OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM
277 EAST TOWN STREET, COLUMBUS, OH 43215-4642
1-800-222-PERS (7377)
www.opers.org

MEMORANDUM

DATE: September 1, 2006

TO: Ohio PERS Retirement Board

FROM: Julie Reneau - Director, Benefits Administration
Maria Roush – Market Research Analyst, Communications
Michele Kowalik – Manager, Communications

RE: **V. Discussion Items:**
C. Member-Directed Contribution Preference Survey

Purpose – The purpose of this memo is to communicate the results of the *Member-Directed Contribution Preference Survey*.

Background – In mid-May, mail surveys were sent to all 4,924 Ohio PERS Member-Directed Plan (M-D) participants to identify their preferences regarding the plan and the allocation of the M-D mitigation rate and contributions. The objectives of the project are to specifically assess preferences on post-retirement health care benefits, retiree medical accounts (RMAs), employer contribution allocations, and mitigation rate levels.

Findings

Post-Retirement Health Care Benefits - Since M-D Plan participants do not currently have access to OPERS health care insurance upon retirement, they were asked if they would apply for it if OPERS were to provide access to post retirement health care insurance at full cost (2006 non-Medicare base premium rate is $890 per month, per adult). Almost half (49%) said they would not apply for it; only eight percent said they would, while the remaining 43 percent said they didn't know. Conversely, when asked how important is it to have access to OPERS-sponsored health care insurance upon retirement, thirty-seven percent (37%) of respondents said it is very important (rated 5 or 6 on a scale of 1-6). An additional 20 percent (20%) said that it is important. Therefore, the majority of respondents (57%) said that it is important.

Retiree Medical Accounts - More than half of respondents (52%) said they plan to cover retirement health care expenses via Medicare. However, respondents age 18-29 were less likely to say they plan to cover retirement health care expenses via Medicare (only 27% said they would). Another 34 percent of respondents intend to use funds from their RMA accounts. Those most likely to say this are respondents with six to 10 years of service (50%)* with 21-30 years until retirement (46%) and those with annual salaries of $70,000 or more (49%).

Forty percent (40%) of respondents said that the RMA is very important to them. Another 21 percent (21%) said that it is important, indicating that the majority of respondents (61%) believe the RMA is important. Those respondents who said they do not foresee anyone having employer-sponsored health care in retirement (52%), as well as those with six to 10 years of service (63%) and those with annual salaries of $60,000 to $69,000 (55%) were more likely to say that the RMA is very important. Comparatively, those respondents who said they don't need the benefits associated with the Traditional Pension Plan/Combined Plan (18%) and those who gave low ratings to the importance of OPERS-sponsored health care (16%), as well as respondents who are 61 years or older (24%) and those who plan to retire in five years or less (20%) were less likely to say that the RMA account is very important.

Employer Contribution Allocations and Mitigation Rate Levels - Currently, 8.5% of the employer contribution goes to the member's retirement investment account (RIA) and 4.5% goes to the RMA. M-D participants were asked if they could choose their ideal distribution, what percentage of their employer's contribution would they prefer go into their RIA versus their RMA. The majority of respondents (72%) said the current proportion of employer contributions to their RIA (8.5%) and RMA (4.5%) is <u>either ideal or acceptable</u>. Thirty-one percent said the ideal distribution is 13.0% to their RIA and 0% to their RMA. However, 60 percent of respondents said that any distribution to the RMA ranging from 3.0%-5.5% is ideal.

Finally, knowing that the OPERS Board can change the mitigation rate each year, respondents were asked what mitigation rate percentage would cause them to consider changing their retirement plan from the M-D Plan to either the Combined Plan or Traditional Pension Plan. Almost half (48%) of respondents would consider changing plans when or before the mitigation rate reached 3.0%.

<u>Next Steps</u> – No action is required at this time. Some conclusions to consider in the future include:

- Although access to OPERS sponsored health care is important to the majority of M-D Plan participants, only a very small proportion would apply for it at full cost. Therefore, providing health care access to this group should only be considered if the associated cost to do so is nominal.
- Although the majority of M-D Plan participants say the RMA is important, only a third intend to use funds from their RMA accounts to cover retirement health care expenses. Those most likely to use their RMAs have six to 10 years of service with 21-30 years until retirement and annual salaries of $70,000 or more. Future trend analysis will need to track M-D Plan participants with five years of service or less to assess if their mindsets change as they approach six to 10 or more years of public service. In addition, future analysis on what proportion of M-D Plan participants leave OPERS covered employer before they reach six to 10 years of service will need to be conducted.

* Years of service refers to the service credit on record with Ohio PERS, which may not include all time spent in public employment.

- The current employer contribution allocation to the retirement investment account (8.5%) and RMA (4.5%) is acceptable or ideal to the majority of M-D Plan participants; therefore, no changes need to be considered at this time.
- Since no business could afford to lose 20 percent or more of it's customer base, it is advisable that the mitigation rate not exceed a little over 1.0% since 15 percent of respondents would consider changing plans at 1.0% and another 19 percent would consider doing so at 2.0%.

In October, the Board will review the actuarial findings from the Contribution Allocation Report with regards to setting the 2007 Defined Contribution mitigating rate.

Ohio PERS Member-Directed Contribution Preference Survey

August 2006

OPERS

Objectives

- The objectives of this study were to understand the reasons people chose the Member-Directed Plan and determine the preferences of plan participants regarding the following features:
  - Post-retirement health care benefits
  - RMA (retiree medical account)
  - Employer contribution allocation (retirement investment account vs. RMA)
  - Acceptable levels of a mitigation rate for the M-D plan

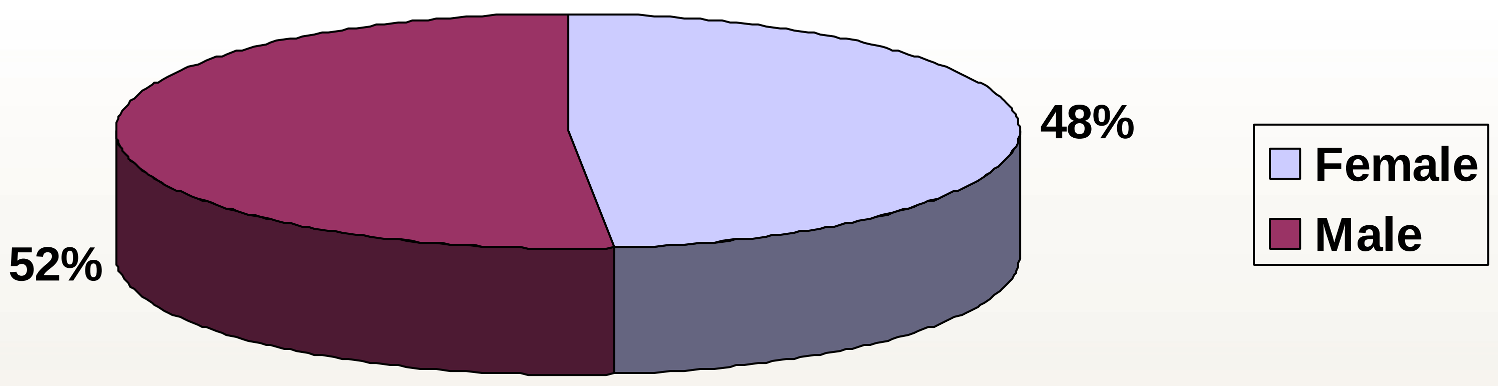
OPERS

Methodology

- Quantitative research study (via mail survey)
- Census of OPERS' 4924 M-D Plan participants
- 954 completed and returned surveys for a 19% response rate.
- Results segmented by:
  - Gender
  - Age (<18-29, 30-39, 40-49, 50-55, 56-60, ≥61)
  - Number of years service (<1 year, 1-5, 6-10)
  - Type (State, Local)
  - Region/geographic area (Northeast, Northwest, Central, Southeast, Southwest)
  - Annual income (<$29,999, $30,000 - 39,999, $40,000 - 49,999, $50,000 - 59,999, $60,000 - 69,999, >=$70,000)

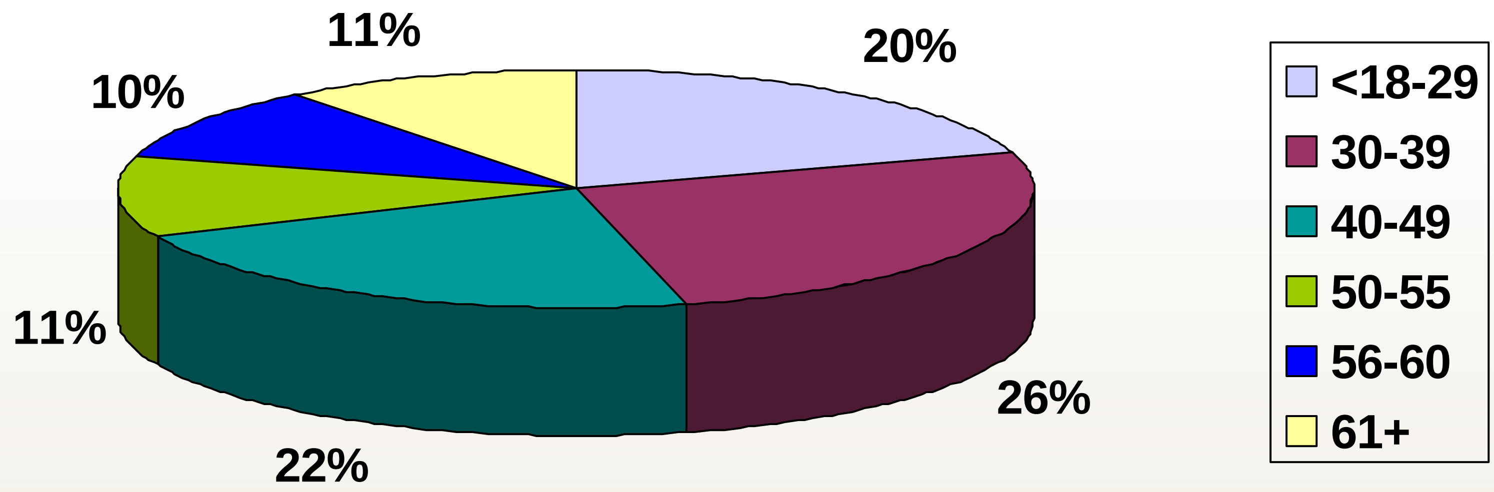
Key Demographics

Respondents by Gender



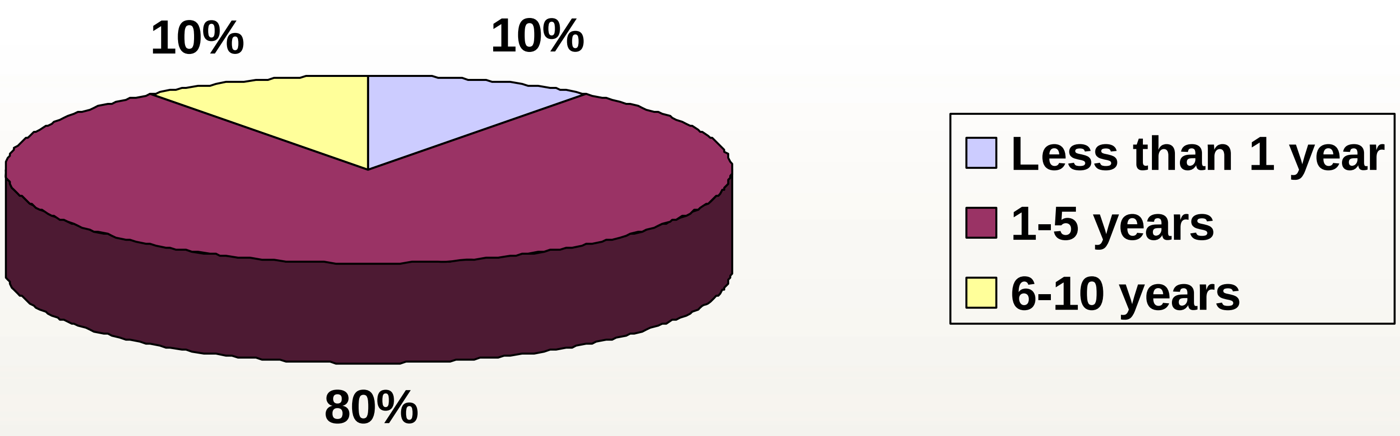
Key Demographics

Respondents by Age



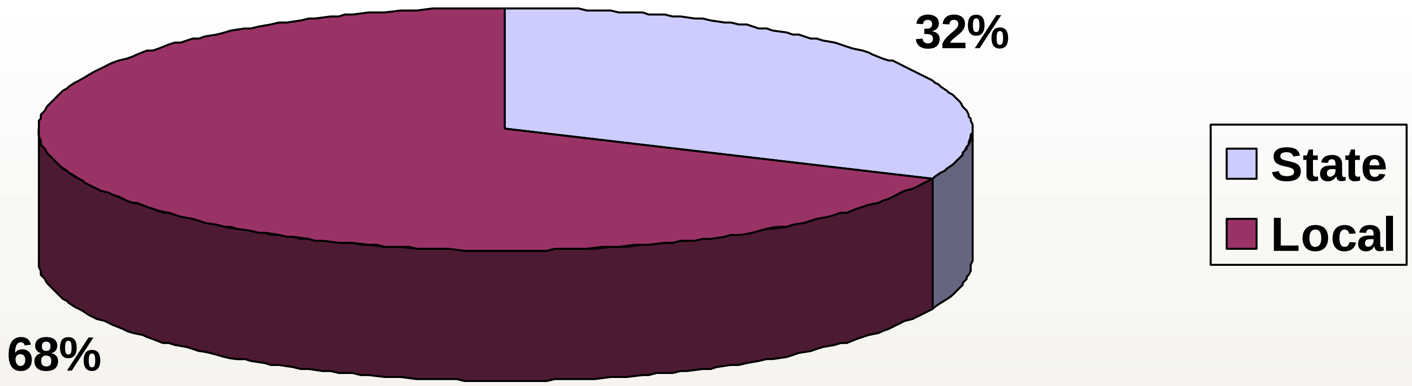
Key Demographics

Respondents by Years of Service



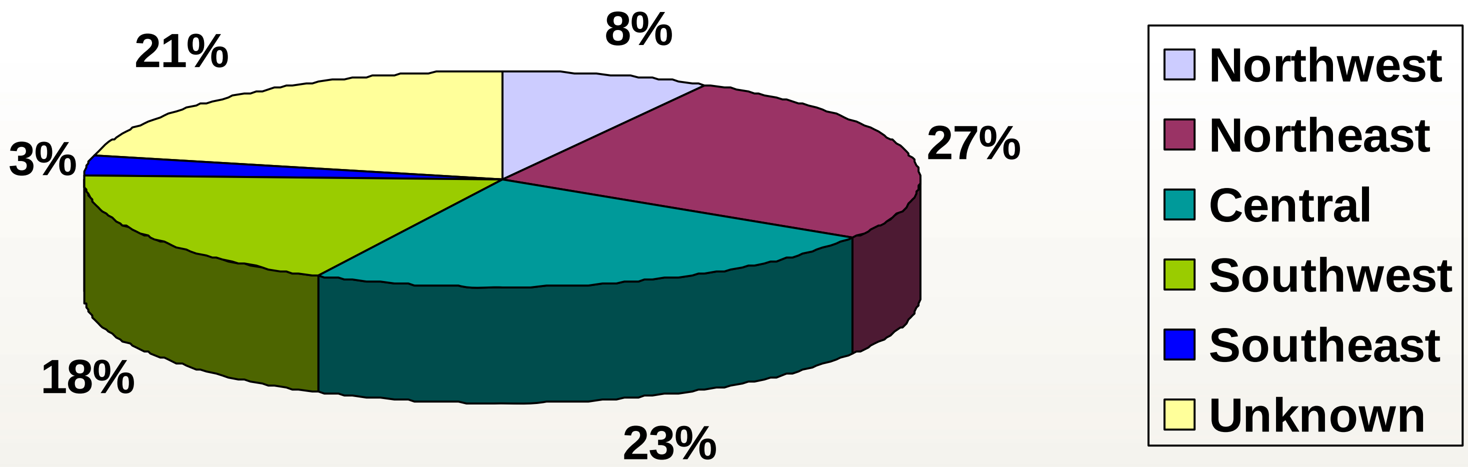
Key Demographics

Respondents by Division



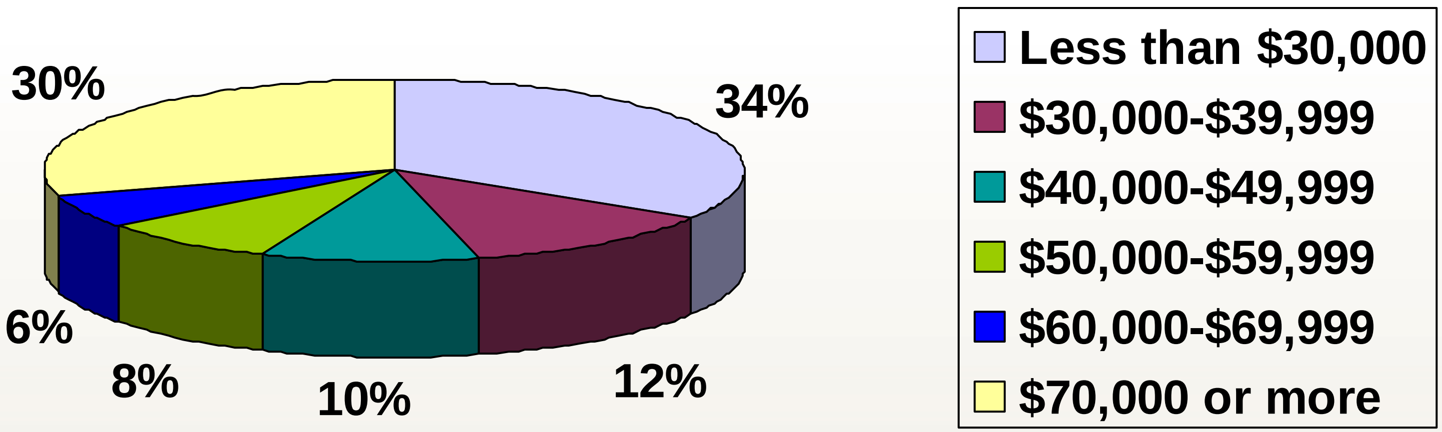
Key Demographics

Respondents by Region



Key Demographics

Respondents by Annual Income

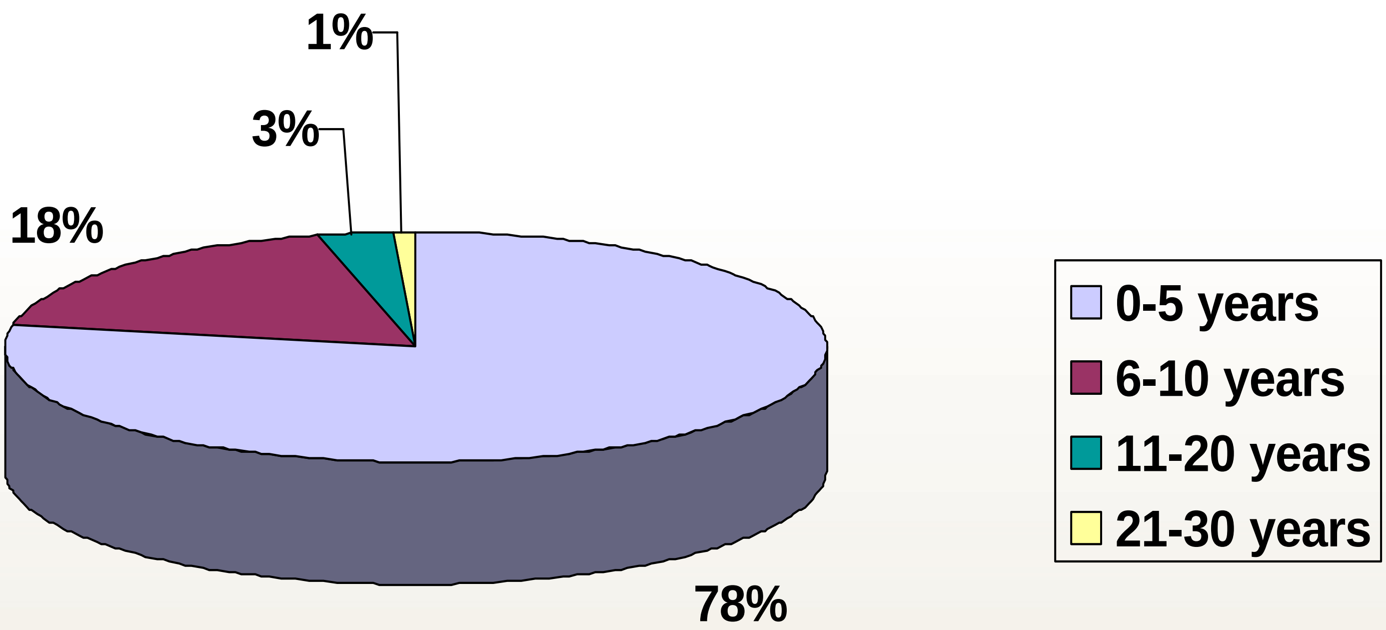


OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM

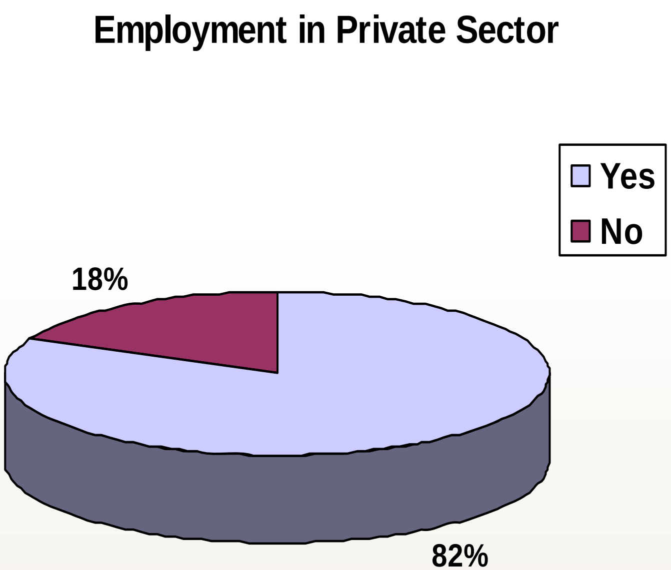
OPERS

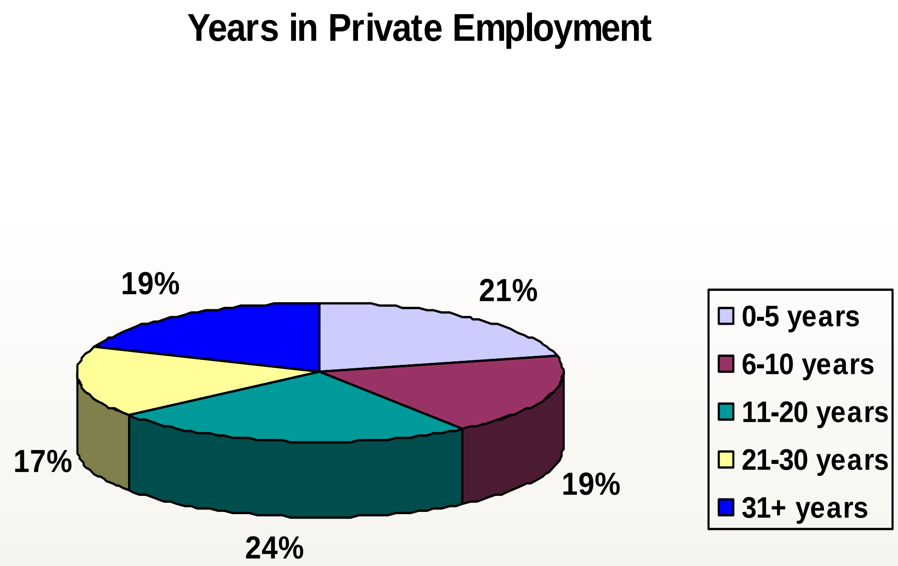
Length of Public Employment

How long have you been a public employee?



Employment in Private Sector



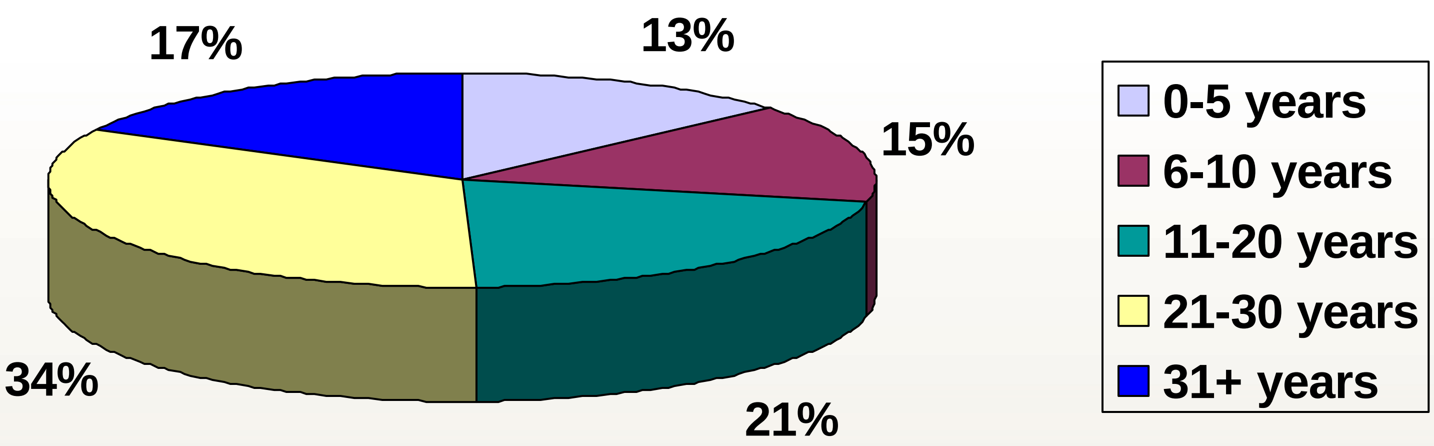


Contribution to Other Retirement Plans

In addition to the OPERS Member-Directed Plan, are there other retirement plans to which you currently or have previously contributed?

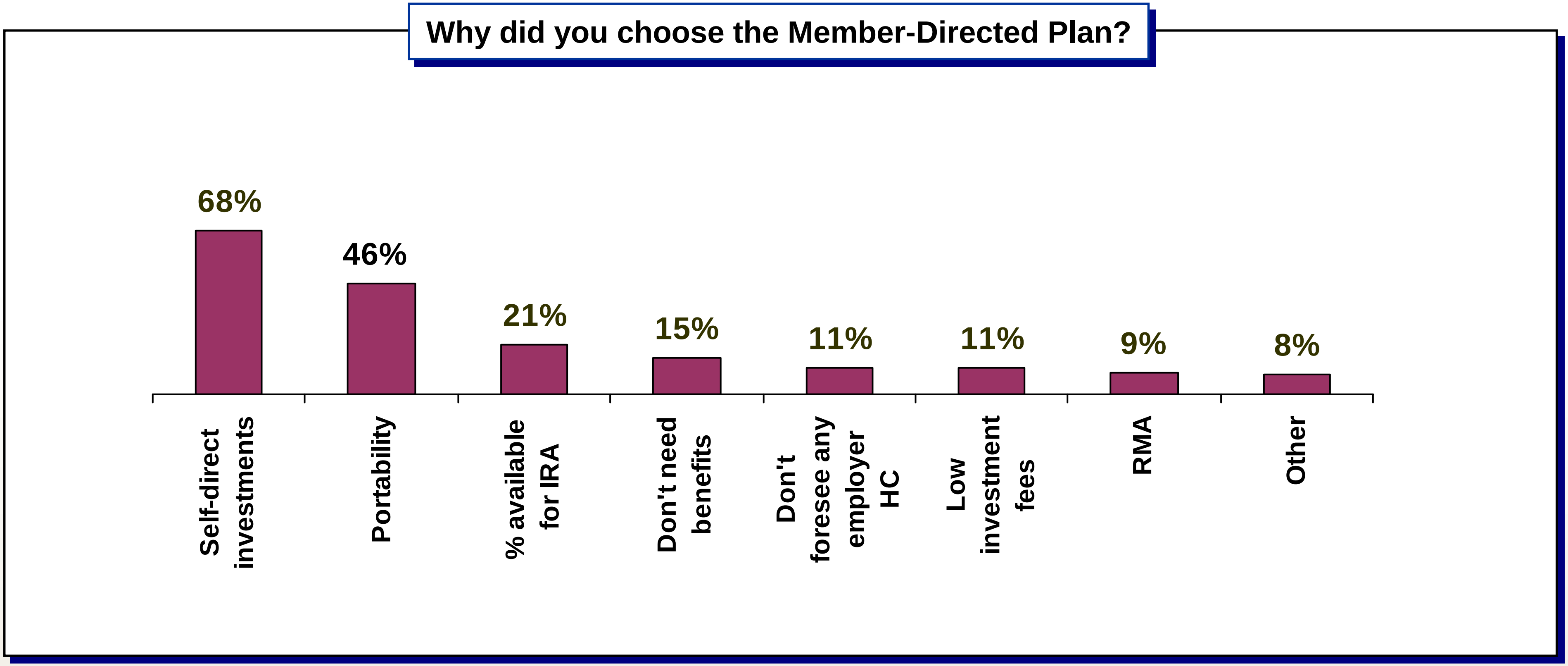
Years Until Retirement

How many years until you plan to retire?



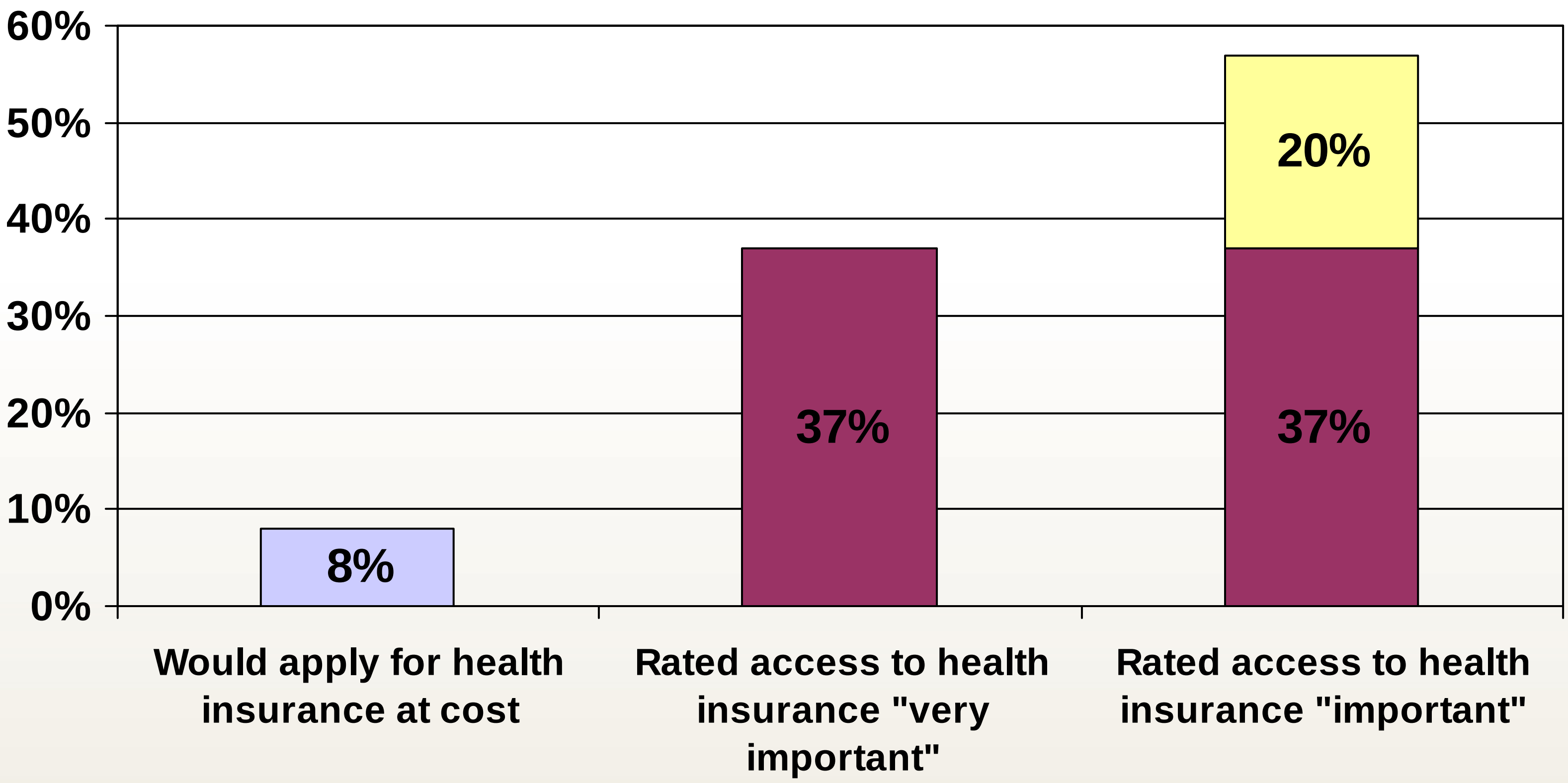
OPERS

Reasons for Choosing the Member-Directed Plan

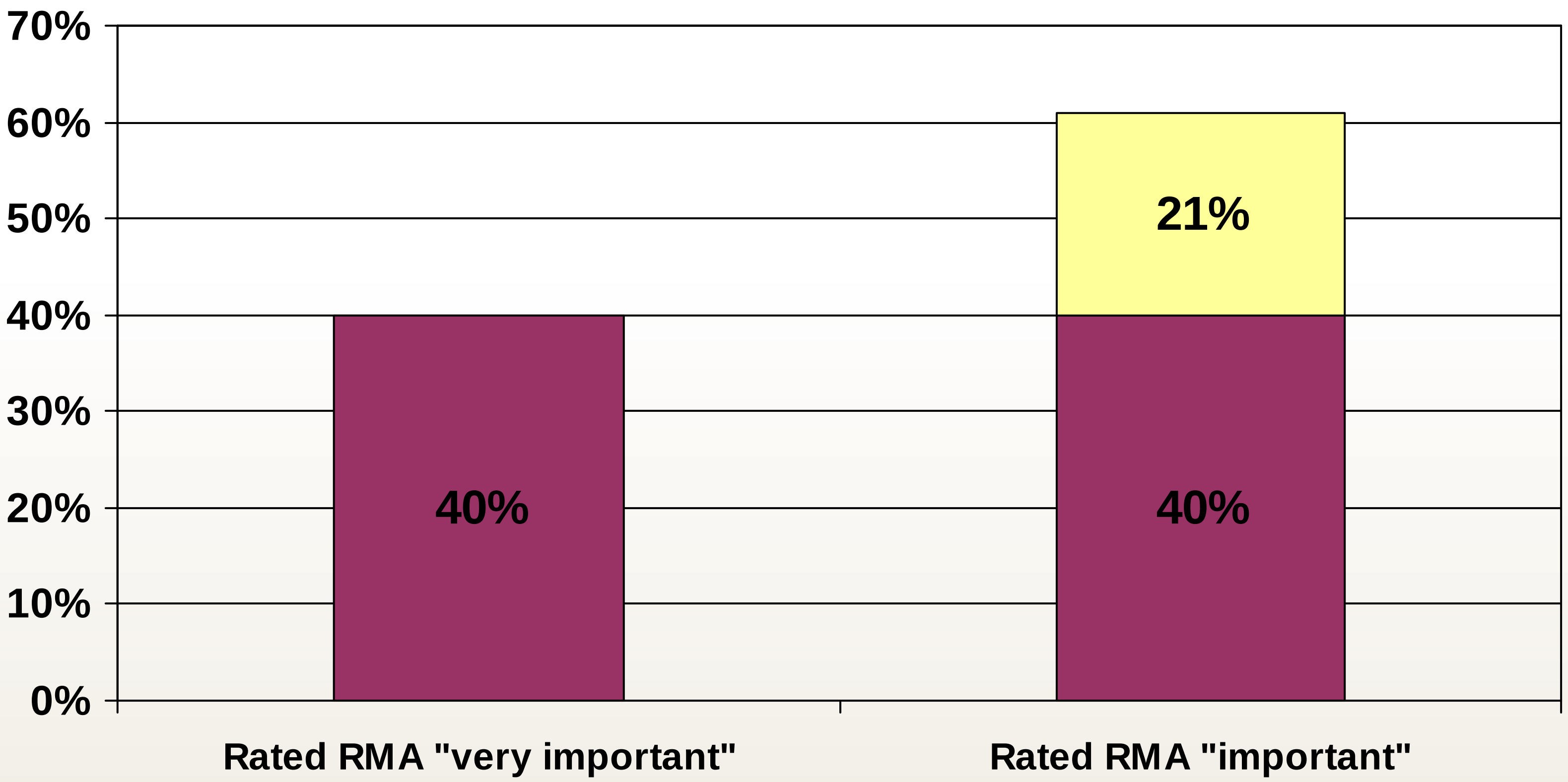


Ohio Public Employees Retirement System

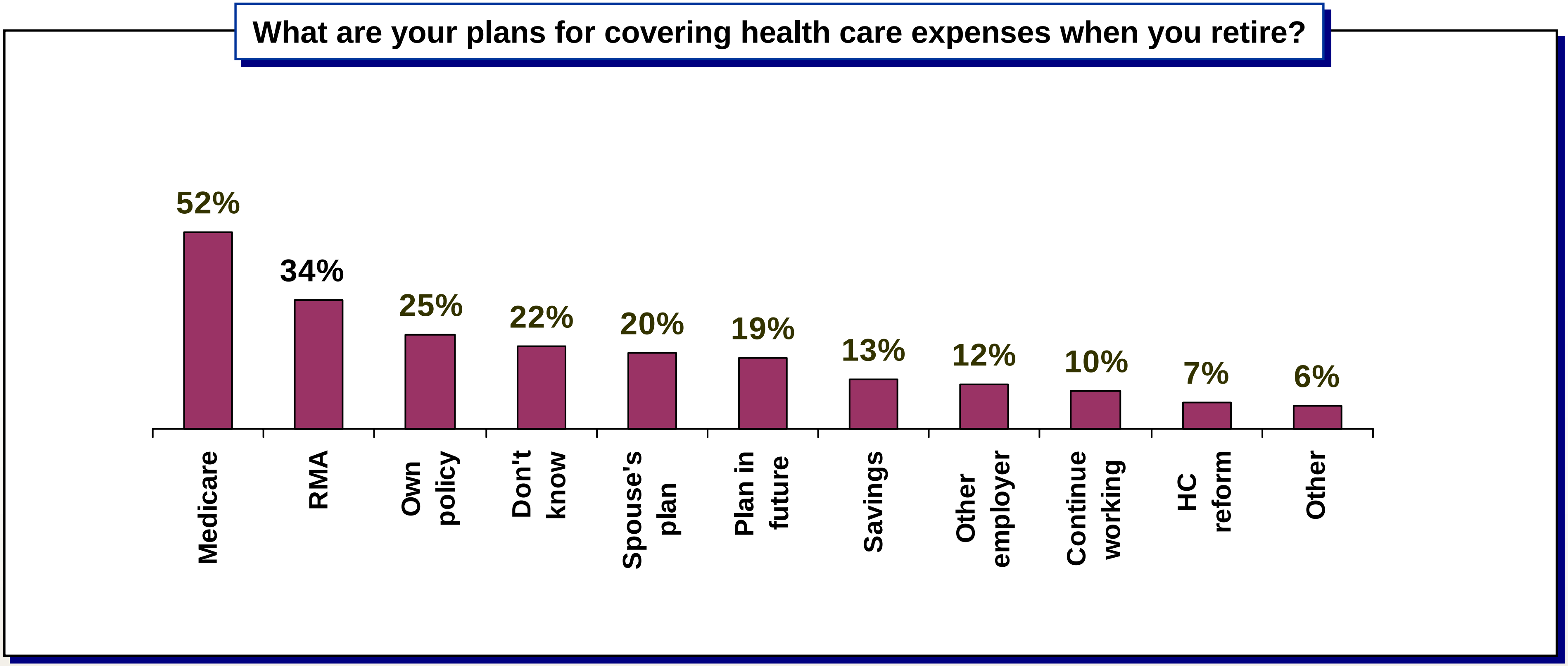
Interest vs. Importance of Health Care Insurance



Importance of RMA



Plans for Health Care Coverage



Retirement Investment Account vs. RMA

If you could choose your ideal distribution, what percentage of your employer's contribution would you prefer go into your OPERS retirement investment account versus your RMA?

Option	RIA	RMA	Percentage That Rated Each Option Ideal
A.	7.5%	5.5 %	10 %
B.	8.0 %	5.0 %	8 %
C.*	8.5 %	4.5 %	14 %
D.	9.0 %	4.0 %	8 %
E.	9.5 %	3.5 %	4 %
F.	10.0 %	3.0 %	16 %
G.	10.5 %	2.5 %	2 %
H.	11.0 %	2.0 %	4 %
I.	11.5 %	1.5 %	1 %
J.	12.0 %	1.0 %	2 %
K.	12.5 %	0.5 %	0 %
L.	13.0 %	0 %	31 %

Sixty percent think an RMA rate of 3.0% - 5.5% is ideal.

* Current proportion of employer contributions to OPERS retirement investment account and RMA

Retirement Investment Account vs. RMA

Option	RIA	RMA	Percentage That Rated Each Option Ideal/Acceptable
A.	7.7%	5.5 %	40 %
B.	8.0 %	5.0 %	47 %
C.*	8.5 %	4.5 %	72 %
D.	9.0 %	4.0 %	71 %
E.	9.5 %	3.5 %	64 %
F.	10.0 %	3.0 %	64 %
G.	10.5 %	2.5 %	54 %
H.	11.0 %	2.0 %	50 %
I.	11.5 %	1.5 %	40 %
J.	12.0 %	1.0 %	38 %
K.	12.5 %	0.5 %	35 %
L.	13.0 %	0 %	43 %

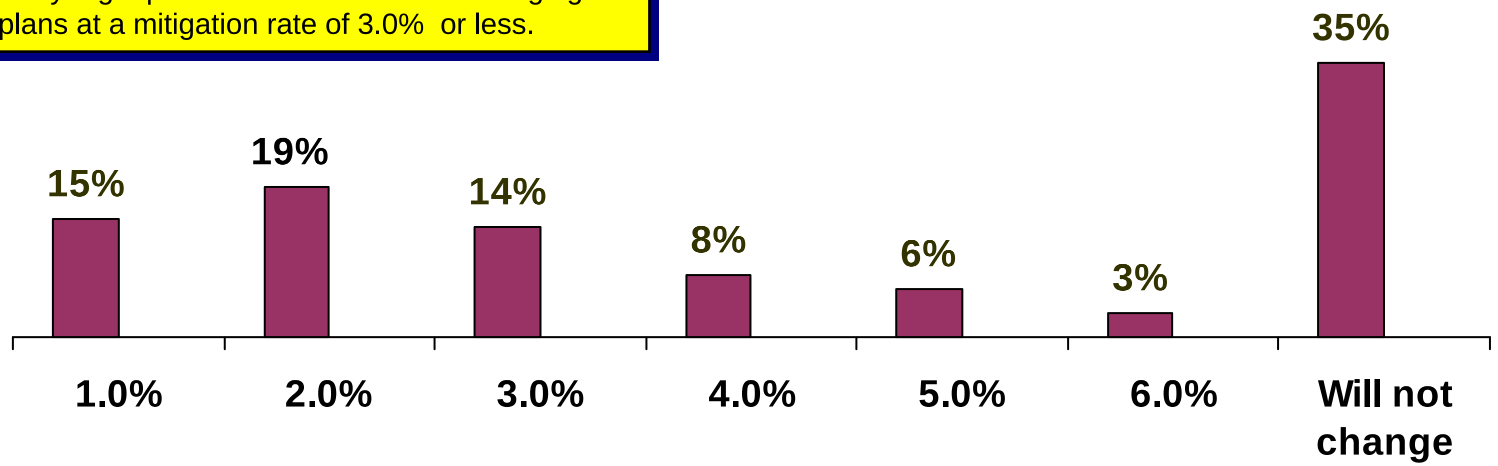
* Current proportion of employer contributions to OPERS retirement investment account and RMA

OPERS

Propensity to Change Plans

What mitigation rate percentage would cause you to consider changing your retirement plan from the Member-Directed Plan to either the Combined Plan or Traditional Pension Plan?

Forty-eight percent would consider changing plans at a mitigation rate of 3.0% or less.



OPERS

Propensity to Change Plans

What, if anything, would cause you to consider changing your retirement plan from Member-Directed to the Traditional or Combined Plan?

- Increase in mitigation rate
- Increase in RMA contribution
- Guaranteed health care at affordable rate
- I would quit public service before I would change to the Traditional Plan
- If I did not lose my service credit/forfeit non-employer contributions
- If I decide to stay in my current position long term
- I don’t want to change. I also don’t want you changing the game midstream. Other people’s under-funded plan is not my problem. Leave my retirement money alone! I am earning it.

OPERS

Additional Comments

- This is the best retirement plan I've ever been associated with. Better than federal government and private sector.
- Exactly what is the procedure and cost to switch back to Traditional Plan if we are concerned about healthcare coverage?
- I don't feel it was made clear that if you joined Member Direct plan you would lose your medical plan upon retirement.
- I would like to see a wider selection of funds, including funds not managed by OPERS.
- The Member-Directed plan seems to be stealing money away from current retirees as evidenced by the mitigation rates being in effect. Had I known this when choosing a plan I would have stayed in the Traditional Plan.
- The investment choices appear to consistently perform below the earnings rate of the OPERS Traditional investments, something like 1% less, which is significant. Why are the investment choices so poor?
- Mitigation is thievery. You should be ashamed of not making this concept clear when we had to choose a plan.

OPERS

Conclusions

No action is required at this time. Some conclusions to consider in the future include:

- Although access to OPERS sponsored health care is important to the majority of M-D Plan participants, only a very small proportion would apply for it at full cost. Therefore, providing health care access to this group should only be considered if the associated cost to do so is nominal.
- Although the majority of M-D Plan participants say the RMA is important, only a third intend to use funds from their RMA accounts to cover retirement health care expenses. Those most likely to use their RMAs have six to 10 years of service with 21-30 years until retirement and annual salaries of $70,000 or more. Therefore, future trend analysis should include:
  - Tracking M-D Plan participants with five years of service or less to assess if their mindsets change as they approach six to 10 or more years of public service
  - Tracking and analyzing what proportion of M-D Plan participants leave an OPERS covered employer before they reach six to 10 years of service

OPERS

Conclusions

- The current employer contribution allocation to the retirement investment account (8.5%) and RMA (4.5%) is acceptable or ideal to the majority of M-D Plan participants; therefore, no changes need to be considered at this time.
- Since no business could afford to lose 20 percent or more of it's customer base, it is advisable that the mitigation rate not exceed a little over 1.0% since 15 percent of respondents would consider changing plans at 1.0% and another 19 percent would consider doing so it at 2.0%.

OPERS

Ohio Public Employees Retirement System

Member-Directed Contribution Preference Survey Report

Executive Summary **3**
Background **5**
Methodology **5**
Table 1 -- Number of Respondents by Gender: *6*
Table 2 – Number of Respondents by Age *6*
Table 3 -- Number of Respondents by Years of Service.* *6*
Years of service refers to the service credit on record with Ohio PERS, which may not include all time spent in public employment. **6**
Table 4 -- Number of Respondents by Type *6*
Table 5 -- Number of Respondents by Region/Geographic Area *7*
Table 6 – Number of Respondents by Annual Income *7*
Summary of Findings **8**
Length of Public Employment 8
Employment in Private Sector 8
Contribution to Other Retirement Plans 9
Years Until Retirement 9
Reasons for Choosing the Member-Directed Plan 10
Plans for Health Care Coverage in Retirement 10
Interest in Applying for OPERS-Sponsored Health Care Insurance in Retirement 11
Importance of Access to Post-Retirement Health Care Insurance 11
Importance of Retiree Medical Account (RMA) 12
Preferred Percentage of Employer Contribution (Retirement Investment Account vs. RMA) 13
Propensity to Consider Changing Plans 15
Additional Comments 17
Conclusions **18**

Executive Summary

The purpose of the Member-Directed Contribution Preference Survey was to identify Member-Directed (M-D) Plan participants' preferences regarding the plan and the allocation of the M-D mitigation rate and contributions.

The objectives of this study were to understand the reasons people choose the Member-Directed Plan and determine the preferences of plan participants regarding the following features:

- Post-retirement health care benefits
- RMA (retiree medical account)
- Employer contribution allocation (retirement plan vs. RMA)
- Acceptable levels of a mitigation rate for the M-D plan

Of the 4,924 surveys distributed, 954 were completed and returned for a 19% response rate.

Overall results are as follows:

- The majority of respondents (78%) have been public employees for five years or less.
- The majority of respondents (82%) have previously been employed in the private sector.
- The number of years that respondents were employed in the private sector varies significantly from less than a year to more than 31 years.
- Most respondents (77%) have previously contributed to Social Security, while nearly half have contributed to a 401K (49%), IRA (49%) or other retirement plan (40%).
- Only 28 percent (28%) of respondents plan to retire in ten years or less. Half of the respondents expect to continue working for at least 21 years.
- The most common reasons for choosing the Member-Directed Plan are the ability to self-direct investment options (68%) and portability (46%).
- More than half (52%) of the respondents said that Medicare is the top option for covering retirement health care expenses. Another 34 percent (34%) intend to use funds from their RMA accounts.
- Only eight percent (8%) of respondents said they would apply for post-retirement health insurance at full cost.
- The majority of respondents (57%) said that access to OPERS-sponsored health care insurance is important.
- The majority of respondents (61%) said that the RMA is important.
- Thirty-one percent (31%) of respondents said that the ideal distribution of employer contributions to their retirement investment account versus RMA is 13 percent vs. zero. However, 60 percent (60%) said that an RMA distribution rate of three percent (3%) or higher is ideal.
- The majority of respondents (72%) rated the current proportion of employer contributions to the OPERS retirement investment account and RMA (8.5% vs. 4.5%) as either ideal or acceptable.
- Most respondents (55%) said they don't know if they would consider changing plans if the rate of contribution to the retirement investment account reaches an unacceptable level.

- Thirty-five percent (35%) of respondents said they would not change plans no matter what the mitigation rate. However, 48 percent (48%) of respondents said they would consider a change if the mitigation rate reached 1.0%, (15%) 2.0% (19%) or 3.0% (14%). Therefore, of the 65 percent (65%) of respondents who said they would consider changing plans, the majority (74%) would do so when or before the rate reached three percent (3.0%).

No action is required at this time. Some conclusions to consider in the future include:

- Although access to OPERS sponsored health care is important to the majority of M-D Plan participants, only a very small proportion would apply for it at full cost. Therefore, providing health care access to this group should only be considered if the associated cost to do so is nominal.
- Although the majority of M-D Plan participants say the RMA is important, only a third intend to use funds from their RMA accounts to cover retirement health care expenses. Those most likely to use their RMAs have six to 10 years of service with 21-30 years until retirement and annual salaries of $70,000 or more. Future trend analysis will need to track M-D Plan participants with five years of service or less to assess if their mindsets change as they approach six to 10 or more years of public service. In addition, future analysis on what proportion of M-D Plan participants leave an OPERS covered employer before they reach six to 10 years of service will need to be conducted.
- The current employer contribution allocation to the retirement investment account (8.5%) and RMA (4.5%) is acceptable or ideal to the majority of M-D Plan participants; therefore, no changes need to be considered at this time.
- Since no business could afford to lose 20 percent or more of it’s customer base, it is advisable that the mitigation rate not exceed a little over 1.0% since 15 percent of respondents would consider changing plans at 1.0% and another 19 percent would consider doing so at 2.0%.

Background

The purpose of the Member-Directed Contribution Preference Survey was to identify Member-Directed (M-D) Plan participants' preferences regarding the plan and the allocation of the M-D mitigation rate and contributions.

Specifically, the objectives of this study were to understand the reasons people choose the Member-Directed Plan and determine the preferences of plan participants regarding the following features:

- Post-retirement health care benefits
- RMA (retiree medical account)
- Employer contribution allocation (retirement plan vs. RMA)
- Acceptable levels of a mitigation rate for the M-D plan

Methodology

In April 2006, a census of OPERS' 4,924 Member-Directed participants (including OPERS employees) was conducted. Mail surveys were sent to identify Member-Directed (M-D) Plan participants' preferences regarding the plan and the allocation of the M-D mitigation rate and contributions. In addition, the objective was to understand the reasons people choose the Member-Directed Plan and determine the preferences of plan participants regarding post-retirement health care benefits, RMA (retiree medical account), employer contribution allocation (retirement plan vs. RMA) and acceptable levels of a mitigation rate for the M-D plan.

Of the 4,924 surveys distributed, 954 were completed and returned for a 19% response rate.

For market segmentation purposes, the survey data is analyzed by the following:

- Gender
- Age (<18-29, 30-39, 40-49, 50-55, 56-60, ≥61)
- Number of years service (<1 year, 1-5, 6-10)
- Type (State, Local)
- Region/geographic area (Northeast, Northwest, Central, Southeast, Southwest)
- Annual income (<$29,999, $30,000 - 39,999, $40,000 - 49,999, $50,000 - 59,999, $60,000 - 69,999, >=$70,000)

Table 1 -- Number of Respondents by Gender:

Gender	# of Respondents
Male	489
Female	460
unknown	**5**
TOTAL	**954**

Table 2 – Number of Respondents by Age

Age	# of Respondents
<18-29	192
30-39	249
40-49	211
50-55	106
56-60	94
≥ 61	102
TOTAL	**954**

Table 3 -- Number of Respondents by Years of Service*

Years of Service	# of Respondents
<1 year	99
1-5	756
6-10	99
TOTAL	**954**

* Years of service refers to the service credit on record with Ohio PERS, which may not include all time spent in public employment.

Table 4 -- Number of Respondents by Type

Type	# of Respondents
State	301
Local	653
TOTAL	**954**

Table 5 -- Number of Respondents by Region/Geographic Area

Region	# of Respondents
Northeast	247
Northwest	78
Central	220
Southeast	28
Southwest	176
Unknown	205
TOTAL	**954**

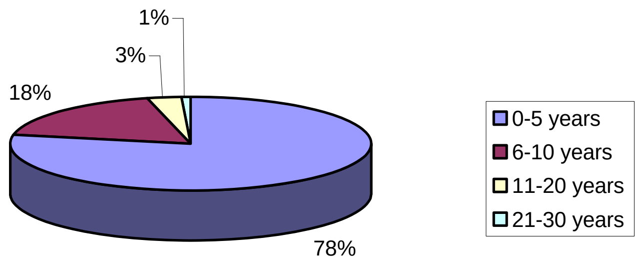
Table 6 – Number of Respondents by Annual Income

Annual Income	# of Respondents
<29,999	322
$30,000-39,999	119
$40,000-49,999	95
$50,000-59,999	80
$60,000-69,999	56
>$70,000	282
TOTAL	**954**

Summary of Findings

Length of Public Employment

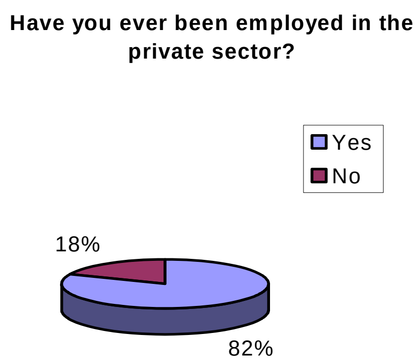
The majority of respondents (78%) have been public employees either in their current position or a previous one, for five years or less.

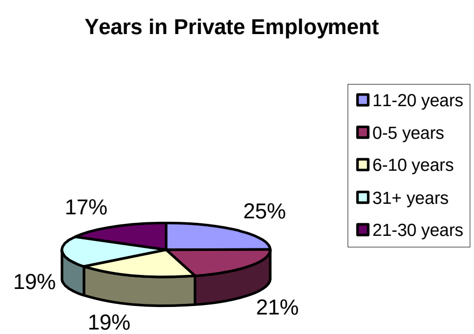


Employment in Private Sector

The majority of respondents (82%) have previously been employed in the private sector. Those who are planning to retire in 5 years or less (96%) and six to 10 years (93%) and those ages 56-60 and 61+ years (both 95%) were more likely to have been previously employed in the private sector. Respondents who have 31 or more years until retirement (58%) and those who are less than 18 to 29 years old (57%) were less likely to have ever been employed in the private sector.

The number of years that respondents were employed in the private sector varies greatly from less than a year to more than 31 years.

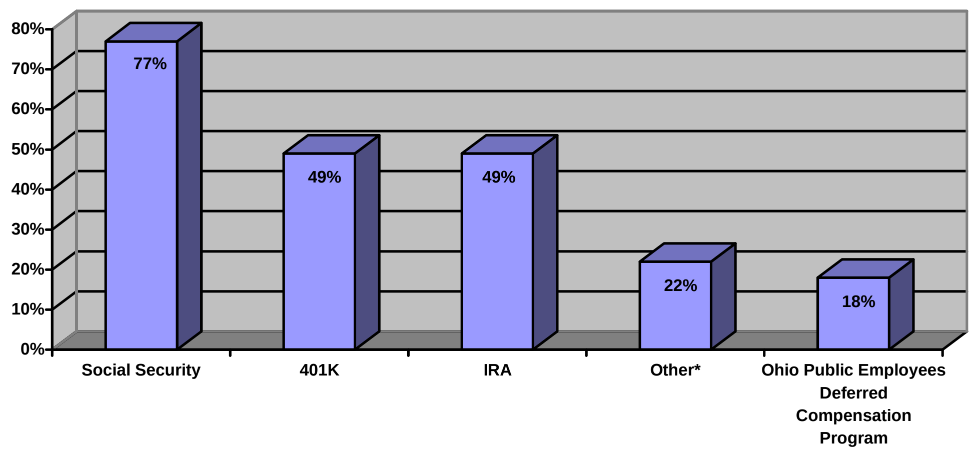




Contribution to Other Retirement Plans

Most respondents (77%) have previously contributed to Social Security, while nearly half have contributed to a 401K (49%), IRA (49%) or other retirement plan (40%).

In addition to the OPERS Member-Directed Plan, are there other retirement plans to which you currently or have previously contributed?

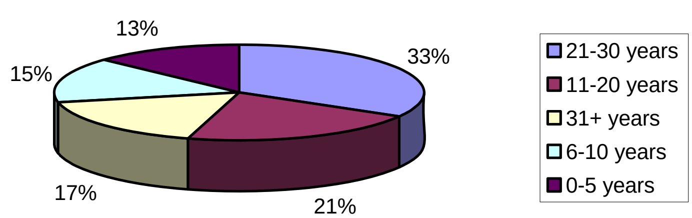


*Other responses included: TIA-CREF, 403B, various other state retirement systems, pensions from previous employers, Thrift Savings Plan, military retirement and mutual funds

Years Until Retirement

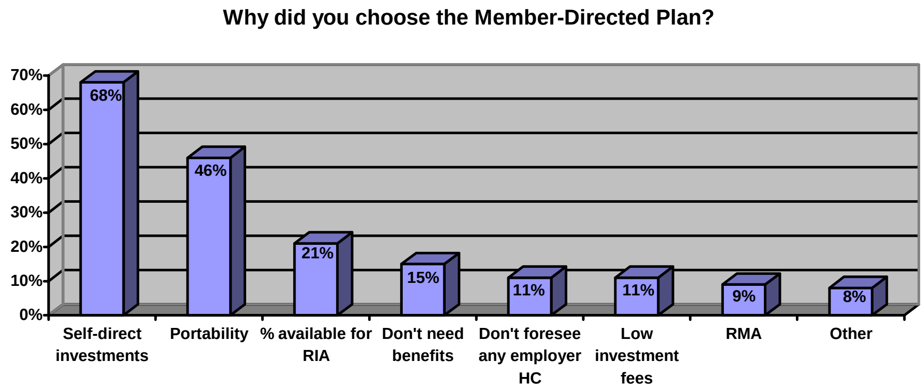
Only 28 percent (28%) of respondents plan to retire in ten years or less. Half of the respondents expect to continue working for at least 21 years.

How many years until you plan to retire?



Reasons for Choosing the Member-Directed Plan

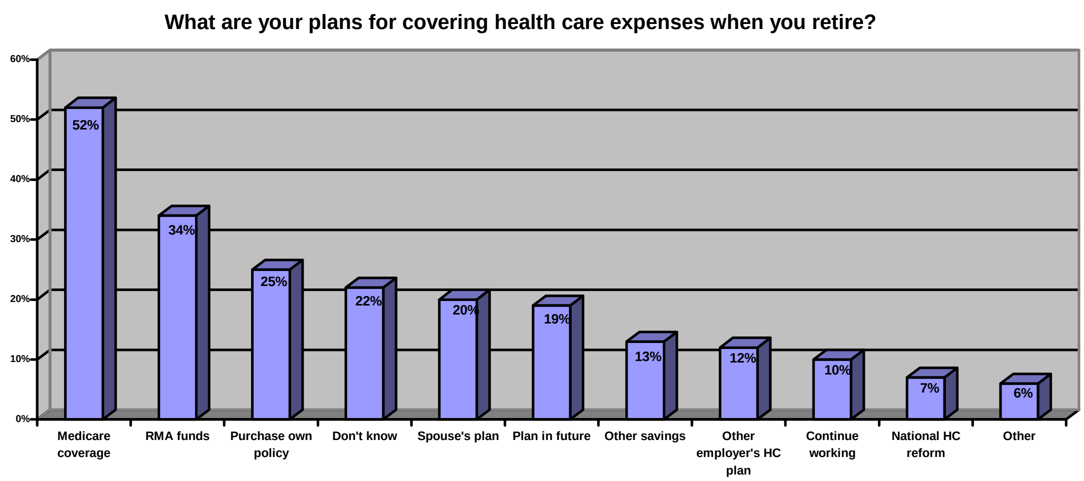
The most common reasons for choosing the Member-Directed Plan are the ability to self-direct investment options (68%) and portability (46%).



Respondents who are 56-60 years old (32%) and those living in the southeast region (30%) were less likely to choose portability as a reason for choosing the Member-Directed Plan. Respondents who are 56-60 years old and 61 years or older (both 29%) and those who are planning to retire in 5 years or less (31%) were more likely to say they chose the Member-Directed Plan because that they don't need the benefits associated with the Traditional Pension Plan/Combined Plan.

Plans for Health Care Coverage in Retirement

More than half (52%) of the respondents said that Medicare is the top option for covering retirement health care expenses.



Respondents who chose the RMA as a top reason for choosing the Member-Directed Plan (72%) and those planning to retire in 0-5 years and 6-10 years (both 70%) as well as respondents aged 50-55 (64%), 56-60 (69%) and 61+ years (80%) were more likely to say that Medicare is the top option for covering health care expenses when they retire. Respondents who are less than 18 to 29 years old were less likely (27%) to say that Medicare will cover their retirement health care expenses.

Another 34 percent (34%) of respondents intend to use funds from their RMA accounts to cover retirement health care expenses. Not surprisingly, respondents who chose the RMA as a top reason for choosing the Member-Directed Plan (80%) and those who rated the RMA as important (48%) were more likely to say that the RMA is a top option for covering health care expenses when they retire, as were respondents with 6-10 years of service (50%), 21-30 years until retirement (46%) and those with annual salaries of $70,000 or more (49%). Comparatively, respondents who gave low ratings to the importance of OPERS sponsored health care (21%), and the RMA account (12%), as well as respondents aged 61 or older (13%) and those with annual incomes of $29,000 or less (17%) and were less likely to say they will use funds from the RMA to cover retirement health care expenses.

While 19 percent (19%) of all respondents said that they will plan for retirement healthcare expenses in the future, those with 31 or more years until retirement (48%) and those who are less than 18 to 29 years old (38%) were more likely to say this. Respondents who are 50-55 (7%), 56-60 (1%) and 61 or more years old (2%) are much less likely to say they will plan for retirement health care coverage in the future.

Finally, only 12 percent (12%) of all respondents said they will be covered by another employer's health care plan when they retire, but those who said they don't need the benefits associated with the Traditional Pension Plan/Combined Plan (26%) and those who are 56-60 years old (23%) were more likely to choose this as an option for covering their health care expenses when they retire.

Interest in Applying for OPERS-Sponsored Health Care Insurance in Retirement

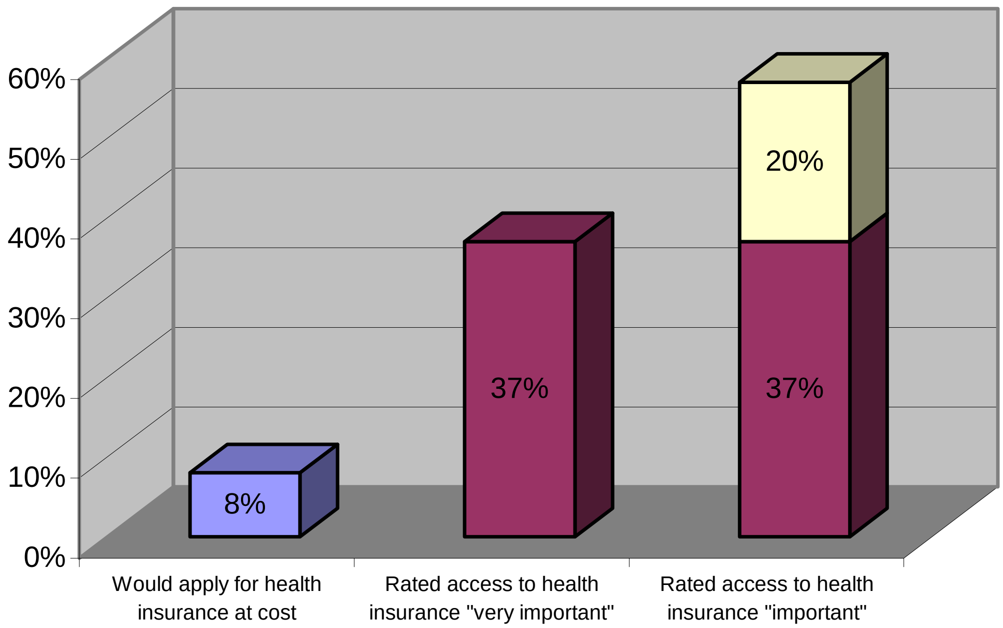
Only eight percent (8%) of respondents said they would apply for post-retirement health insurance at full cost. Nearly half (49%) said they would not.

Those respondents who said they don't need the benefits associated with the Traditional Pension Plan/Combined Plan (71%) and those who gave low ratings to the importance of OPERS sponsored health care (71%) and the RMA account (66%) were more likely to say they would not apply for post-retirement health care insurance at full cost. In addition, those who are 56-60 years old (67%) and 61 years old or more (78%), as well as respondents in the southwest region (60%) and those planning to retire in 0-5 years (77%) and 6-10 years (62%) are also more likely to say they would not apply for it.

Importance of Access to Post-Retirement Health Care Insurance

The majority of respondents (57%) said that access to OPERS-sponsored health care insurance is important. Of those respondents, thirty-six percent (36%) said that it is very important (rated 5 or 6 on a scale of 1-6).

Probability of Applying for Health Care Insurance (at cost)
Versus Importance of Access



Not surprisingly, those respondents who said the RMA was a top reason for choosing the Member-Directed Plan (58%) and those who gave high ratings to the importance of OPERS sponsored health care (65%) and the RMA account (54%) were more likely to say that access to post-retirement health care insurance is very important. Those respondents who said they don't need the benefits associated with the Traditional Pension Plan/Combined Plan (14%) and those who gave low ratings to the importance of the RMA account (10%), as well as respondents who are 61 years or older and those who plan to retire in 0-5 years (both 17%) were less likely to say that access to post-retirement health care insurance is very important. Similarly, respondents aged 56-60 years (52%) and those with annual salaries of $29,000 or less (43%) were more likely to say that access to post-retirement health care insurance is not very important (rated 1 or 2 on a scale of 1-6).

Importance of Retiree Medical Account (RMA)

The majority of respondents (61%) said that the RMA is important. Forty percent (40%) said that it is very important (rated 5 or 6 on a scale of 1-6).

Those respondents who said the RMA was a top reason for choosing the Member-Directed Plan (83%) and those who gave high ratings to the importance of OPERS sponsored health care (59%) and the RMA account (65%), were more likely to say that the RMA is very important. Those who said they do not foresee anyone having employer-sponsored health care in retirement (52%), as well as those with 6-10 years of service (63%) and those with annual salaries of $60,000 to $69,000 (55%) are also more likely to say that the RMA is very important. Comparatively, those respondents who said they don't need the benefits associated with the Traditional Pension Plan/Combined Plan (18%) and those who gave low ratings to the importance of OPERS-sponsored health care (16%), as well as respondents who are 61 years or older (24%) and those who plan to retire in 0-5 years (20%) were less likely to say that the RMA account is very important. Similarly, respondents with 21-30 years until they plan to retire (14%) were less likely to say that the RMA account is not very important, while those who are 50-55 years old (47%) were more likely to say that the RMA account is not very important.

Preferred Percentage of Employer Contribution (Retirement Investment Account vs. RMA)

Thirty-one percent (31%) of respondents said that the ideal distribution of employer contributions to their retirement investment account versus RMA is 13 percent vs. zero. However, 60 percent (60%) said that an RMA distribution rate of three percent (3%) or higher is ideal.

Option	Retirement Investment Account	Retiree Medical Account	Percentage That Rated Each Option Ideal
A.	7.5%	5.5%	10%
B.	8.0%	5.0%	8%
C.*	8.5%	4.5%	14%
D.	9.0%	4.0%	8%
E.	9.5%	3.5%	4%
F.	10.0%	3.0%	16%
G.	10.5%	2.5%	2%
H.	11.0%	2.0%	4%
I.	11.5%	1.5%	1%
J.	12.0%	1.0%	2%
K.	12.5%	0.5%	0%
L.	13.0%	0%	31%

60 percent of respondents said a contribution of 3.0% - 5.5% to RMA or higher is ideal

*Current proportion of employer contributions to your OPERS retirement investment account and RMA

The majority of respondents (72%) rated the current proportion of employer contributions to the OPERS retirement investment account and RMA (8.5% vs. 4.5%) as either ideal or acceptable.

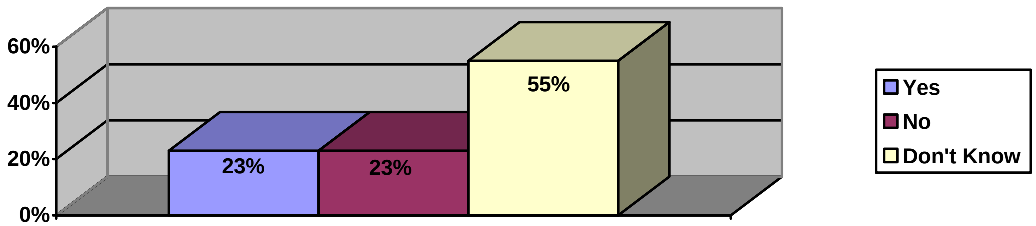
Option	Retirement Investment Account	Retiree Medical Account	Rating Percentages for Each Option		Percentage that rated each option Ideal/Acceptable
A.	7.5%	5.5%	Acceptable	(29%)	
			Unacceptable	(60%)	40%
B.	8.0%	5.0%	Acceptable	(37%)	
			Unacceptable	(54%)	47%
C. *	8.5%	4.5%	Acceptable	(57%)	
			Unacceptable	(29%)	72%
D.	9.0%	4.0%	Acceptable	(62%)	
			Unacceptable	(30%)	71%
E.	9.5%	3.5%	Acceptable	(59%)	
			Unacceptable	(36%)	64%
F.	10.0%	3.0%	Acceptable	(46%)	
			Unacceptable	(36%)	64%
G.	10.5%	2.5%	Acceptable	(52%)	
			Unacceptable	(46%)	54%
H.	11.0%	2.0%	Acceptable	(45%)	
			Unacceptable	(50%)	50%
I.	11.5%	1.5%	Acceptable	(38%)	
			Unacceptable	(61%)	40%
J.	12.0%	1.0%	Acceptable	(36%)	
			Unacceptable	(62%)	38%
K.	12.5%	0.5%	Acceptable	(35%)	
			Unacceptable	(65%)	35%
L.	13.0%	0%	Acceptable	(9%)	
			Unacceptable	(57%)	43%

*Current proportion of employer contributions to your OPERS retirement investment account and RMA

Propensity to Consider Changing Plans

Most respondents (55%) said they don't know if they would consider changing plans if the rate of contribution to the retirement investment account reaches an unacceptable level. Respondents who said they don't need the benefits associated with the Traditional Pension Plan/Combined Plan were less likely to say they would (10%) and more likely to say they would not consider changing plans (33%) if the rate of contribution to the retirement investment account reaches an unacceptable level.

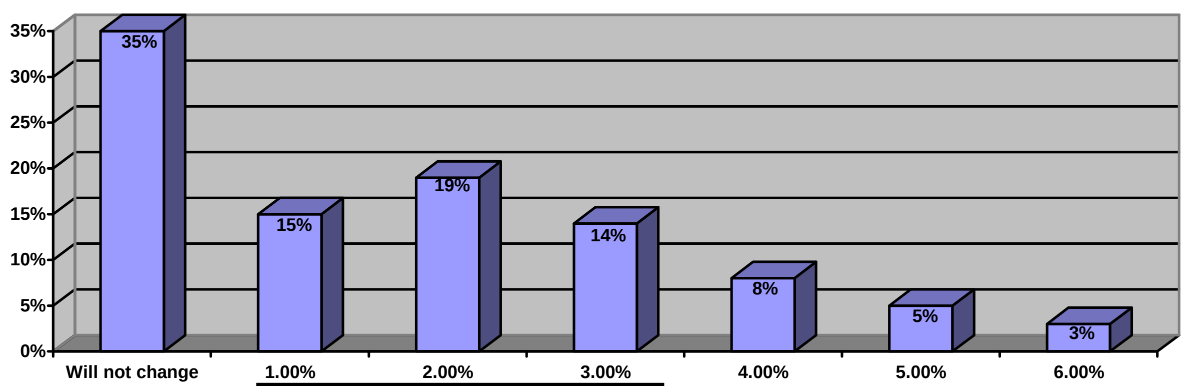
If the employer contribution to your OPERS retirement investment account reaches a level that you rated unacceptable, would that cause you to consider changing to the OPERS Traditional Pension Plan or Combined Plan?



Thirty-five percent (35%) of respondents said they would not change plans no matter what the mitigation rate. Those respondents who said they don't need the benefits associated with the Traditional Pension Plan/Combined Plan (47%) and those who are planning to retire in five years or less (64%), as well as respondents who are 56-60 years old and 61 years or older (both 60%) were more likely to say they would not change plans no matter what the mitigation rate.

However, 48 percent (48%) of respondents said they would consider a change if the mitigation rate reached 1.0%, (15%) 2.0% (19%) or 3.0% (14%). Therefore, of the 65 percent (65%) of respondents who said they would consider changing plans, the majority (74%) would do so when or before the rate reached three percent (3.0%).

What mitigation rate would cause you to consider changing your retirement plan from the Member-Directed Plan to either the Combined Plan or the Traditional Pension Plan?



74% of those who would consider changing plans (48% of total respondents) would do so at these rates.

What, if anything, would cause you to consider changing your retirement plan from Member-Directed to the Traditional or Combined Plans?

- Under 30 year traditional factor increases to 2.4 from 2.2.
- Increase in mitigation rate. Increase in RMA contribution.
- Too many fees such as mitigation rate. Seems to me there must be a better way to offset this such as educating more members so more participate in DC plans.
- If there was inadequate, unacceptable state participation.
- Nothing/Don't know.
- If I decide to stay with the state after five to ten years.
- I guess I don't understand. Am I losing the mitigation rate or is that somehow going to benefit me to a small degree in the future? If I pay for 20 years do I get 0.7x20% of whatever that goes for? Or is it just a gift to the Traditional Plan?
- Additional dings into the retirement investment account. This plan was sold to us as being the safe way of saving for retirement, particularly if one may not stay in Ohio more than 25 yrs. It's a shame if it is eroding the benefits we expect to offset to loss of the secure traditional plan.
- Guaranteed healthcare. 1.17% per year of service for combined. Excessive mitigation rate.
- I don't want to change. I also don't want you changing the game mid-stream. Other people's under funded plan is not my problem. That is why I signed up for Member-Directed. Leave my retirement money alone! I am earning it.
- Healthcare coverage. I lack a good understanding of how much the RMA would be worth and if that will be adequate to cover healthcare expenses through retirement.
- Change the number of years necessary to access from 20 years. I am 43 and do not plan to work until I am 63 in current position. Also, vested period of 5 years is unacceptable. I have been with the state for 1.5 yrs and the likelihood of job change is very high.
- I suppose that if the Traditional or Combined plans started to significantly outperform my Member-Directed plan for a significant period of time I would consider changing.
- Not have to purchase years of service. Large increases in the mitigation rate.
- Loss of or separation from spouse to change other benefits and overall financial situation and future.
- Guaranteed health coverage at affordable rate.
- I would quit public service before I would change to the Traditional plan.
- Any further increase in the mitigation rate. I absolutely reject the notion that I should be penalized because I made a better decision than others.
- Are you asking me to tell you what you need to do to take my preferred plan away?
- If I work in public employment for long-term, more than 5 years, then I will probably change. Also, if I got a large pay increase I might change. Would have to be 30% or more.
- If I did not lose my service credit and would not have to forfeit any non-vested employer contributions I would change to the Traditional plan immediately.

Additional Comments

- I like the employer matching contributions and it makes sense in this time to provide a more portable benefit. Not that I intend to stop working here any time soon. The RMA account needs more options to be able to grow the balance to be meaningful/ useful for its purpose. 4% returns are too low. I haven't seen that balance grow as I would expect.
- I am upset that you take money from my account if I don't contribute often enough or have less than $5,000. I'm in high school, getting good grades, playing sports, etc and working part time at BGSU. Shame on you! I am doing my part at being a good citizen, but you are gouging me!
- I didn't know until this survey that I had no health coverage upon retirement. I will be contacting our HR department to find out why.
- This is the best retirement plan I've ever been associated with. Better than federal government and private sector.
- It looks like the Member-Directed plan might be on its way out from the tone of this survey. Rising health costs is a bigger threat to the traditional plan than the Member-Directed and Combined plan.
- I have Member-Directed for aggressive investing, not the conservative traditional plan. Plus my intent was not to bail out traditional without seeing the benefit on the Member-Directed side. I believe people are lying about Member-Directed hurting traditional. For the billions in the plan and the small percentage of people in member-directed plan, there is no way this is the case in 3 years time. Unless the plans are poorly managed.
- Exactly what is the procedure and cost to switch back to Traditional Plan if we are concerned about healthcare coverage?
- I don't feel it was made clear that if you joined Member Direct plan you would lose your medical plan upon retirement.
- I would like to see a wider selection of funds, including funds not managed by OPERS.
- Are you trying to get people not to do the Member-Directed plan?
- Could you contact me and let me know how to get back into the Traditional plan? Mark Zinkey 440-582-3567.
- Like that I can take it with me. Gen Xer's don't assume they will work one place until they retire. But, it would be nice to have the health insurance offered under the other plans.
- The Member-Directed plan seems to be stealing money away from current retirees as evidenced by the mitigation rates being in effect. Had I known this when choosing a plan I would have stayed in the Traditional Plan.
- The investment choices appear to consistently perform below the earnings rate of the OPERS Traditional investments, something like 1% less, which is significant. Why are the investment choices so poor?
- This survey makes me a little nervous. It almost seems as though OPERS wants to get rid of the member self directed option. I love this option as it gives me control over my retirement savings.
- Apparently my present plan includes RMA, which I do not need. How do I correct this? Donald Schackne 740-369-0331.
- Mitigation is thievery. You should be ashamed of not making this concept clear when we had to choose a plan.

Conclusions

No action is required at this time. Some conclusions to consider in the future include:

- Although access to OPERS sponsored health care is important to the majority of M-D Plan participants, only a very small proportion would apply for it at full cost. Therefore, providing health care access to this group should only be considered if the associated cost to do so is nominal.
- Although the majority of M-D Plan participants say the RMA is important, only a third intend to use funds from their RMA accounts to cover retirement health care expenses. Those most likely to use their RMAs have six to 10 years of service with 21-30 years until retirement and annual salaries of $70,000 or more. Future trend analysis will need to track M-D Plan participants with five years of service or less to assess if their mindsets change as they approach six to 10 or more years of public service. In addition, future analysis on what proportion of M-D Plan participants leave an OPERS covered employer before they reach six to 10 years of service will need to be conducted.
- The current employer contribution allocation to the retirement investment account (8.5%) and RMA (4.5%) is acceptable or ideal to the majority of M-D Plan participants; therefore, no changes need to be considered at this time.
- Since no business could afford to lose 20 percent or more of it's customer base, it is advisable that the mitigation rate not exceed a little over 1.0% since 15 percent of respondents would consider changing plans at 1.0% and another 19 percent would consider doing so at 2.0%.