

School Employees Retirement System

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March 5, 1998

Artistotle Hutras, Director
Ohio Retirement Study Council
88 East Broad Street, Suite 1175
Columbus, Ohio 43215

Dear Aris:

Enclosed please find, pursuant to section 3309.21(E), a report giving a full accounting of the revenues and costs relating to the provision of benefits under section 3309.375 and 3309.69 of the revised code.

If there are any questions, please feel free to give me a call.

Sincerely,

A handwritten signature in cursive script that reads "Thomas R. Anderson".

THOMAS R. ANDERSON
Executive Director

RETIREMENT BOARD

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President

JEANNIE KNOX
Vice President

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Attorney General

JIM PETRO
Auditor of State



1. A description of the statutory authority for the benefits provided.
 - Section 3309.375 of the Ohio Revised Code (hospital insurance coverage for retirants) requires the School Employees Retirement System, for benefit recipients who qualify pursuant to section 3309.69 of the ORC to provide hospital insurance coverage substantially equivalent to the federal hospital insurance benefits, Medicare. Not less than 25 percent of the cost for such coverage shall be paid from the appropriate funds of SERS and the remainder by the recipient of the allowance or benefit.
 - Section 3309.69 of the Ohio Revised Code (Group hospitalization coverage; ineligible individuals; service credit, alternative use of HMO) establishes contributing service requirements of at least 10 years to be eligible for health care benefits.

The Board may enter into agreements with insurance companies, health insurance corporations and health maintenance organizations. If all or a portion of the cost is to be paid by the retiree, written authorization is required for a deduction from benefits paid.

The Board is required to reimburse retirees who qualify, the cost of the Medicare B premium, up to \$24.80.

The Board is authorized to adopt rules, including a rule coordinating coverage, payment or benefits with the other retirement systems.

2. Summary of Benefits

See pages 10 and 11 (Health Care Manual)

3. Summary of Eligibility requirements for the benefits

See page 2 (Health Care Manual)

4. A statement of the number of participants eligible for benefits.

- The School Employees Retirement System currently provides 61,200 retirees and dependents access to the health care programs.

5. A description of the accounting, asset valuation, and funding method used to provide the benefits.

- Health care benefits are funded from 2 primary sources. The current employer contribution rate of 14% is allocated to basic retirement benefits and to health care benefits. The portion of the 14% needed to cover normal pension cost plus an amortization of the unfunded actuarial accrued liability over 24 years is used to fund pensions. The remaining portion of the 14% is used to fund health care benefits and is allocated to a health care fund.

In addition a health care surcharge on employers is collected for employees earning less than an actuarially determined minimum pay, pro-rated according to service credit earned.

During fiscal year 1995, the retirement board discontinued the advance-funding of health care benefits on an actuarially determined basis, and adopted pay-as-you-go funding of health care. The minimum reserve for health care benefits equals 125% of annual health care expenses.

Assets in the health care fund are valued and carried at cost.

6. A statement of net assets available for the provision of the benefits as of the last day of the fiscal year.

(see attached)

7. A statement of any changes in the net assets available for the provision of benefits, including participant and employer contributions, net investment income, administrative expenses, and benefits provided to participants, as of the last day of the fiscal year.

(see attached)

8. For the last six consecutive fiscal years, a schedule of net assets available for the benefits, the annual cost of benefits, administrative expenses incurred, and annual employer contributions allocated for the provision of benefits.

(see attached)

9. A description of any significant changes that affect the comparability of the report required under this division.

- There are no significant changes noted.

SERS HEALTH CARE FUND 1988-1997

	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997
Beginning balance of health care account	\$132,639,439	\$133,127,155	\$144,343,944	\$148,521,618	\$142,699,608	\$137,934,303	\$127,509,989	\$128,756,576	\$138,209,995	\$135,804,311
Increases to health care account:										
Monthly liability transfer	48,991,823	52,167,976	51,833,585	50,637,740	56,039,482	60,385,800	67,693,922	66,566,524	52,820,647	67,003,962
Reversal of prior year expenses	14,193,944	14,372,957	15,609,733	17,072,558	16,946,992	18,787,758	20,569,534	18,548,746	17,332,734	14,714,850
Deductions for insurance coverage	4,652,816	4,934,164	5,594,940	6,186,984	7,188,462	8,871,458	10,133,749	10,756,420	10,731,246	10,683,769
Aetna Suffix 12 premiums	0	0	254,038	257,672	278,136	319,985	368,142	357,571	516,671	668,131
National Rx	137,484	170,228	266,474	56,535	22,990	1,059,245	68,558	829,627	935,367	2,629,794
Surcharge - estimated	0	14,010,284	15,236,257	14,595,609	21,000,000	19,000,000	21,500,000	21,800,000	23,000,000	28,000,000
Surcharge - prior year adjustments	0	0	0	(9,985)	99,819	(1,815,005)	(755,066)	(1,555,779)	1,131,511	2,288,515
	<u>67,976,067</u>	<u>85,665,609</u>	<u>88,795,027</u>	<u>88,797,113</u>	<u>101,575,881</u>	<u>106,609,241</u>	<u>119,578,837</u>	<u>117,303,109</u>	<u>106,468,176</u>	<u>125,989,021</u>
Decreases to health care account:										
Paid claims	40,352,565	42,708,367	47,487,656	55,360,400	60,257,254	65,347,356	66,528,875	92,808,391	96,818,076	99,857,728
Checks to insurance carriers	14,691,902	16,744,612	19,795,515	22,899,443	27,243,060	30,200,843	31,558,471	8,969,485	8,195,303	9,985,963
Accrual of current year expenses	14,372,957	15,609,733	17,072,558	16,946,992	18,787,758	20,569,534	18,548,746	17,056,247	14,714,850	16,282,050
Medicare premiums paid	8,196,435	10,115,924	11,642,961	10,859,817	11,056,159	11,321,206	11,627,705	0	0	0
	<u>77,613,859</u>	<u>85,178,636</u>	<u>95,998,690</u>	<u>106,066,657</u>	<u>117,344,231</u>	<u>127,438,939</u>	<u>128,263,797</u>	<u>118,833,123</u>	<u>119,728,229</u>	<u>126,125,741</u>
Balance before interest	123,001,647	133,604,128	137,140,281	131,252,074	126,931,258	117,104,605	118,825,029	127,226,562	124,949,942	135,667,591
Statutory interest	10,125,508	10,739,816	11,381,337	11,447,534	11,003,045	10,405,384	9,931,547	10,983,433	10,854,369	10,716,233
Ending balance	<u>\$133,127,155</u>	<u>\$144,343,944</u>	<u>\$148,521,618</u>	<u>\$142,699,608</u>	<u>\$137,934,303</u>	<u>\$127,509,989</u>	<u>\$128,756,576</u>	<u>\$138,209,995</u>	<u>\$135,804,311</u>	<u>\$146,383,824</u>