ORSC Background

The Ohio Retirement Study Council (ORSC) was created in 1968 to assist the state legislature, governor, and other public officials in the formation of sound public pension policy, and is one of the oldest public oversight councils in the country. Committed to a fair and fiscally sound retirement program for Ohio's public employees, the Ohio legislature saw a real need for independent advice, both fiscally and policy-wise. Hence, the Council was created to provide leadership before the legislature when the retirement systems and interest groups are divided in their objectives.

The general purpose of the Council is to advise and inform the state legislature on all matters relating to the benefits, funding, investment, and administration of the five statewide retirement systems in Ohio. The state retirement systems have combined assets totaling over $186 billion as of January 2008 and provide retirement, disability and survivor coverage to over 1.5 million active and inactive members, retirees, and their beneficiaries.

The Council is composed of fourteen members: three members of the House appointed by the Speaker; three members of the Senate appointed by the President; three members appointed by the Governor, one representing the state, another representing local governments, and the third representing public education institutions; and the five executive directors of the state retirement systems, who are nonvoting members.

By law, each system pays a proportionate share of the Council's annual expenses; the Council receives no legislative appropriations.

History of Ohio's Public Retirement Systems

Ohio public employees contribute to one of the five statewide public retirement systems in lieu of Social Security coverage. The State Teachers Retirement System was created in 1920 and covers public school employees whose position requires a teaching certificate. The Public Employees Retirement System was created in 1935 and covers state and local public employees not covered by another state or local retirement system. The School Employees Retirement System was created in 1937 and covers non-teaching public school employees.

The Highway Patrol Retirement System was created in 1944 and is limited to state highway patrol troopers. The Ohio Police and Fire Pension Fund was created in 1967 when 454 local police and fire pension funds from around the state were consolidated. It covers full-time municipal police officers and firefighters.

The Social Security Act was adopted by Congress in 1935 and excluded state and local government employees from coverage. During the 1950's, Congress enacted several pieces of legislation making state and local government employees eligible for Social Security coverage for the first time, provided the state entered into a voluntary agreement with the Social Security Administration. States had the option to terminate these agreements up until 1983 when Congress unilaterally decided to make these pre-1983 agreements permanent as part of an effort to save Social Security from impending financial insolvency.

In 1990 Congress continued its pursuit by mandating Social Security coverage for state and local government employees not covered by a public employee retirement system. Many states, including Ohio, responded by amending their plans to mandate coverage for all part-time and seasonal employees who had previously elected to exempt themselves from coverage.

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HEALTH CARE FACTS FOR OHIO'S PUBLIC RETIREMENT SYSTEMS

(January 2009)

In 1974, the five state retirement boards were given broad discretionary authority to provide health care coverage to retirees and their dependents. However, the pension systems' primary obligation, by law, is to provide pension benefits to retired public employees. Unlike pension benefits, which become vested upon retirement, health care benefits are not a vested right under Ohio's public pension laws. Therefore, the boards are authorized to change the premiums, eligibility and level of health care benefits at any time. A 2004 ruling by the Tenth District Court of Appeals (Ohio Association of Public School Employees, et al. v. School Employees Retirement System Board, et al.) upheld the discretionary nature of health care benefits in a lawsuit that had attempted to prevent the SERS Board from making changes to its health care plan. The Ohio Supreme Court declined to review the decision in 2005.

Since 1974 each system has provided some level of comprehensive hospital, medical and prescription drug coverage. In 1977, the systems were required statutorily to reimburse benefit recipients for Medicare Part B premiums (medical). Retirees who do not qualify for Medicare Part A (hospital) are provided equivalent coverage under the systems' health care plans. A 1986 federal law change extends Medicare coverage to all employees hired on or after April 1, 1986.

By law, any health care costs borne by the retirement systems must be financed by employer contributions only. The retirement systems' actuaries review annually the amount of contributions required to fund vested pension benefits. Contributions in excess of what is needed to support those benefits can be allocated to health care.

Beginning in 2006, Medicare began offering a prescription drug benefit known as Medicare D. Pension plans like Ohio's that offer a prescription drug plan receive a subsidy from Medicare.

HEALTH CARE EXPENSES
(Dollars in Millions)

	2007	2006
PERS	$1,282.8	$1,231.9
STRS	503.4	490.1
SERS	219.4	228.6
OP&F	149.2	178.9
HPRS	10.4	8.0
TOTAL	$2,165.2	$2,137.5

PRECRIPTION DRUG EXPENSES
(Dollars in Millions)

	2007	2006
PERS	$431.4	$428.1
STRS	179.5	180.3
SERS	90.0	95.6
OP&F	63.1	71.6
HPRS	3.5	2.8
TOTAL	$767.5	$778.4

FUNDING PERIOD FOR PENSIONS

	2007	2006
PERS State	12	33
PERS Local	12	19
PERS Law	Infinite	Infinite
STRS	26.1	47.2
SERS	29	30
OP&F	Infinite	Infinite
HPRS	27	28

CONTRIBUTION RATES (2009)

	EMPLOYEE	EMPLOYER
PERS State[1]	10.00%	14.00%
PERS Local[1]	10.00%	14.00%
PERS Public Safety	10.10%	17.87%
PERS Law	10.10%	17.87%
STRS	10.00%	14.00%
SERS	10.00%	14.00%
OP&F Police	10.00%	19.50%
OP&F Fire	10.00%	24.00%
HPRS	10.00%	26.50%

[1]In 2007, the State and Local divisions were combined for actuarial purposes and are now referred to as the General Division.

MONTHLY MEDICARE-B REIMBURSEMENT RATE[2]

	2009	2008
PERS[3]	$96.40	$96.40
STRS[4]	29.90-52.83	29.90-52.83
SERS[5]	45.50	45.50
OP&F[6]	96.40	96.40
HPRS[7]	96.40	96.40

ALLOCATION TO HEALTH CARE

	2009	2008
PERS	7.00%[8]	7.00%
STRS	1.00%	1.00%
SERS[9]	4.16%	4.18%
OP&F	6.75%	6.75%
HPRS	5.50%	4.50%

PROJECTED SOLVENCY PERIOD FOR HEALTH CARE FUNDS

PERS (as of 12/31/07)	2038
STRS (as of 1/1/08)[10]	2022-2026
SERS (as of 6/30/08)	2019
OP&F (as of (1/1/08)	2032
HPRS (as of 12/31/08)	2025

[2]The 2008 and 2009 basic monthly premium for Medicare part B is $96.40.
[3]R.C. §145.58(C) allows the board to set the reimbursement at not less than $96.40.
[4]R.C. §3307.39(B) requires the system to pay the greater of $29.90 or the basic premium times a percentage determined by multiplying years of service (up to 30) by up to 3% percent (as determined by the board).
[5]R.C. §3309.69(C) requires the system to pay an amount equal to the basic premium in effect on January 1, 1999.
[6]R.C. §742.45(B) allows the board to set the reimbursement at not less than $96.40.
[7]R.C. §5505.28(B) allows the board to establish the reimbursement rate, not to exceed the basic premium.
[8]Will be reviewed by Board in first quarter 2009.
[9]Excludes employer surcharge.
[10]Range depends on discount rate: 5.5% under GASB assuming not fully funded; 8% assuming full funding.