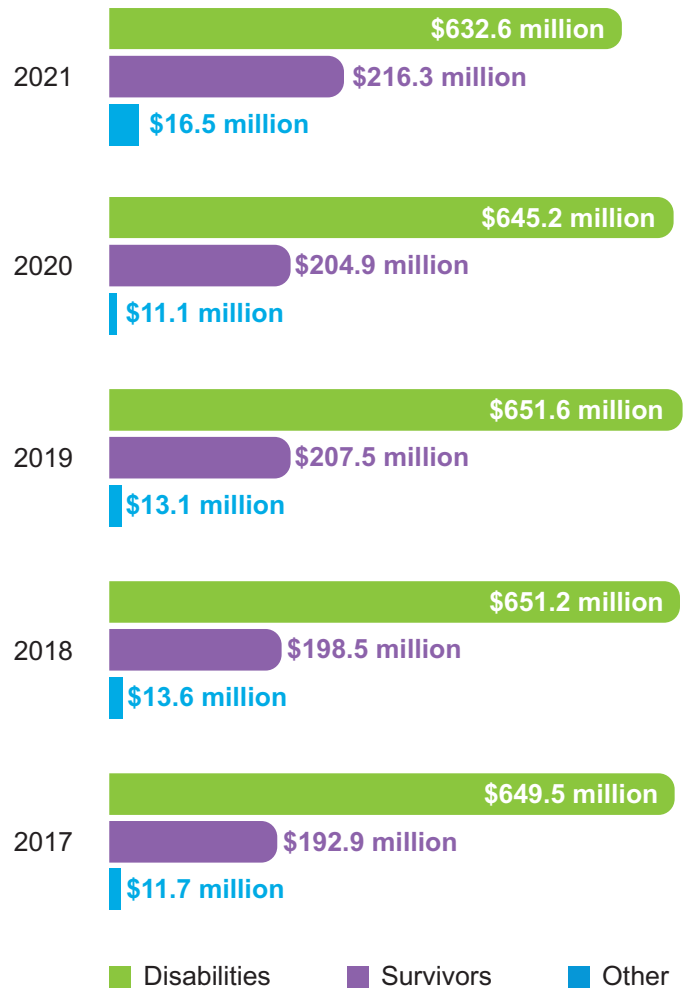


**Retirement contributions:** Employee contributions, employer contributions, and income from investments provide the funds necessary to finance retirement benefits. In 2021, we received a total of \$1.6 billion and \$2.2 billion in member and employer contributions, respectively.

The System's total net position was \$127.0 billion as of December 31, 2021. That's the asset base that OPERS uses to generate investment income—the income that provides approximately two-thirds of all retiree benefits.

**Expenses:** Expenses (including pension benefit payments, health care coverage payments and account refunds) for fiscal year 2021 were \$8.2 billion. In 2021, OPERS paid \$6.8 billion in pension benefits and \$0.9 billion in health care to more than 219,000 OPERS retirees and their beneficiaries.

### Disabilities, Survivors, and Other Pension Payments



## Preserving Health Care: Health Care Preservation Plan 3.1

Health care is neither mandated nor guaranteed. The health care trust can only receive contributions if pension funding needs are met.

OPERS recognized and anticipated the importance of providing access to meaningful health care long before the issue hit national news.

Through the years, we worked to make responsible decisions to help ensure access to health care for all generations of OPERS retirees, present and future. We chose to responsibly pre-fund health care expenses and carefully evaluated and refined the health care options available—all the while investing funds to maximize growth and minimize risk.

However, due to the pension funding needs, we are not able to add new funding to health care at this time.

### Summary of Changes to Health Care—Effective January 1, 2022

In 2020, to improve the sustainability of the health care program, modifications to health care coverage for Medicare and non-Medicare retirees were approved.

Group plans offered to non-Medicare retirees and re-employed retirees were discontinued as of December 31, 2021. Eligible non-Medicare retirees now select an individual medical plan and are provided a subsidy or allowance. Eligible retirees are able to seek reimbursement for plan premiums and other qualified medical expenses.

#### Eligibility

- Retirees eligible to participate in the OPERS health care program prior to January 1, 2022 will continue to be eligible after January 1, 2022.
- Eligibility requirements for those who retire after January 1, 2022, and who are in the Traditional Pension Plan or Combined Plan are:
  - **Medicare Retirees**—Medicare-eligible with a minimum of 20 years of qualifying service credit.
  - **Non-Medicare Retirees**—Non-Medicare retirees qualify based on their group—each group measures years of service credit and age to determine access to health care (refer to annual report, OPERS website at [opers.org](http://opers.org), or contact a counselor for specific group information).

#### About HRA Allowances

Eligible retirees have an allowance and assistance in choosing a health care plan on the open market via the OPERS Connector. The Connector helps retirees determine the best use of health care funding for their particular situation as well as provide assistance in enrollment. Eligible non-Medicare retirees receive a percentage of the base allowance (\$1,200 per month) determined by age and qualified years of service at retirement.

The base allowance used to determine the monthly HRA allowance for Medicare retirees decreased from \$450 to \$350 per month. All eligible retirees have HRA allowances determined based on their age and years of service at retirement.

#### Transition Deposit

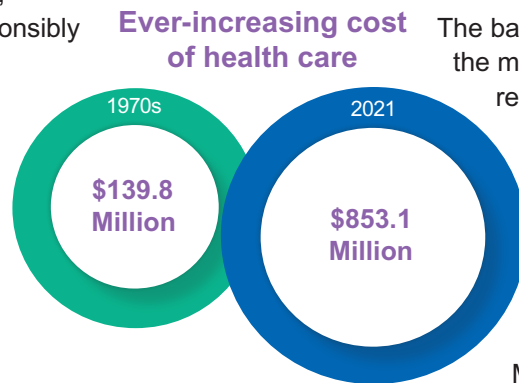
To assist in the transition of non-Medicare retirees from the group plan to the individual marketplace, a one-time HRA deposit of \$1,200 was provided to retirees who were enrolled in the OPERS group plan effective December 1, 2021.

#### Dependent Children

Retirees no longer receive an additional allowance for eligible dependent children, regardless of age, ability, or mental capacity. Retirees may use HRA funds to reimburse any qualified medical expenses incurred by their eligible dependents.

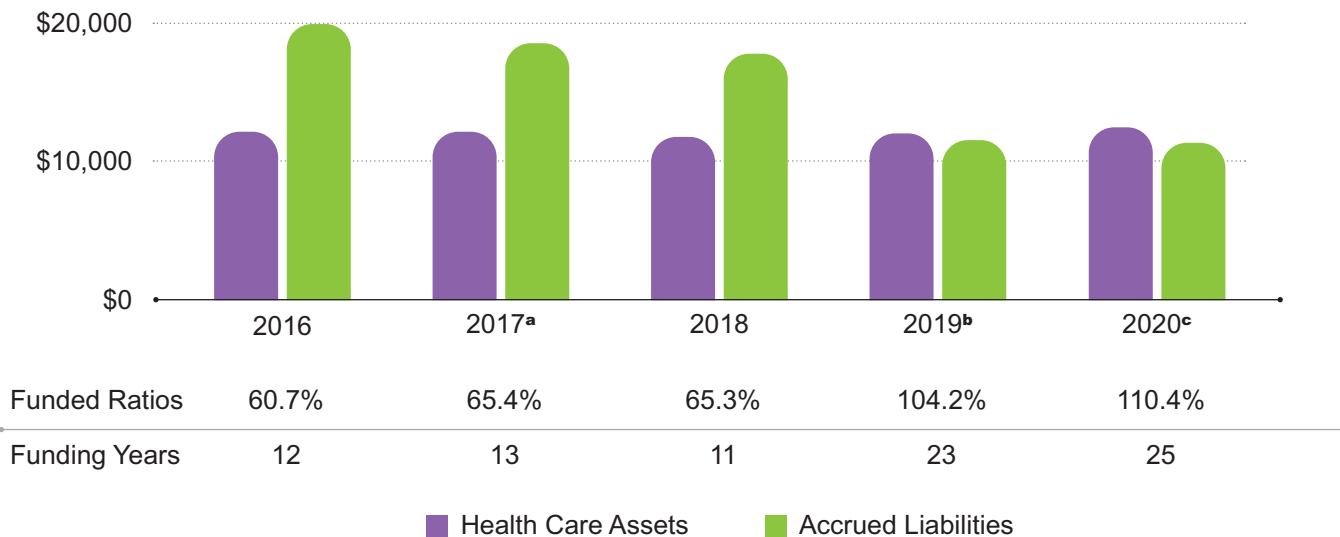
#### Re-employed Retirees

Eligible re-employed retirees no longer have their HRA suspended during the re-employment period. Instead, re-employed retirees receive the HRA allowance if enrollment requirements are met. The HRA deposits will accrue in a Re-employed Accumulated HRA but the funds will not be accessible to reimburse for qualified medical expenses during the re-employment period. Upon completion of the re-employment period, all funds will be available for reimbursement of eligible expenses incurred outside of re-employment.



### Health Care Funding Status

**Health Care Ratios—Valuation Assets vs. Accrued Liabilities—Funding Basis<sup>1</sup>**  
(\$ in millions)



<sup>a</sup> Results after change in discount rate from 6.5% to 6.0%.

<sup>b</sup> Results reflect health care program changes effective January 2022, approved by the Board in January 2020.

<sup>c</sup> Revised actuarial assumptions based on experience study.

<sup>1</sup> This table includes the funded ratio and funding years based on actuarial assumptions and includes the smoothing of investment gains and losses over a closed four-year period. Information shown on this funding basis is used to monitor the funding status of OPERS.

OPERS faces two major issues to providing health care:

- Health care expenses are expected to continue to increase based on the combination of the growing number of retirees, their increasing life expectancies and overall increases in the cost of health care due to medical advances.
- The current funding status for pension benefits requires that all contributions to the Traditional Pension and Combined plans be allocated to improve the pension funding. Meaning, until the pension funding improves, there are no funds available to allocate to health care.

The positive impact of the HCPP 3.1 modifications is clear.

- As of December 31, 2020 (post-experience study), the date of the most recent health care valuation, health care assets accumulated exceeded actuarial liabilities by \$1.2 billion resulting in a funded ratio of 110.4%.
- Therefore, the current trust fund is expected to last approximately 25 years.

Although health care is neither mandated nor guaranteed, the Board, management and staff recognize the importance to our members of providing access to meaningful health care. We know that access is a significant component of a secure retirement. The tradition of working to preserve the health care fund through incremental changes designed to lengthen the solvency of that fund will continue.

Throughout 2021, OPERS worked to implement the technology and resources necessary to execute the 2022 health care changes, coupled with an extensive member outreach and education program intended to provide members and retirees the assistance needed to understand these changes and take the necessary actions to enroll in the new program.

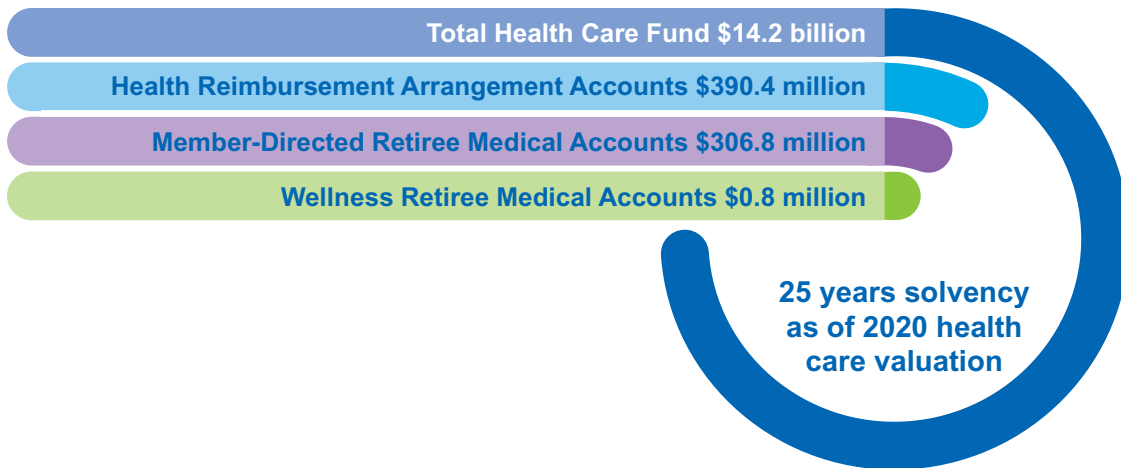


OPERS notionally funds and tracks member balances in health reimbursement arrangement (HRA) accounts, Member-Directed Plan retiree medical accounts (RMA), and wellness RMAs. The financial statements recognize health care payments as liabilities when claims are incurred by members (currently due and payable).

As a result, unspent balances remaining in member health care accounts are not recorded as liabilities in the financial statements. Total funds held in trust restricted for health care costs of all OPERS health care plans were \$14.2 billion as of December 31, 2021.

Included in the \$14.2 billion are restricted member health care account balances in the HRA accounts, Member-Directed Plan RMA accounts, and discontinued Wellness RMA accounts.

## Health Care Funds by Type



**Connecting members to the future:** A significant contributor to controlling health care costs for retirees is adopting healthy lifestyles during working careers. Healthy lifestyles include engaging in leisure-time activities—Ohio’s public employees provide recreational activities that are now recognized across the nation. Columbus Zoo and Aquarium employees are OPERS members, hosting 2.3 million visitors each year—providing a tourism opportunity for members and retirees. These activities and opportunities provide an enhanced quality of life for residents and make Ohio a tourist destination—a strong economic driver.

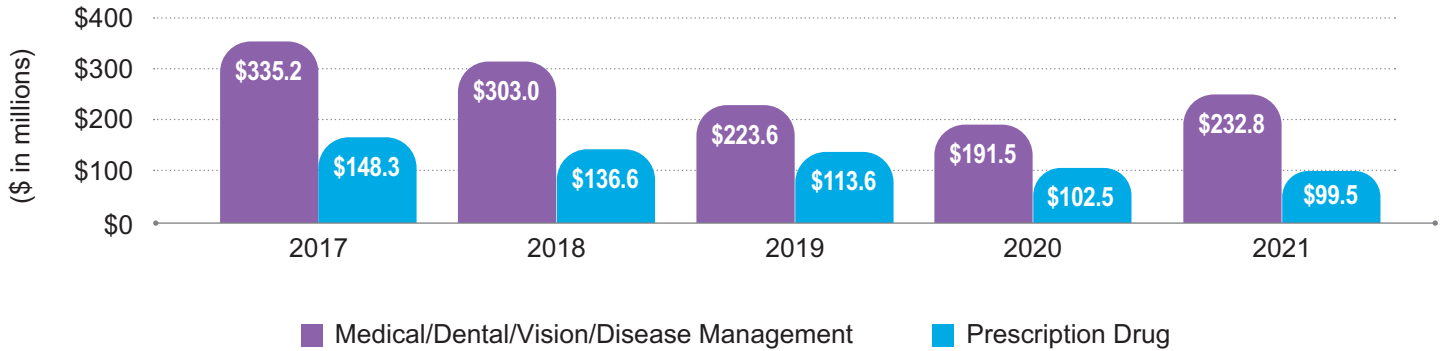
Open every day and always free, Ohio has:



\*Recreation information from Columbus Zoo and Aquarium website or Ohio Department of Natural Resources website.

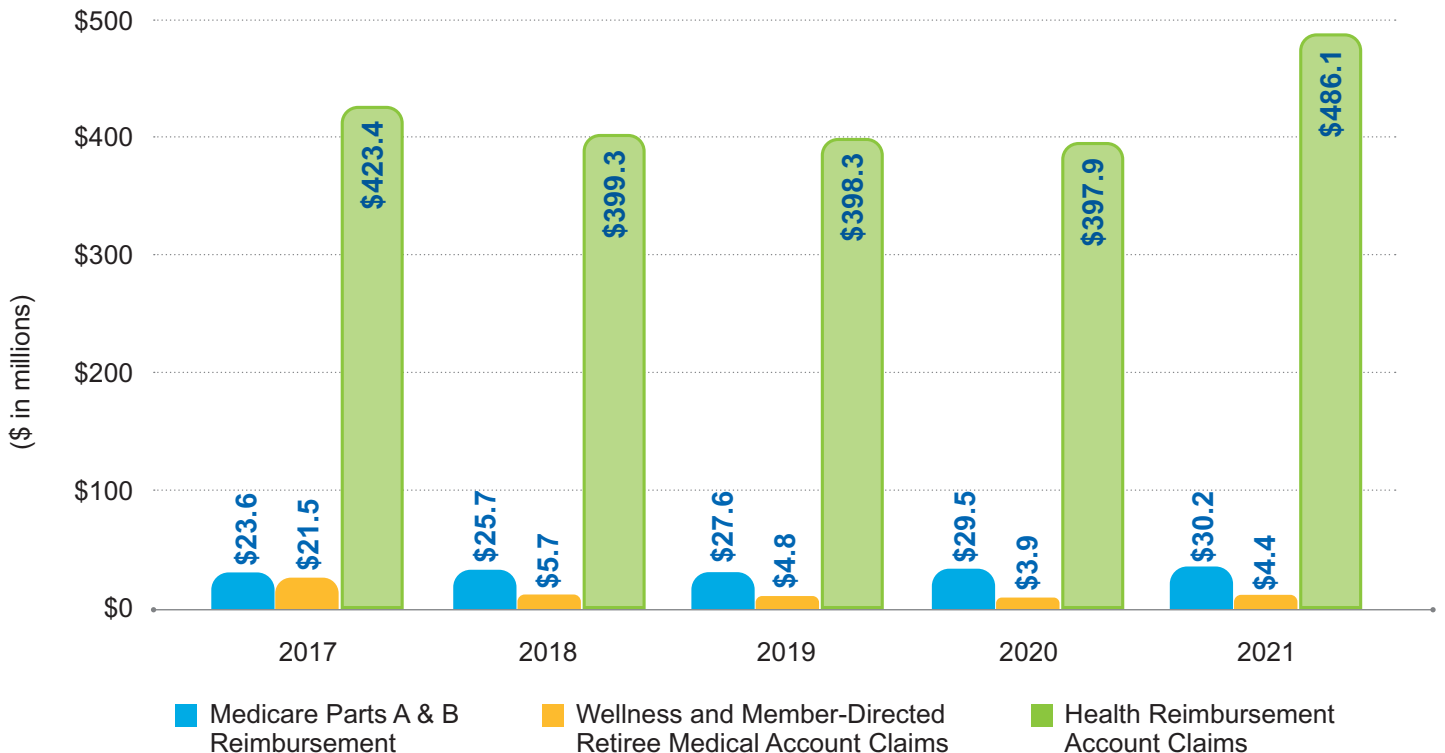
Although not required, health care coverage remains available to Traditional Pension Plan and Combined Plan retirees and their dependents. OPERS periodically reviews and modifies the health care program to maintain the solvency of the health care fund for current and future retirees. Over the past five years, OPERS has been able to reduce annual health care costs by over \$100 million.

### Health Care Costs by Type



#### **Connecting members to the future:** OPERS members help keep Ohioans on the move.

Approximately 6,200 public transit employees who work with 34 of the 61 transit agencies in Ohio are OPERS members. In fact, nearly 3% of the entire OPERS active membership are transit employees. These individuals provide more than 115 million rides each year to keep Ohioans moving to public- and private-sector jobs, shopping, recreational activities, and health care appointments.



## Plan Overviews and Enrollment Figures

During 2021, OPERS offered members three retirement plans—each provides different features designed to accommodate individual member’s knowledge base and risk tolerance. Effective January 1, 2022, new members will no longer be able to select the Combined Plan.

**Traditional Pension Plan:** Retirement benefit is based on a defined benefit formula determined by years of contributing service and final average salary. OPERS handles investments and absorbs all risk. Ideal for those who want security in retirement, have a low risk tolerance and low desire to handle financial transactions.

**Member-Directed Plan:** Retirement benefit is based on member contributions, vested employer contributions and the gains and losses on those contributions. Members choose from a variety of OPERS selected funds—including fixed income and equity funds, target date funds and a self-directed brokerage account. Provides control but increased risk for members.

**Combined Plan:** Hybrid plan where member contributions are deposited into a self-selected account (like Member-Directed Plan) and employer contributions are deposited into the guaranteed defined benefit option (like Traditional Pension Plan).

Each person has a different risk tolerance, retirement needs and willingness to handle financial transactions.

Below is a table which displays the number of active, inactive and retired members in each plan as of December 31, 2021. Inactive members are no longer contributing to OPERS, but have not refunded their accounts and may be eligible to receive a retirement benefit.

	Traditional Pension Plan	Combined Plan	Member-Directed Plan	Total
<b>Active Members</b>	<b>273,388</b>	<b>7,102</b>	<b>9,831</b>	<b>290,321</b>
Average Age	44.3	46.5	46.0	
Average Service Credit (Years)	10.6	10.5	7.5	
<b>Average Final Average Salary</b>	<b>\$44,393</b>	<b>\$58,011</b>	<b>\$59,947</b>	
<b>Inactive Members<sup>1</sup></b>	<b>692,281</b>	<b>2,595</b>	<b>6,008</b>	<b>700,884</b>
Average Age	39.8	42.5	39.6	
Average Service Credit (Years)	1.2	4.9	3.1	
<b>Average Final Average Salary</b>	<b>\$6,688</b>	<b>\$34,973</b>	<b>\$31,833</b>	
<b>Retired Members</b>	<b>218,157</b>	<b>549</b>	<b>382</b>	<b>219,088</b>
Average Age	70.4	69.0	70.4	
Average Service Credit (Years)	22.9	12.2	N/A	
Average Annual Benefit	\$30,525	\$8,866	\$5,594	
<b>Total Members</b>	<b>1,183,826</b>	<b>10,246</b>	<b>16,221</b>	<b>1,210,293</b>

<sup>1</sup> Inactive members no longer contribute, but still have an account that may be activated upon return to public service and may be eligible to receive a retirement benefit.

### OPERS Is Good for Ohio, Consider This:

As the largest public pension system in Ohio, and the 13<sup>th</sup> largest in the U.S., OPERS is a significant economic driver for the state. The majority of our 1.2 million members and retirees live and work in Ohio, providing economic stability throughout the state.

For every dollar received by OPERS from public employers in 2021, \$3.48 is returned to the economy through pension and health care payments made to retirees—retirees who spend the majority of retirement proceeds on goods and services within the state. In fact, 89.1% of OPERS retirees reside in Ohio.



### Member and employer contributions are carefully invested



in assets were invested with Ohio-based companies



in assets are managed by in-state custodians



under management with Ohio-qualified investment managers



Net health care costs on behalf of retirees and their beneficiaries

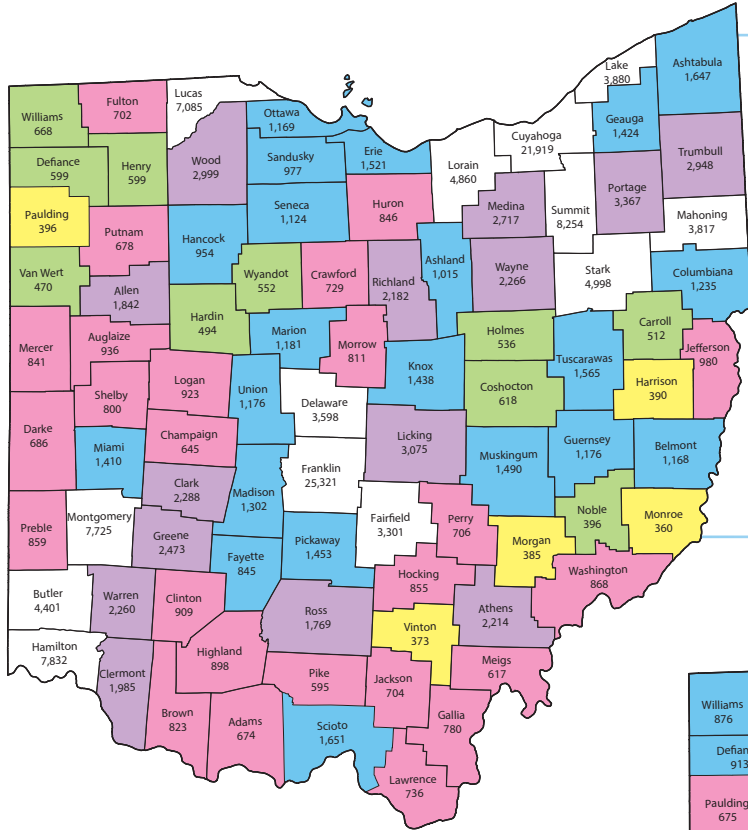
**\$0.9 billion**

Pension benefit payments to Ohio residents

**\$6.0 billion**

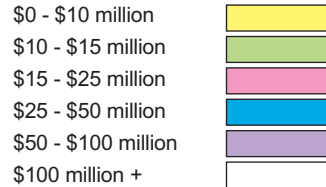


\*Some transit statistics from Ohio Public Transit Association website.



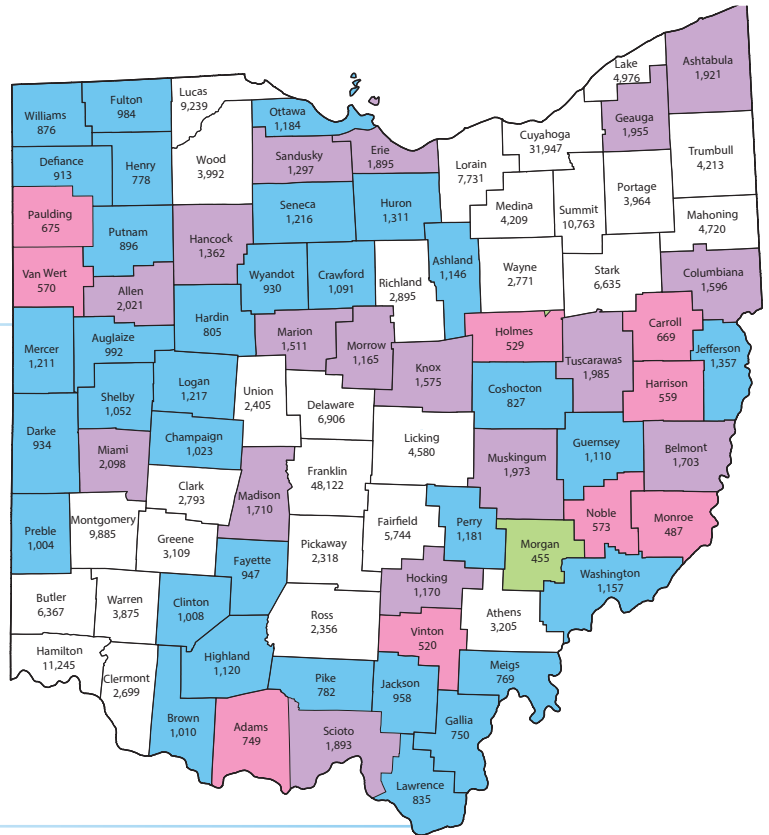
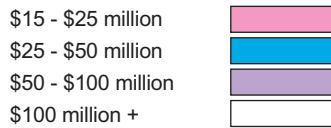
2021 Pension Benefits and Retirees by Ohio County

Pension Benefits Color Key



2021 Active Employees and Payroll by Ohio County

Payroll Color Key



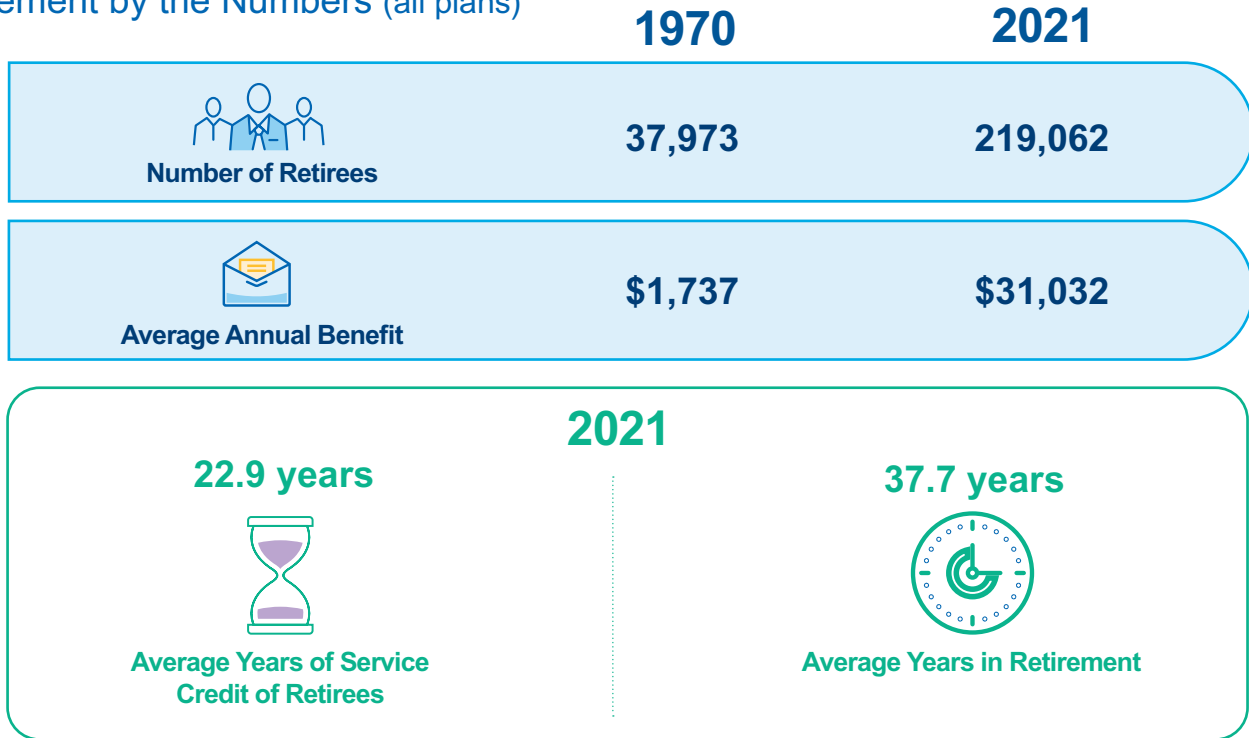
**89.1%**  
of all OPERS retirees remain in Ohio—continuing to contribute to Ohio's economy.

- ▲ Of the 219,062 OPERS retirees, 195,246, or 89.1% remained Ohio residents as of December 31, 2021.
- ▲ Pension benefit payments of more than \$6 billion were distributed throughout Ohio to retirees and their beneficiaries, representing the OPERS impact on the state's economy.

OPERS provides a strong financial element to provide secure retirement for members—but members need to augment that security with personal savings, healthy lifestyles and responsible decisions. OPERS works to help each member make just the right decisions. Members are encouraged to seek out OPERS-sponsored financial wellness programs. Visit [opers.org](https://opers.org) to learn about educational opportunities available.

Preparing for financial security in retirement takes a lifetime. *All* members, regardless of career cycle, are encouraged to focus on responsible behaviors.

### Retirement by the Numbers (all plans)



### Serving Members

#### Here's How OPERS Reached Out to Members in 2021:



Retirees continued to receive on-time pension benefit payments, totaling \$6.8 billion—more than \$6.0 billion was delivered to Ohio-based retirees.



Hundreds of thousands of eligible members received a personalized, annual account statement to help ensure each understands the status of benefits earned.



More than 64,000 members and retirees attended one of the more than 1,000 webinars and seminars that were offered in 2021.



As virtual and remote services were used to reach members and retirees:

- The OPERS website attracted more than 1 million individual visits.
- Member Services Call Center handled 294,448 calls.

## Responsible Financial Reporting

This *Popular Annual Financial Report* is derived from information contained in the *OPERS 2021 Annual Comprehensive Financial Report* (annual report), but does not contain detailed financial information by plan, nor is it presented in a manner to conform to Generally Accepted Accounting Principles (GAAP). For a complete set of financial definitions included in this summary report, please refer to the OPERS annual report, which is prepared in conformity with GAAP and may be obtained by visiting OPERS website, [opers.org](http://opers.org), or by contacting OPERS to request a copy.

Additionally, those interested in learning more about the OPERS health care program are invited to obtain a copy of the *OPERS 2021 Health Care Report*, which will be available at [opers.org](http://opers.org) at the end of June 2022.



### ***2020 Award for Outstanding Achievement in Popular Annual Financial Reporting—***

For the 11<sup>th</sup> consecutive year, OPERS has received the GFOA Award for Outstanding Achievement in Popular Annual Financial Reporting for its popular annual financial report for the fiscal year ended December 31, 2020. This award is a prestigious national award recognizing conformance with the highest standards of creativity, presentation, understandability, and reader appeal for preparation of governmental popular reports. OPERS has received this award for each year we have produced a popular annual financial report.



***Connecting members to the future:*** Throughout every generation, employers know that retaining a viable workforce is critical for success. A significant factor in attracting businesses and individuals has always been a strong educational system. Ohio public employees help administer and support the state's public universities and colleges—helping employers (public and private) attract and retain individuals to form Ohio's workforce of today and tomorrow.

## Mission

To provide secure  
retirement benefits  
for our members.

## Vision

To be your trusted retirement  
partner delivering responsive  
high-quality service.



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