

# 2023

## Continued Commitment to Our Members



Popular Annual Financial Report  
for the year ended December 31, 2023

2023



# Popular Annual Financial Report

(for the year ended December 31, 2023)

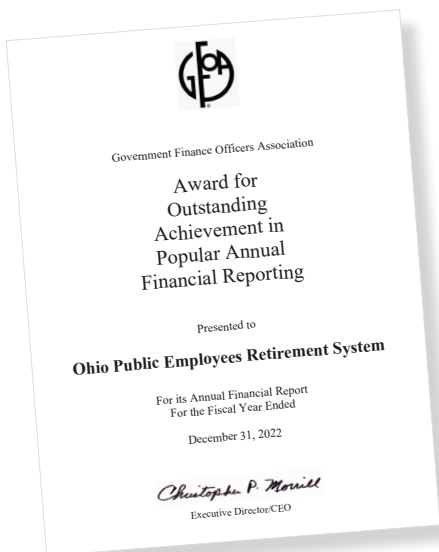
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## Responsible Financial Reporting

This *Popular Annual Financial Report* is derived from information contained in the *OPERS 2023 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 2023 Health Care Report*, which will be made available at [opers.org](http://opers.org) at the end of June 2024.



### **2022 Award for Outstanding Achievement in Popular Annual Financial Reporting—**

For the 13<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, 2022. 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.



## To our fellow members and all stakeholders:

On behalf of all management and staff, it's our pleasure to present you with the *2023 Popular Annual Financial Report (PAFR)*. Our theme—*Continued Commitment to Our Members*—captures the focus, attitude, efforts, dedication and diligence displayed by our Board of Trustees and staff throughout 2023.

Commitment is required for OPERS to deliver on our mission of consistently providing a secure financial retirement for our members. OPERS has remained steadfast in its commitment to provide benefits and access to health care, while working to deliver superior service to all members.

In fulfilling our commitment, we remain focused on five overarching plan goals that guide our actions. 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 2023

**Investment Activity**—Heading into 2023, inflation was high, interest rates were rising, and concerns of a recession were at top of mind. Ultimately, a massive stock market rally defied expectations. The total OPERS portfolio for 2023 returned 11.72%, compared to a loss of 12.49% in 2022. This clearly demonstrates the volatility of the investment market despite our continued commitment to thoughtful planning to maintain stability through market highs and lows.

**Pension Funding Status**—The December 31, 2023 actuarial valuation reflected that OPERS remained 84% funded for both 2023 and 2022. The amortization period declined by one year from 16 years in 2022 to 15 years in 2023.

## In closing

As stewards of the trust funds, we must take actions and make the responsible decisions that strengthen our continued commitment. This organization is led by a dedicated and diligent Board that works tirelessly with OPERS management and staff to meet each challenge and each opportunity with professionalism, innovation, and commitment. We have a fiduciary responsibility to make decisions in the best interest of all members. We have a responsibility to be prudent stewards and to look forward and prepare for the challenges we anticipate, not wait for them to occur.

We will continue to take action to position OPERS to remain a strong, financially stable pension system. We will always plan to do this working in conjunction with members, retirees and stakeholders. We are honored to be associated with, and appreciate and acknowledge the efforts of all involved as we continue our commitment to members.



Respectfully Submitted,

*Karen E. Carraher*

Karen E. Carraher, CPA  
Executive Director

*Jennifer H. Starr*

Jennifer H. Starr, CPA (Left)  
Chief Financial Officer

# 2023 OPERS Board of Trustees and Leadership



**Board of Trustees as of January 2024**

**Left to right:** James Tilling, General Assembly Appointed Investment Expert; Chris Mabe, Representative for State Employees and Board Chair; Scott Richter, Treasurer-Appointed Investment Expert; Steve Toth, Representative for Retirees; James Kunk, Governor-Appointed Investment Expert; Julie Albers, Representative for County Employees; Randy Desposito, Representative for Non-teaching College/University Employees; Ken Thomas, Representative for Municipal Employees; Stewart Smith, Representative for Miscellaneous Employees and Board Vice Chair; Kathleen Madden, Director—Department of Administrative Services (Statutory Member); Tim Steitz, Representative for Retirees

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 meets periodically throughout the year and receives no compensation, but is reimbursed for necessary business expenses.



**OPERS Leadership Team as of January 2024**

**Front Row (left to right):** Chuck Quinlan, Director—Information Technology; Paul Greff, Chief Investment Officer; Karen Carraher, Executive Director; Gordon Gatiem, Director—External Relations; Allen Foster, Director—Benefits

**Back Row (left to right):** Ciji Wilhelm, Director—Human Resources; Caroline Stinziano, Director—Internal Audit; Jennifer Starr, Chief Financial Officer; Tonya Brown, Director—Member Operations; Eric Harrell, General Counsel



## Plan Overviews and Enrollment Figures

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. During 2023, OPERS offered members two retirement plans—each provides different features designed to accommodate individual member’s knowledge base and risk tolerance. Effective January 1, 2022, the Combined Plan is no longer available for member selection, but remains open for existing members.

**Traditional Pension Plan:** Retirement benefit is based on a defined benefit formula determined by years of contributing service and final average salary. OPERS invests funds 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 funds—including fixed income and equity funds, target date funds and a self-directed brokerage account. Provides control but significant market risk for members.

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

Below is a table which displays the number of active, inactive and retired members in each plan as of December 31, 2023. 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>291,803</b>	<b>6,160</b>	<b>10,493</b>	<b>308,456</b>
Average Age	43.6	48.6	46.0	
Average Service Credit (Years)	9.9	12.8	7.6	
<b>Average Final Average Salary</b>	<b>\$46,484</b>	<b>\$66,576</b>	<b>\$65,432</b>	
<b>Inactive Members<sup>1</sup></b>	<b>747,488</b>	<b>2,639</b>	<b>6,630</b>	<b>756,757</b>
Average Age	40.2	44.3	40.3	
Average Service Credit (Years)	1.2	5.4	3.2	
<b>Average Final Average Salary</b>	<b>\$7,119</b>	<b>\$37,890</b>	<b>\$33,646</b>	
<b>Retired Members</b>	<b>219,729</b>	<b>686</b>	<b>461</b>	<b>220,876</b>
Average Age	71.1	70.1	70.9	
Average Service Credit (Years)	23.2	13.0	N/A	
Average Annual Benefit	\$32,439	\$9,951	\$6,115	
<b>Total Members</b>	<b>1,259,020</b>	<b>9,485</b>	<b>17,584</b>	<b>1,286,089</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.

# 2023 Assets and Liabilities



## 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, 2023 and 2022. 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 increase in net position reflects the income from investing activity recognized in 2023.

With the positive investment returns in 2023, the System remained stable with a pension funded ratio of 84% for both 2023 and 2022 and an amortization period of 15 years in 2023, a decline of one year from 2022. The stable funding position results from actuarial smoothing, in which market gains and losses are recognized over a four-year period to reduce the impact of market volatility. 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.

	2023	2022	Amount Increase/ (Decrease) from 2022 to 2023
<b>Assets</b>			
Cash and Cash Equivalents	\$6,471,751,676	\$4,356,480,859	\$2,115,270,817
Receivables	985,460,262	856,101,869	129,358,393
Investments	107,640,738,936	101,867,924,413	5,772,814,523
Collateral on Loaned Securities	10,623,542,006	10,741,129,135	(117,587,129)
Net Capital Assets	139,728,803	133,924,583	5,804,220
Prepaid Expenses and Other Assets	1,946,613	1,458,744	487,869
<b>Total Assets</b>	<b>125,863,168,296</b>	<b>117,957,019,603</b>	<b>7,906,148,693</b>
<b>Liabilities and Deferred Inflows</b>			
Benefits Payable	156,386,536	149,638,740	6,747,796
Investment Commitments Payable	294,327,203	245,263,155	49,064,048
Obligations Under Securities Lending	10,617,430,025	10,741,925,399	(124,495,374)
Other Liabilities	41,401,085	40,941,911	459,174
<b>Total Liabilities</b>	<b>11,109,544,849</b>	<b>11,177,769,205</b>	<b>(68,224,356)</b>
<b>Deferred Inflows—Lessor Obligations</b>	<b>1,642,771</b>	<b>2,129,919</b>	<b>(487,148)</b>
<b>Total Liabilities and Deferred Inflows</b>	<b>11,111,187,620</b>	<b>11,179,899,124</b>	<b>(68,711,504)</b>
<b>Net Positions Restricted for Pensions and OPEB*</b>	<b>\$114,751,980,676</b>	<b>\$106,777,120,479</b>	<b>\$7,974,860,197</b>

\* Other post-employment benefits such as health care



## 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 2023 and 2022. Investment earnings were the main component of income in 2023, while OPERS recorded a loss from investing activity in 2022. Activity for these two years continues to demonstrate the volatility of the investment market. Member and employer contributions increased 6.1% in 2023 compared to 2022, reflecting impacts of wage inflation and an increase in active members.

OPERS paid \$7.2 billion in pension benefits and \$0.5 billion in health care expenses, net of health care receipts, to more than 220,000 retirees and their beneficiaries, compared to \$7.0 billion and \$0.6 billion in 2022. The increase in pension benefits paid reflects demographic changes in the retiree population, and an annual simple cost-of-living adjustment. The decrease in health care expenses is a result of a decline in the number of retirees enrolled in the HRA program and claims submitted for reimbursement.

	2023	2022	Amount Increase/ (Decrease) from 2022 to 2023
<b>Additions</b>			
Member Contributions	\$1,771,099,964	\$1,669,552,482	\$101,547,482
Employer Contributions	2,478,806,116	2,336,592,553	142,213,563
Contract and Other Receipts	76,478,623	78,897,024	(2,418,401)
Net Income/(Loss) from Investing Activity	12,078,361,904	(15,950,779,683)	28,029,141,587
Other Income, net	650,356	583,828	66,528
Interplan Activity	48,202,584	43,250,059	4,952,525
<b>Total Additions</b>	<b>16,453,599,547</b>	<b>(11,821,903,737)</b>	<b>28,275,503,284</b>
<b>Deductions</b>			
Pension Benefits	7,228,906,262	7,037,982,598	190,923,664
Health Care Expenses	606,891,438	653,260,099	(46,368,661)
Health Care Receipts	(61,931,879)	(62,169,400)	237,521
Refunds of Contributions	580,205,075	613,719,345	(33,514,270)
Administrative Expenses	76,465,870	71,735,894	4,729,976
Interplan Activity	48,202,584	43,250,059	4,952,525
<b>Total Deductions</b>	<b>8,478,739,350</b>	<b>8,357,778,595</b>	<b>120,960,755</b>
<b>Net Increase/(Decrease)</b>	<b>7,974,860,197</b>	<b>(20,179,682,332)</b>	<b>28,154,542,529</b>
<b>Net Positions Restricted for Pensions and OPEB*</b>			
<b>Balance, Beginning of Year</b>	<b>106,777,120,479</b>	<b>126,956,802,811</b>	<b>(20,179,682,332)</b>
<b>Balance, End of Year</b>	<b>\$114,751,980,676</b>	<b>\$106,777,120,479</b>	<b>\$7,974,860,197</b>

\* Other post-employment benefits such as health care

# 2023 Investment Summary

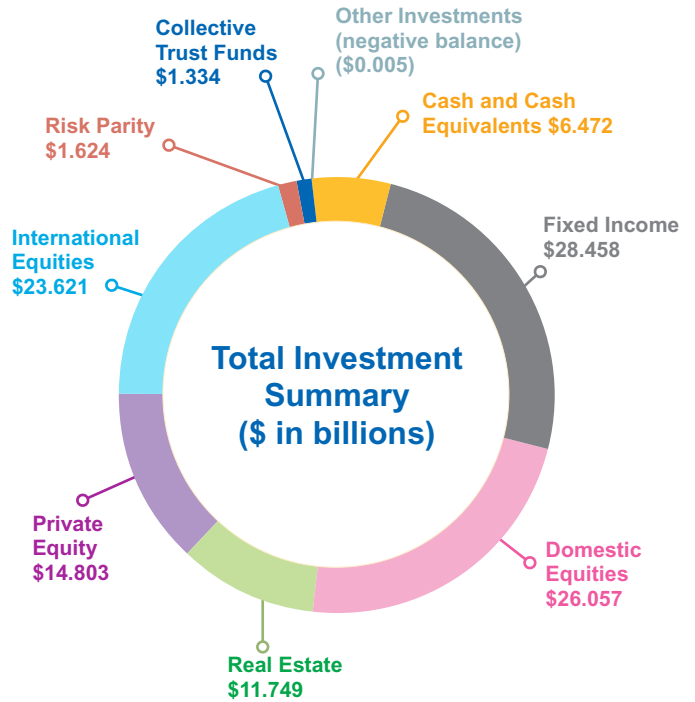


## 2023 Investment Overview

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.

At the end of 2021, the OPERS investment portfolios had just completed the best three-year period since the early 2000’s. In 2022, we experienced widespread negative returns across the majority of asset classes, resulting from elevated geopolitical tensions, persistently high inflation, and rapidly rising interest rates. Many investors anticipated an economic recession in 2023, but the U.S. economy demonstrated resilience, with declining inflation and overall growth in the economy.

In 2023, the OPERS defined benefit portfolio returned 11.26%, which was above the assumed rate of return of 6.9%. The health care portfolio returned 13.97%, also above 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 2023 was 11.72%.



## Historical Investment Returns (net of fees)

Year	Total Portfolio Return	Total Defined Benefit Return	Total Health Care Return	Total Defined Contribution Return
2023	11.72%	11.26%	13.97%	18.08%
2022	(12.49)	(12.03)	(15.51)	(16.00)
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

It is important to put the annual returns of 2023 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 desired 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.



# Funding Retiree Pension Benefits 2023



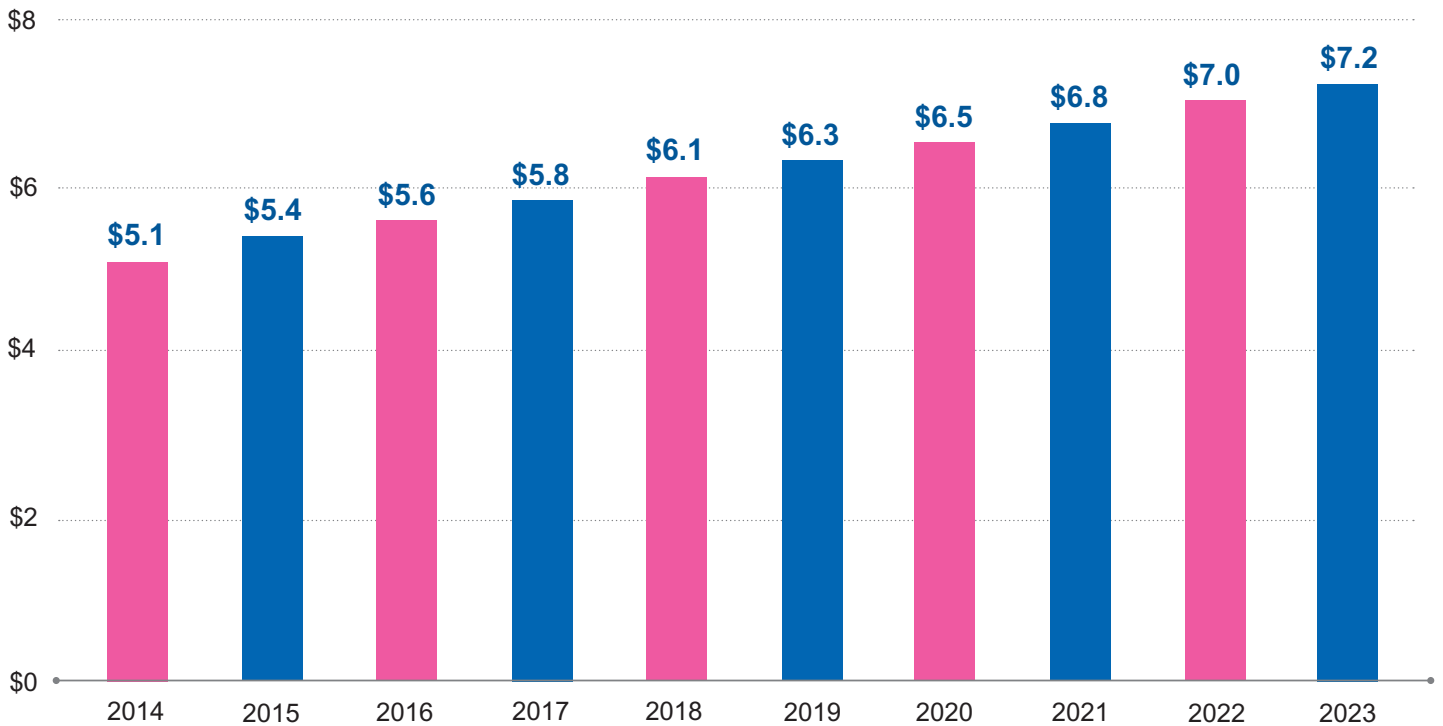
## OPERS Provides Secure Retirement

For nearly 90 years, OPERS has provided a secure financial retirement to Ohio public employees through 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 to members year after year? Only through responsible actions, strict adherence to stringent financial practices, and the focus to anticipate and plan for change. This has allowed the System to face challenges such as members working longer with a higher final average salary, retirees 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 41.4% over the past 10 years, from \$5.1 billion in 2014 to \$7.2 billion in 2023.

## Pension Benefits Paid (\$ in billions)



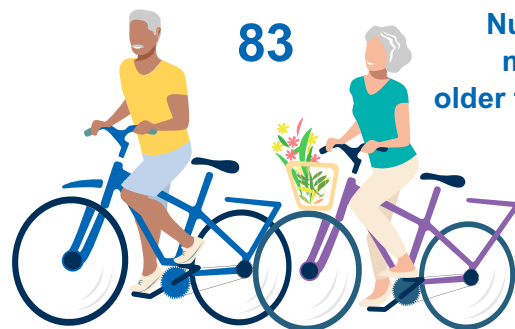
## 2023 Facts

Age of oldest  
OPERS member



83

Number of  
members  
older than 100



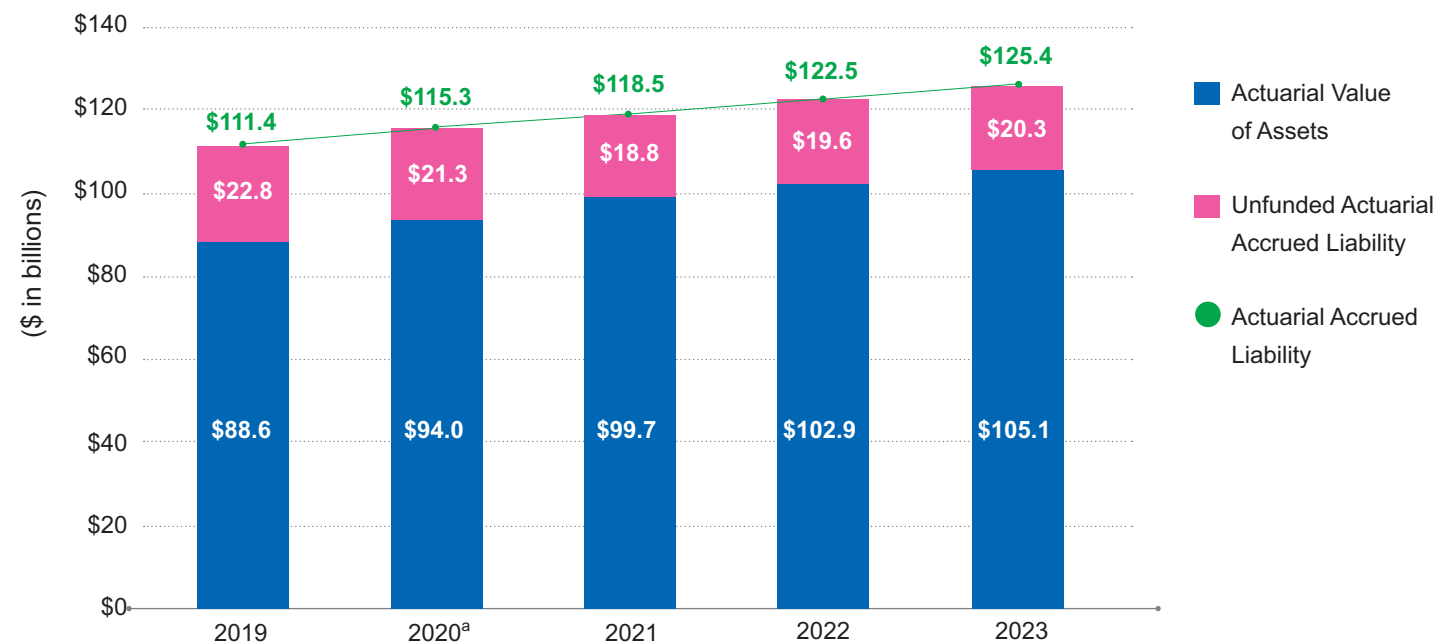


## Pension Funding Status

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, 2023 valuation funded status was 83.8%. The unfunded liability was expected to be funded within 15 years on a funding basis. We are dedicated to maintaining and enhancing the stability of this System.

### Components of Unfunded Actuarial Accrued Liability for Pension<sup>1</sup> (All Plans)

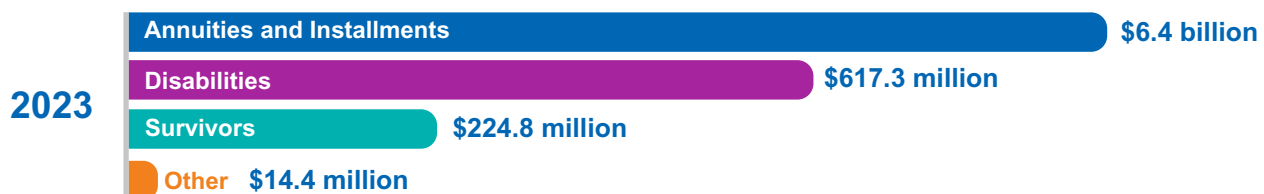


Funded Ratios	79.5%	81.5%	84.1%	84.0%	83.8%
Funding Years	23	21	16	16	15

<sup>a</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.

## Pension benefit payments by type



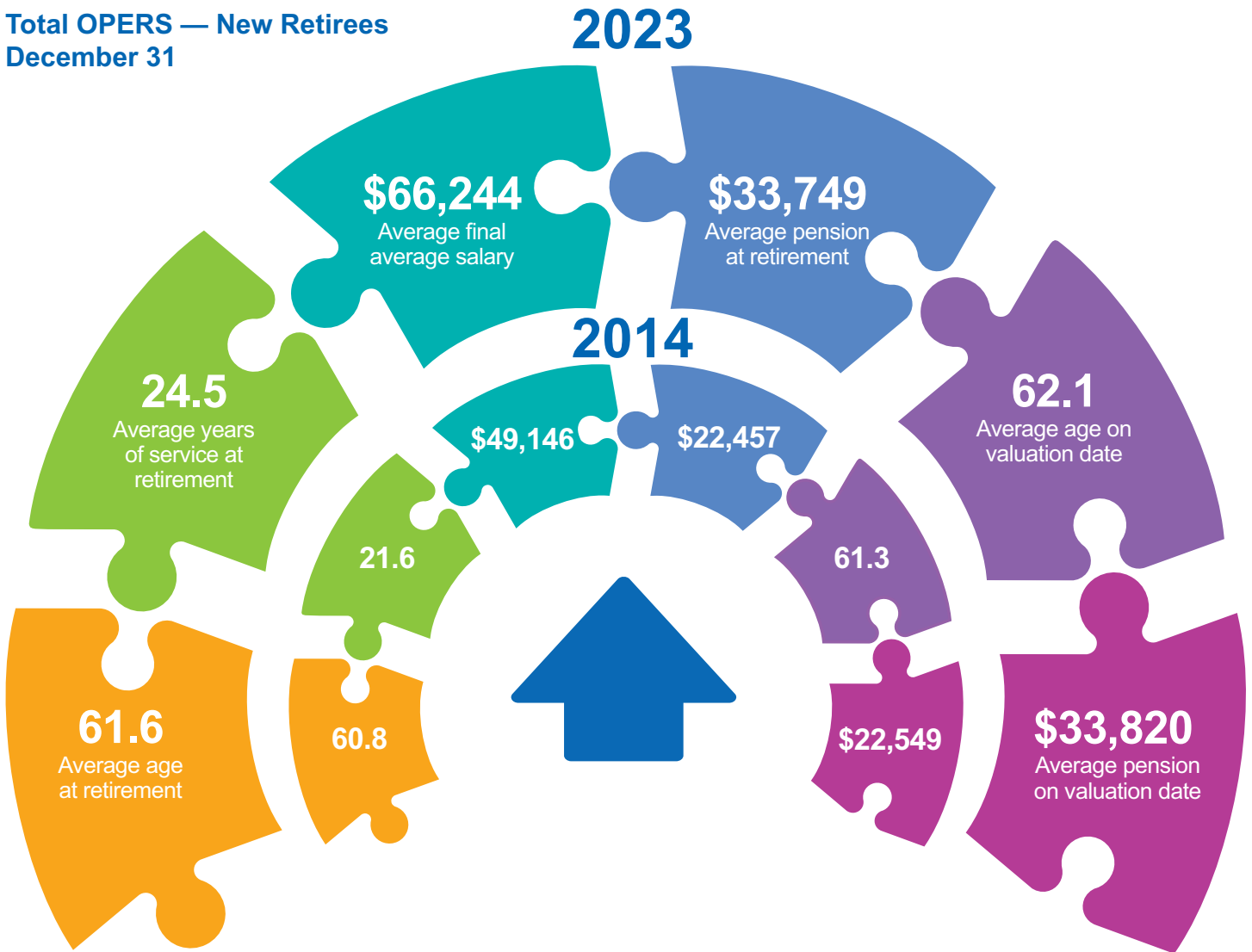
# Average Retiree Pension Benefits 2023



## 2023 Averages At-a-Glance

The average benefits paid to retirees receiving a defined benefit 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.

### Total OPERS — New Retirees December 31



### Active members by employer type employers (top number)



235 State	236 County	244 Municipalities	513 Miscellaneous	253 Libraries	1,307 Townships	653 Villages	239 Law Enforcement/ Public Safety
112,400 employees	86,483 employees	48,850 employees	20,241 employees	11,854 employees	9,999 employees	10,497 employees	8,132 employees

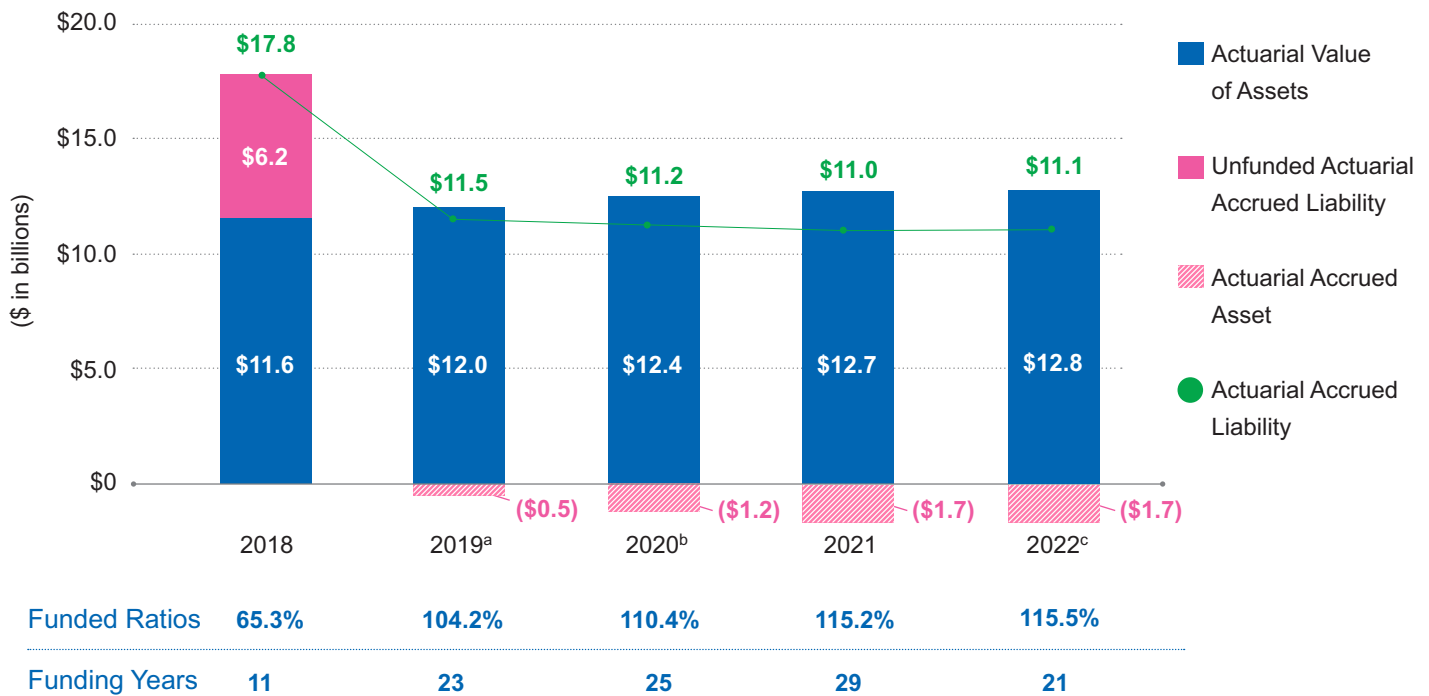
# 2023 Funding Retiree Health Care



## Health Care Funding Status

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 health care 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. As of the December 31, 2022 health care actuarial funding valuation (the most recent), OPERS was 115.5% funded. In the absence of employer contributions, the health care fund is expected to become insolvent after 21 years.

### Components of Unfunded Actuarial Accrued Liability/(Asset) for Health Care<sup>1</sup>



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

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

<sup>c</sup> The health care information is a year in arrears. Thus, 2022 reflects the most recent actuarial valuation and does not reflect the 2023 investment market gains.

<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.

## Preserving Health Care

Through the years, OPERS has worked to make responsible decisions to thoughtfully change the health care program to be both sustainable for the long term and to ensure a consistent level of value between generations. 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.



In addition to the termination of the group plans, eligibility requirements were also changed. Eligibility requirements for those who retire after January 1, 2022, and who are in the Traditional Pension Plan or Combined Plan, are:

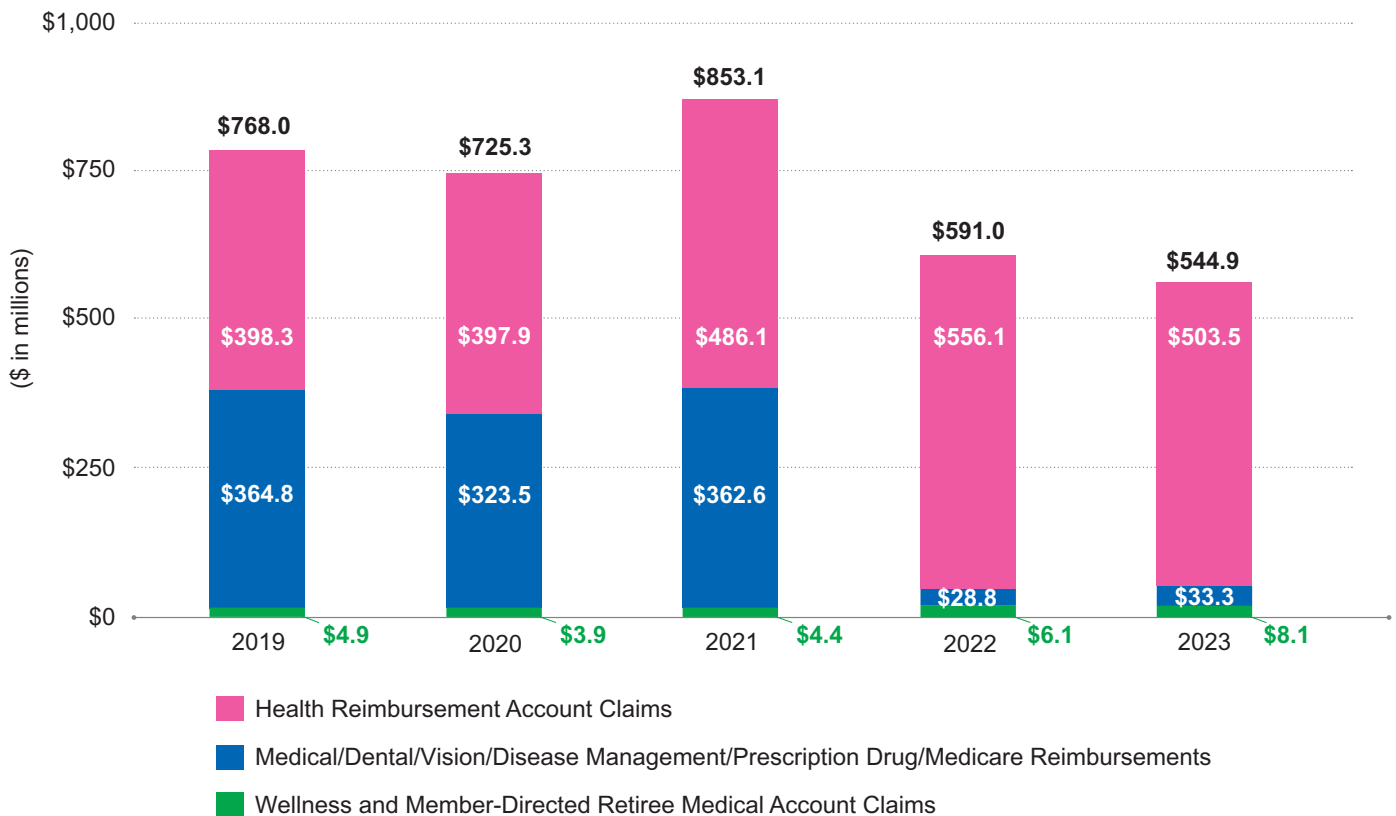
- **Medicare Retirees**—Medicare-eligible with a minimum of 20 years of qualifying service credit.
- **Non-Medicare Retirees**—Non-Medicare retirees qualify based on their group—each group measures years of service credit and age to determine access to health care (refer to the annual report, OPERS website at [opers.org](http://opers.org), or contact a counselor for specific group information).

The impact of these changes significantly reduced health care costs from \$0.9 billion in 2021 to \$0.6 billion in 2022. These changes were recognized in the valuation of the actuarial accrued liability beginning with the 2019 health care valuation. As a result, the actuarial accrued liability decreased substantially from \$17.8 billion in 2018 to \$11.5 billion in 2019. The actuarial accrued asset continued to grow through 2021 to \$1.7 billion. In 2022, the actuarial accrued asset remained stable at \$1.7 billion, as did the funded ratio at 115.5%. The funding years declined from 29 to 21 due to the poor investment returns in 2022.

## HRA Allowances

The majority of retirees receiving health care benefits are members of the Traditional Pension or Combined plan and have a health reimbursement arrangement (HRA) account. Eligible retirees have an allowance and assistance in choosing a health care plan 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 retirees receive a percentage of the base allowance (starting in 2022, \$1,200 per month for non-Medicare retirees and \$350 per month for Medicare retirees) determined by age and qualified years of service at retirement.

### Health Care Costs by Type



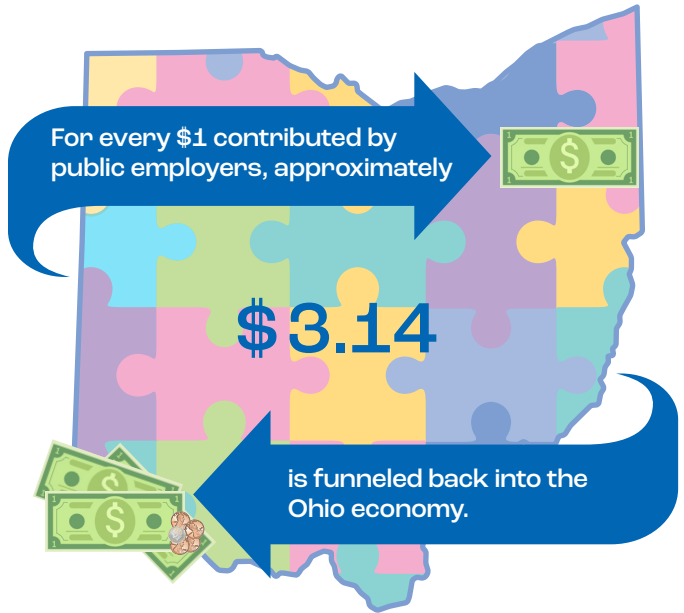
# 2023 Good for Members and Good for Ohio



## OPERS Is Good for Ohio, Consider This:

As the largest public pension system in Ohio, and the 14<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 2023, \$3.14 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.

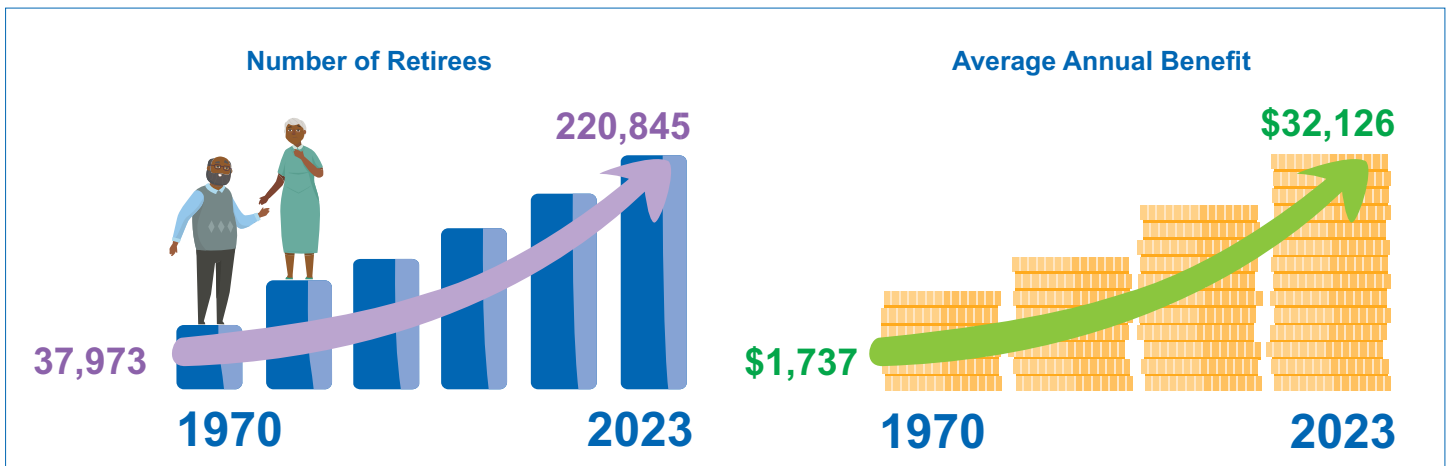


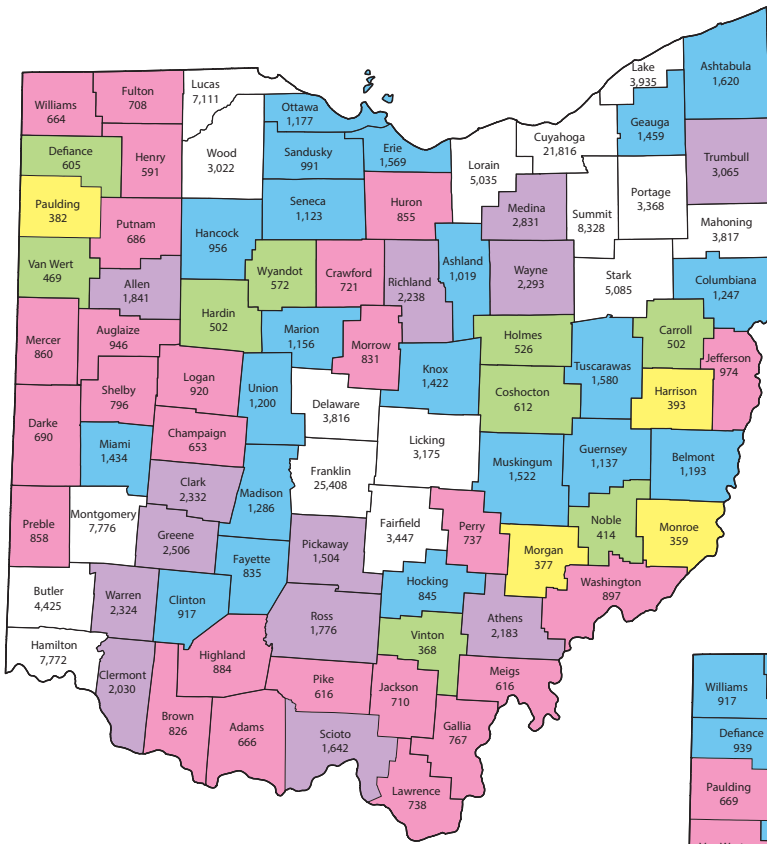
## Member and employer contributions are carefully invested



## Retirement by the Numbers (all plans)

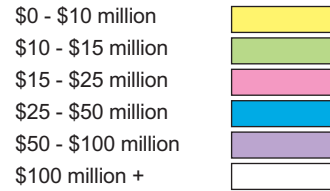
Preparing for financial security in retirement takes planning. All members are encouraged to be active participants in their retirement planning.



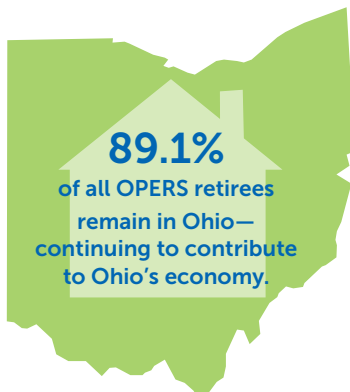
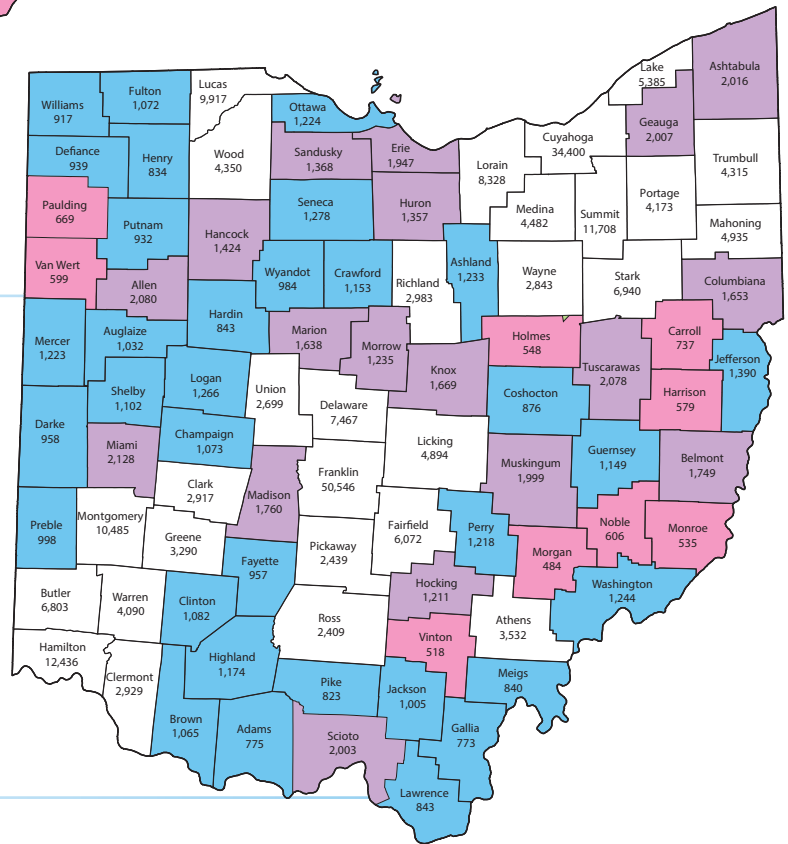


2023 Pension Benefits and Retirees by Ohio County

Retiree Pension Benefits and Active Employees Payroll Color Key



2023 Active Employees and Payroll by Ohio County



- ▲ Of the 220,845 OPERS retirees, 196,880, or 89.1%, remained Ohio residents as of December 31, 2023.
- ▲ Pension benefit payments of \$6.5 billion were distributed throughout Ohio to retirees and their beneficiaries, representing the OPERS impact on the state's economy.



## 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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