



# PENSION SUSTAINABILITY

February 2022

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# ALTERNATE BENEFIT FORMULA SCENARIOS

## Assumptions and factors used for estimating the benefit change impact on the Pension Fund:

- The starting point for the attached projections are the results of the June 30, 2021 actuarial valuation.
- All assumptions used in the attached projections are the same as those used in the June 30, 2021 actuarial valuation, including, but not limited to, investment return, payroll growth, inflation, and COLA.
- All assumptions will be met as expected during the projection period.
- No portion of the employer contribution will be allocated to the Health Care fund before the Pension Fund reaches 100% funded.
- After the Pension Fund reaches full funded status, a maximum of 3% will be allocated to the Health Care Fund every year.
- The total number of members remains stable over the projection period; however, the composition of the membership changes over time (current members roll off, new members roll on) based on the assumptions in the June 30, 2021 actuarial valuation.
- The Normal Cost Rate represents the employer portion of the normal cost rate as calculated by the actuaries on an annual basis.
- Baseline: Current benefit multiplier of 2.2% per year up to 30 years and 2.5% for each year after 30 years.
- 2.00%/2.30%: Benefit formula multiplier of 2.00% per year up to 30 years and 2.30% for each year after 30 years.
- Graded Formula: Laddered benefit formula multiplier with no bump when moving to the next tier:

Years of Service	Benefit Formula Multiplier (with no bump)
1 – 10	1.9
11 – 15	2.0
16 – 20	2.1
21– 30	2.2
30+	2.3

- Graded Formula All Years: Laddered benefit formula multiplier with a bump when moving to the next tier:

Years of Service	Benefit Formula Multiplier (with bump)
1 – 10	1.9
11 – 15	2.0
16 – 20	2.1
21– 30	2.2
30+	2.3



# SUMMARY IMPACTS

MEMBER COUNTS				BASE LINE					2.00%/2.30% FORMULA					GRADED FORMULA					GRADED FORMULA ALL YEARS				
Year	Current Members	New Members	Total Members	Normal Cost Rate	Funded Ratio	Net External Cash Flow (Millions of \$'s)	Negative Cash Flow %	Projected Benefit Payments (Millions of \$'s)	Normal Cost Rate	Funded Ratio	Net External Cash Flow (Millions of \$'s)	Negative Cash Flow %	Projected Benefit Payments (Millions of \$'s)	Normal Cost Rate	Funded Ratio	Net External Cash Flow (Millions of \$'s)	Negative Cash Flow %	Projected Benefit Payments (Millions of \$'s)	Normal Cost Rate	Funded Ratio	Net External Cash Flow (Millions of \$'s)	Negative Cash Flow %	Projected Benefit Payments (Millions of \$'s)
2021	146,646	-	146,646	1.26%	74%	(\$534)	-3.21%	\$1,497	1.26%	74%	(\$534)	-3.21%	\$1,497	1.26%	74%	(\$534)	-3.21%	\$1,497	1.26%	74%	(\$534)	-3.21%	\$1,497
2022	126,376	20,270	146,646	1.28%	78%	(\$521)	-2.87%	\$1,396	1.22%	78%	(\$521)	-2.87%	\$1,396	1.22%	78%	(\$521)	-2.87%	\$1,396	1.25%	78%	(\$521)	-2.87%	\$1,396
2023	115,223	31,423	146,646	1.28%	82%	(\$553)	-2.93%	\$1,439	1.18%	82%	(\$553)	-2.93%	\$1,439	1.18%	82%	(\$553)	-2.93%	\$1,439	1.24%	82%	(\$553)	-2.93%	\$1,439
2024	106,458	40,188	146,646	1.28%	87%	(\$580)	-2.95%	\$1,477	1.15%	87%	(\$580)	-2.95%	\$1,477	1.15%	87%	(\$580)	-2.95%	\$1,477	1.23%	87%	(\$580)	-2.95%	\$1,477
2025	98,742	47,904	146,646	1.28%	89%	(\$606)	-2.97%	\$1,513	1.12%	89%	(\$606)	-2.97%	\$1,513	1.12%	89%	(\$606)	-2.97%	\$1,513	1.22%	89%	(\$606)	-2.97%	\$1,513
2026	91,750	54,896	146,646	1.28%	90%	(\$635)	-3.00%	\$1,552	1.09%	90%	(\$635)	-3.00%	\$1,552	1.09%	90%	(\$635)	-3.00%	\$1,552	1.21%	90%	(\$635)	-3.00%	\$1,552
2027	85,321	61,325	146,646	1.28%	92%	(\$667)	-3.03%	\$1,594	1.06%	92%	(\$667)	-3.03%	\$1,594	1.06%	92%	(\$667)	-3.03%	\$1,594	1.20%	92%	(\$667)	-3.03%	\$1,594
2028	79,248	67,398	146,646	1.28%	94%	(\$699)	-3.06%	\$1,637	1.03%	94%	(\$699)	-3.06%	\$1,637	1.03%	94%	(\$699)	-3.06%	\$1,637	1.19%	94%	(\$699)	-3.06%	\$1,637
2029	73,517	73,129	146,646	1.28%	95%	(\$734)	-3.10%	\$1,683	1.00%	96%	(\$734)	-3.10%	\$1,683	1.00%	96%	(\$734)	-3.10%	\$1,683	1.17%	95%	(\$734)	-3.10%	\$1,683
2030	67,978	78,668	146,646	1.28%	97%	(\$770)	-3.13%	\$1,730	0.97%	98%	(\$770)	-3.13%	\$1,730	0.97%	97%	(\$770)	-3.13%	\$1,730	1.16%	97%	(\$770)	-3.13%	\$1,730
2031	62,653	83,993	146,646	1.28%	99%	(\$806)	-3.16%	\$1,779	0.93%	99%	(\$806)	-3.16%	\$1,779	0.94%	99%	(\$806)	-3.16%	\$1,779	1.15%	99%	(\$806)	-3.16%	\$1,779
2032	57,396	89,250	146,646	1.28%	101%	(\$843)	-3.19%	\$1,828	0.90%	102%	(\$843)	-3.19%	\$1,828	0.91%	102%	(\$843)	-3.19%	\$1,828	1.13%	101%	(\$843)	-3.19%	\$1,828
2033	52,955	93,691	146,646	1.27%	103%	(\$1,003)	-3.67%	\$1,877	0.87%	103%	(\$1,003)	-3.67%	\$1,877	0.88%	103%	(\$1,003)	-3.67%	\$1,877	1.12%	103%	(\$1,003)	-3.67%	\$1,877
2034	48,860	97,786	146,646	1.27%	105%	(\$1,037)	-3.68%	\$1,924	0.84%	105%	(\$1,036)	-3.68%	\$1,923	0.85%	105%	(\$1,036)	-3.68%	\$1,923	1.11%	105%	(\$1,036)	-3.68%	\$1,923
2035	45,077	101,569	146,646	1.26%	106%	(\$1,067)	-3.67%	\$1,968	0.81%	107%	(\$1,067)	-3.67%	\$1,967	0.82%	107%	(\$1,066)	-3.67%	\$1,967	1.10%	107%	(\$1,066)	-3.67%	\$1,967
2036	41,563	105,083	146,646	1.26%	108%	(\$1,095)	-3.65%	\$2,010	0.79%	109%	(\$1,094)	-3.65%	\$2,009	0.80%	109%	(\$1,093)	-3.65%	\$2,008	1.09%	109%	(\$1,093)	-3.65%	\$2,008
2037	38,291	108,355	146,646	1.26%	110%	(\$1,118)	-3.62%	\$2,049	0.76%	111%	(\$1,117)	-3.61%	\$2,047	0.77%	111%	(\$1,116)	-3.61%	\$2,047	1.08%	111%	(\$1,116)	-3.61%	\$2,047
2038	35,237	111,409	146,646	1.25%	113%	(\$1,139)	-3.57%	\$2,087	0.73%	114%	(\$1,137)	-3.56%	\$2,085	0.75%	114%	(\$1,136)	-3.56%	\$2,084	1.07%	113%	(\$1,137)	-3.56%	\$2,084
2039	32,393	114,253	146,646	1.25%	115%	(\$1,158)	-3.52%	\$2,124	0.70%	116%	(\$1,155)	-3.51%	\$2,121	0.72%	116%	(\$1,154)	-3.50%	\$2,120	1.06%	115%	(\$1,155)	-3.50%	\$2,121
2040	29,746	116,900	146,646	1.24%	117%	(\$1,170)	-3.44%	\$2,155	0.68%	119%	(\$1,167)	-3.42%	\$2,151	0.70%	119%	(\$1,165)	-3.42%	\$2,150	1.05%	118%	(\$1,166)	-3.42%	\$2,151
2041	27,278	119,368	146,646	1.24%	120%	(\$1,176)	-3.34%	\$2,182	0.65%	122%	(\$1,172)	-3.33%	\$2,177	0.68%	122%	(\$1,170)	-3.32%	\$2,176	1.04%	121%	(\$1,171)	-3.32%	\$2,177
2042	24,983	121,663	146,646	1.24%	123%	(\$1,177)	-3.23%	\$2,205	0.63%	125%	(\$1,172)	-3.21%	\$2,200	0.66%	125%	(\$1,170)	-3.20%	\$2,198	1.04%	124%	(\$1,171)	-3.21%	\$2,199
2043	22,810	123,836	146,646	1.24%	126%	(\$1,174)	-3.11%	\$2,226	0.61%	128%	(\$1,168)	-3.09%	\$2,220	0.65%	128%	(\$1,166)	-3.08%	\$2,217	1.03%	127%	(\$1,168)	-3.09%	\$2,220
2044	20,738	125,908	146,646	1.23%	129%	(\$1,168)	-2.98%	\$2,244	0.60%	132%	(\$1,161)	-2.96%	\$2,237	0.63%	132%	(\$1,159)	-2.95%	\$2,235	1.03%	130%	(\$1,161)	-2.96%	\$2,237
2045	18,753	127,893	146,646	1.23%	132%	(\$1,160)	-2.84%	\$2,262	0.58%	135%	(\$1,152)	-2.82%	\$2,254	0.62%	135%	(\$1,150)	-2.81%	\$2,252	1.02%	133%	(\$1,152)	-2.82%	\$2,254
2046	16,842	129,804	146,646	1.23%	136%	(\$1,158)	-2.73%	\$2,286	0.56%	139%	(\$1,148)	-2.70%	\$2,277	0.60%	139%	(\$1,145)	-2.69%	\$2,274	1.02%	137%	(\$1,149)	-2.70%	\$2,278
2047	15,034	131,612	146,646	1.23%	139%	(\$1,153)	-2.61%	\$2,309	0.55%	143%	(\$1,142)	-2.58%	\$2,298	0.59%	143%	(\$1,138)	-2.57%	\$2,295	1.02%	141%	(\$1,143)	-2.58%	\$2,300
2048	13,344	133,302	146,646	1.23%	143%	(\$1,144)	-2.48%	\$2,330	0.53%	148%	(\$1,131)	-2.45%	\$2,317	0.58%	147%	(\$1,127)	-2.44%	\$2,314	1.02%	145%	(\$1,133)	-2.45%	\$2,320
2049	11,767	134,879	146,646	1.23%	147%	(\$1,132)	-2.35%	\$2,350	0.52%	152%	(\$1,117)	-2.31%	\$2,335	0.57%	152%	(\$1,113)	-2.30%	\$2,331	1.01%	149%	(\$1,121)	-2.32%	\$2,338
2050	10,255	136,391	146,646	1.24%	151%	(\$1,119)	-2.22%	\$2,369	0.51%	157%	(\$1,101)	-2.18%	\$2,352	0.56%	157%	(\$1,097)	-2.17%	\$2,348	1.01%	153%	(\$1,106)	-2.19%	\$2,356
2051	8,821	137,825	146,646	1.24%	156%	(\$1,101)	-2.09%	\$2,386	0.50%	162%	(\$1,081)	-2.04%	\$2,366	0.55%	162%	(\$1,076)	-2.03%	\$2,362	1.01%	158%	(\$1,087)	-2.05%	\$2,373

**Baseline:** Current benefit multiplier of 2.2% per year up to 30 years and 2.5% for each year after 30 years.

**2.00%/2.30%:** Benefit formula multiplier of 2.00% per year up to 30 years and 2.30% for each year after 30 years.

**Graded Formula:** Laddered benefit formula multiplier with no bump when moving to the next tier:

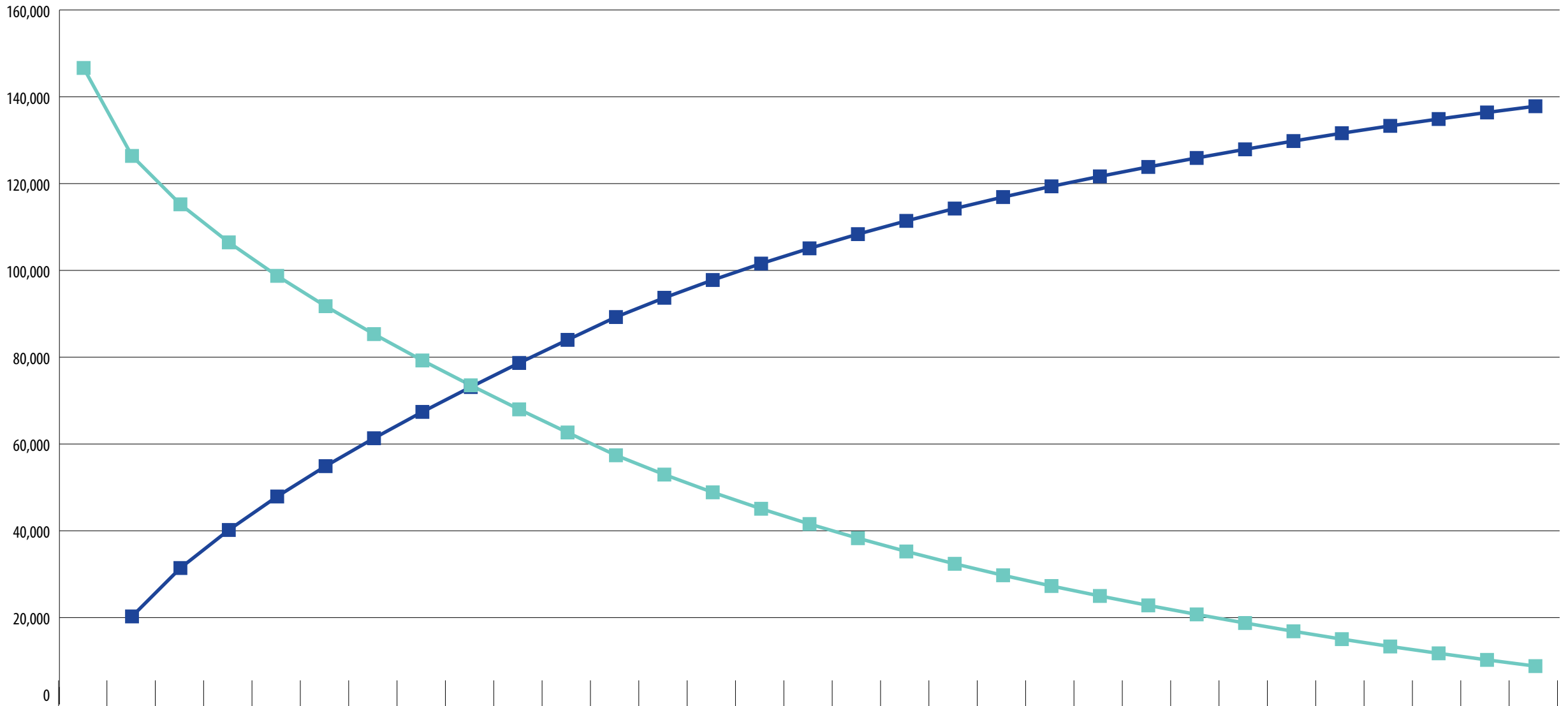
- Years of Service: 1-10 at 1.9
- Years of Service: 11- 15 at 2.0
- Years of Service: 16-20 at 2.1
- Years of Service: 21-30 at 2.2
- Years of Service: 30+ at 2.3

**Graded Formula All Years:** Laddered benefit formula multiplier with a bump when moving to the next tier:

- Years of Service: 1-10 at 1.9
- Years of Service: 11- 15 at 2.0
- Years of Service: 16-20 at 2.1
- Years of Service: 21-30 at 2.2
- Years of Service: 30+ at 2.3



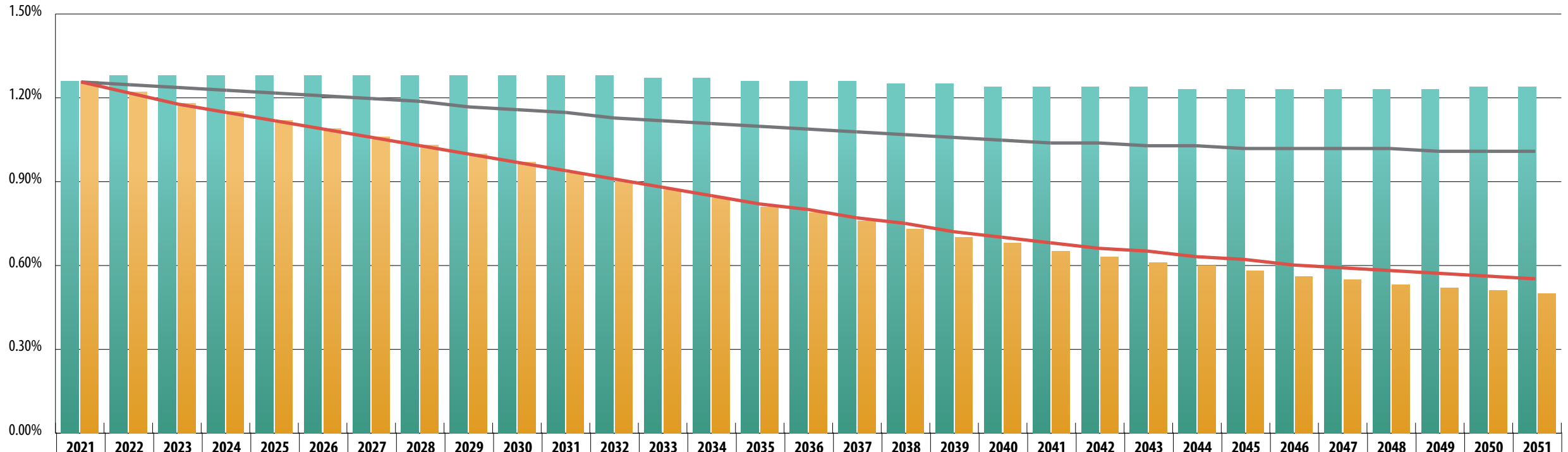
# PROJECTED ACTIVE MEMBER COUNTS



	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039	2040	2041	2042	2043	2044	2045	2046	2047	2048	2049	2050	2051
<b>New Members</b>	-	20,270	31,423	40,188	47,904	54,896	61,325	67,398	73,129	78,668	83,993	89,250	93,691	97,786	101,569	105,083	108,355	111,409	114,253	116,900	119,368	121,663	123,836	125,908	127,893	129,804	131,612	133,302	134,879	136,391	137,825
<b>Current Members</b>	146,646	126,376	115,223	106,458	98,742	91,750	85,321	79,248	73,517	67,978	62,653	57,396	52,955	48,860	45,077	41,563	38,291	35,237	32,393	29,746	27,278	24,983	22,810	20,738	18,753	16,842	15,034	13,344	11,767	10,255	8,821



# PROJECTED EMPLOYER NORMAL COST RATES



	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039	2040	2041	2042	2043	2044	2045	2046	2047	2048	2049	2050	2051
<b>Base Line</b>	1.26%	1.28%	1.28%	1.28%	1.28%	1.28%	1.28%	1.28%	1.28%	1.28%	1.28%	1.28%	1.27%	1.27%	1.26%	1.26%	1.26%	1.25%	1.25%	1.24%	1.24%	1.24%	1.24%	1.23%	1.23%	1.23%	1.23%	1.23%	1.23%	1.24%	1.24%
<b>2.00%/2.30% Formula</b>	1.26%	1.22%	1.18%	1.15%	1.12%	1.09%	1.06%	1.03%	1.00%	0.97%	0.93%	0.90%	0.87%	0.84%	0.81%	0.79%	0.76%	0.73%	0.70%	0.68%	0.65%	0.63%	0.61%	0.6%	0.58%	0.56%	0.55%	0.53%	0.52%	0.51%	0.50%
<b>Graded Formula</b>	1.26%	1.22%	1.18%	1.15%	1.12%	1.09%	1.06%	1.03%	1.00%	0.97%	0.94%	0.91%	0.88%	0.85%	0.82%	0.80%	0.77%	0.75%	0.72%	0.7%	0.68%	0.66%	0.65%	0.63%	0.62%	0.60%	0.59%	0.58%	0.57%	0.56%	0.55%
<b>Graded Formula All Years</b>	1.26%	1.25%	1.24%	1.23%	1.22%	1.21%	1.20%	1.19%	1.17%	1.16%	1.15%	1.13%	1.12%	1.11%	1.10%	1.09%	1.08%	1.07%	1.06%	1.05%	1.04%	1.04%	1.03%	1.03%	1.02%	1.02%	1.02%	1.02%	1.01%	1.01%	1.01%

**Baseline:** Current benefit multiplier of 2.2% per year up to 30 years and 2.5% for each year after 30 years.

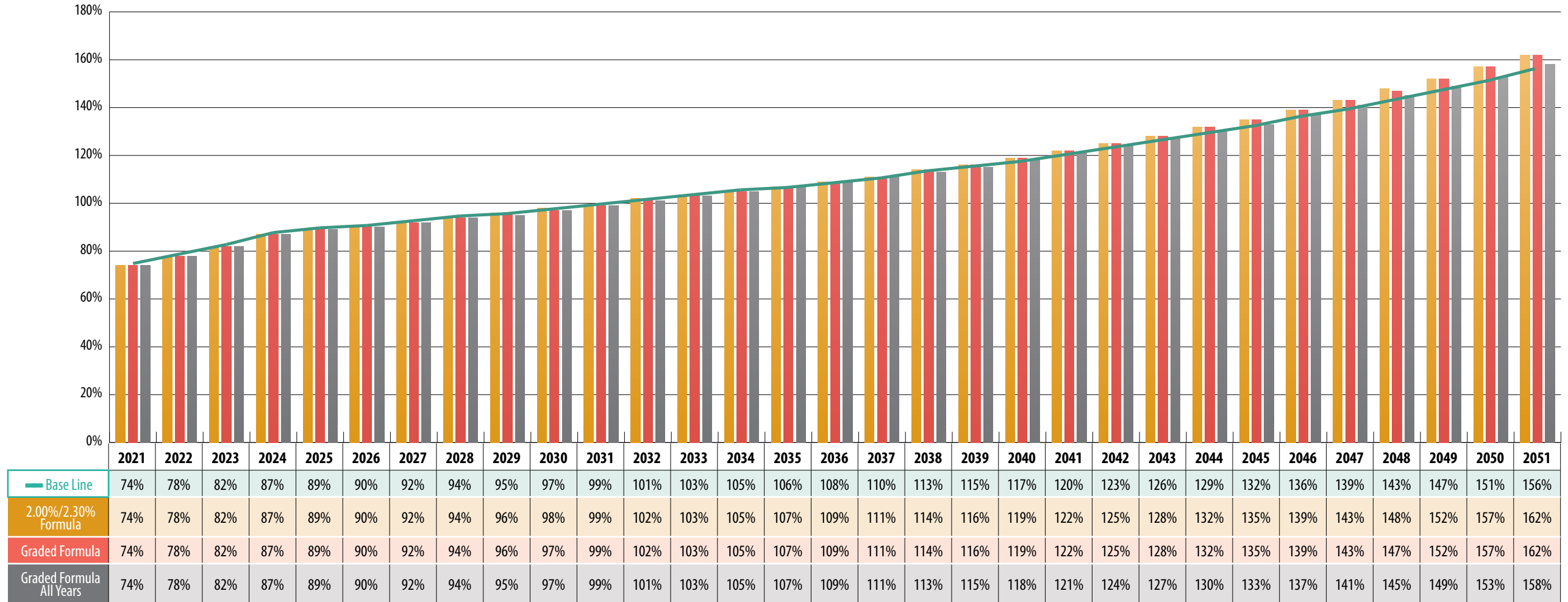
**2.00%/2.30%:** Benefit formula multiplier of 2.00% per year up to 30 years and 2.30% for each year after 30 years.

**Graded Formula:** Laddered benefit formula multiplier with no bump when moving to the next tier: • Years of Service: 1-10 at 1.9 • Years of Service: 11- 15 at 2.0 • Years of Service: 16-20 at 2.1 • Years of Service: 21-30 at 2.2 • Years of Service: 30+ at 2.3

**Graded Formula All Years:** Laddered benefit formula multiplier with a bump when moving to the next tier: • Years of Service: 1-10 at 1.9 • Years of Service: 11- 15 at 2.0 • Years of Service: 16-20 at 2.1 • Years of Service: 21-30 at 2.2 • Years of Service: 30+ at 2.3



# PROJECTED FUNDED RATIO



**Baseline:** Current benefit multiplier of 2.2% per year up to 30 years and 2.5% for each year after 30 years.

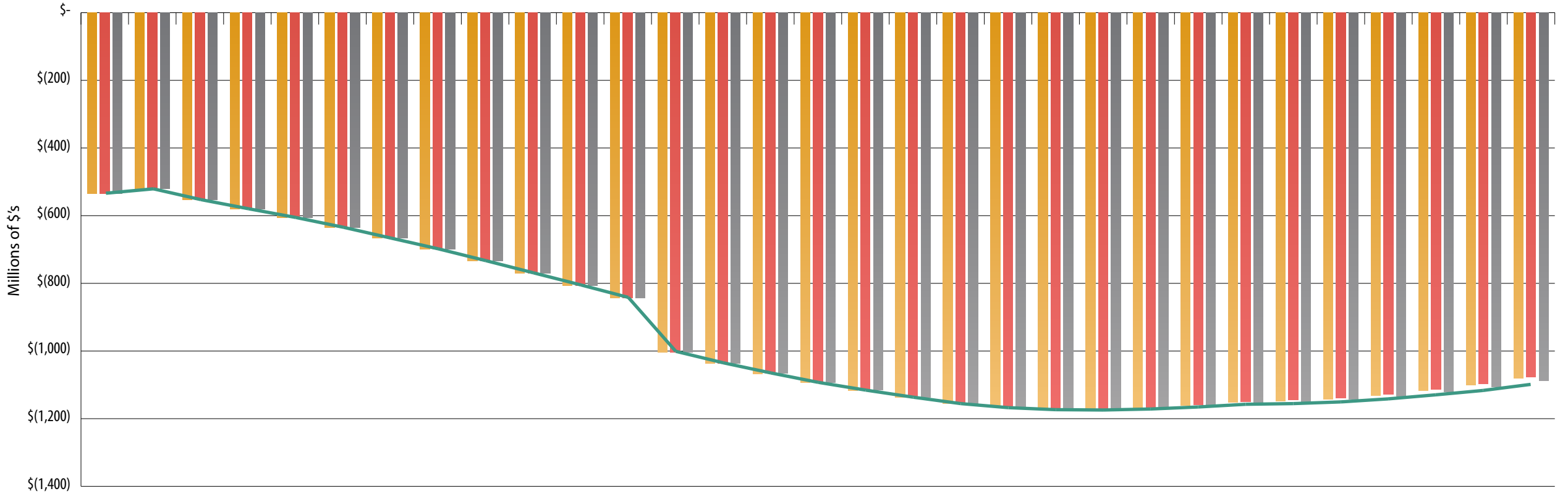
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# NET EXTERNAL CASH FLOW



	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039	2040	2041	2042	2043	2044	2045	2046	2047	2048	2049	2050	2051
— Base Line	(\$534)	(\$521)	(\$553)	(\$580)	(\$606)	(\$635)	(\$667)	(\$699)	(\$734)	(\$770)	(\$806)	(\$843)	(\$1,003)	(\$1,037)	(\$1,067)	(\$1,095)	(\$1,118)	(\$1,139)	(\$1,158)	(\$1,170)	(\$1,176)	(\$1,177)	(\$1,174)	(\$1,168)	(\$1,160)	(\$1,158)	(\$1,153)	(\$1,144)	(\$1,132)	(\$1,119)	(\$1,101)
2.00%/2.30% Formula	(\$534)	(\$521)	(\$553)	(\$580)	(\$606)	(\$635)	(\$667)	(\$699)	(\$734)	(\$770)	(\$806)	(\$843)	(\$1,003)	(\$1,036)	(\$1,067)	(\$1,094)	(\$1,117)	(\$1,137)	(\$1,155)	(\$1,167)	(\$1,172)	(\$1,172)	(\$1,168)	(\$1,161)	(\$1,152)	(\$1,148)	(\$1,142)	(\$1,131)	(\$1,117)	(\$1,101)	(\$1,081)
Graded Formula	(\$534)	(\$521)	(\$553)	(\$580)	(\$606)	(\$635)	(\$667)	(\$699)	(\$734)	(\$770)	(\$806)	(\$843)	(\$1,003)	(\$1,036)	(\$1,066)	(\$1,093)	(\$1,116)	(\$1,136)	(\$1,154)	(\$1,165)	(\$1,170)	(\$1,170)	(\$1,166)	(\$1,159)	(\$1,150)	(\$1,145)	(\$1,138)	(\$1,127)	(\$1,113)	(\$1,097)	(\$1,076)
Graded Formula All Years	(\$534)	(\$521)	(\$553)	(\$580)	(\$606)	(\$635)	(\$667)	(\$699)	(\$734)	(\$770)	(\$806)	(\$843)	(\$1,003)	(\$1,036)	(\$1,066)	(\$1,093)	(\$1,116)	(\$1,137)	(\$1,155)	(\$1,166)	(\$1,171)	(\$1,171)	(\$1,168)	(\$1,161)	(\$1,152)	(\$1,149)	(\$1,143)	(\$1,133)	(\$1,121)	(\$1,106)	(\$1,087)

**Baseline:** Current benefit multiplier of 2.2% per year up to 30 years and 2.5% for each year after 30 years.

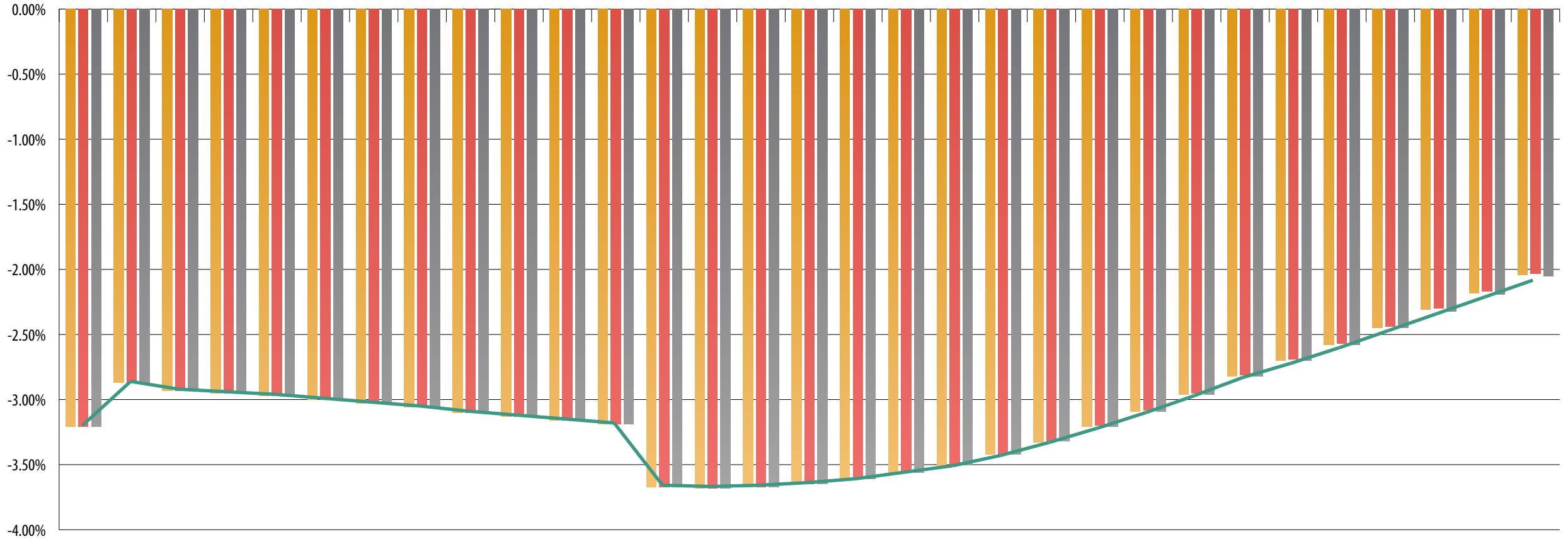
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# PROJECTED NEGATIVE CASH FLOW AS A PERCENTAGE OF MARKET VALUE OF ASSETS



	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039	2040	2041	2042	2043	2044	2045	2046	2047	2048	2049	2050	2051
<b>Base Line</b>	-3.21%	-2.87%	-2.93%	-2.95%	-2.97%	-3.00%	-3.03%	-3.06%	-3.10%	-3.13%	-3.16%	-3.19%	-3.67%	-3.68%	-3.67%	-3.65%	-3.62%	-3.57%	-3.52%	-3.44%	-3.34%	-3.23%	-3.11%	-2.98%	-2.84%	-2.73%	-2.61%	-2.48%	-2.35%	-2.22%	-2.09%
<b>2.00%/2.30% Formula</b>	-3.21%	-2.87%	-2.93%	-2.95%	-2.97%	-3.00%	-3.03%	-3.06%	-3.10%	-3.13%	-3.16%	-3.19%	-3.67%	-3.68%	-3.67%	-3.65%	-3.61%	-3.56%	-3.51%	-3.42%	-3.33%	-3.21%	-3.09%	-2.96%	-2.82%	-2.70%	-2.58%	-2.45%	-2.31%	-2.18%	-2.04%
<b>Graded Formula</b>	-3.21%	-2.87%	-2.93%	-2.95%	-2.97%	-3.00%	-3.03%	-3.06%	-3.10%	-3.13%	-3.16%	-3.19%	-3.67%	-3.68%	-3.67%	-3.65%	-3.61%	-3.56%	-3.50%	-3.42%	-3.32%	-3.20%	-3.08%	-2.95%	-2.81%	-2.69%	-2.57%	-2.44%	-2.30%	-2.17%	-2.03%
<b>Graded Formula All Years</b>	-3.21%	-2.87%	-2.93%	-2.95%	-2.97%	-3.00%	-3.03%	-3.06%	-3.10%	-3.13%	-3.16%	-3.19%	-3.67%	-3.68%	-3.67%	-3.65%	-3.61%	-3.56%	-3.50%	-3.42%	-3.32%	-3.21%	-3.09%	-2.96%	-2.82%	-2.70%	-2.58%	-2.45%	-2.32%	-2.19%	-2.05%

**Baseline:** Current benefit multiplier of 2.2% per year up to 30 years and 2.5% for each year after 30 years.

**2.00%/2.30%:** Benefit formula multiplier of 2.00% per year up to 30 years and 2.30% for each year after 30 years.

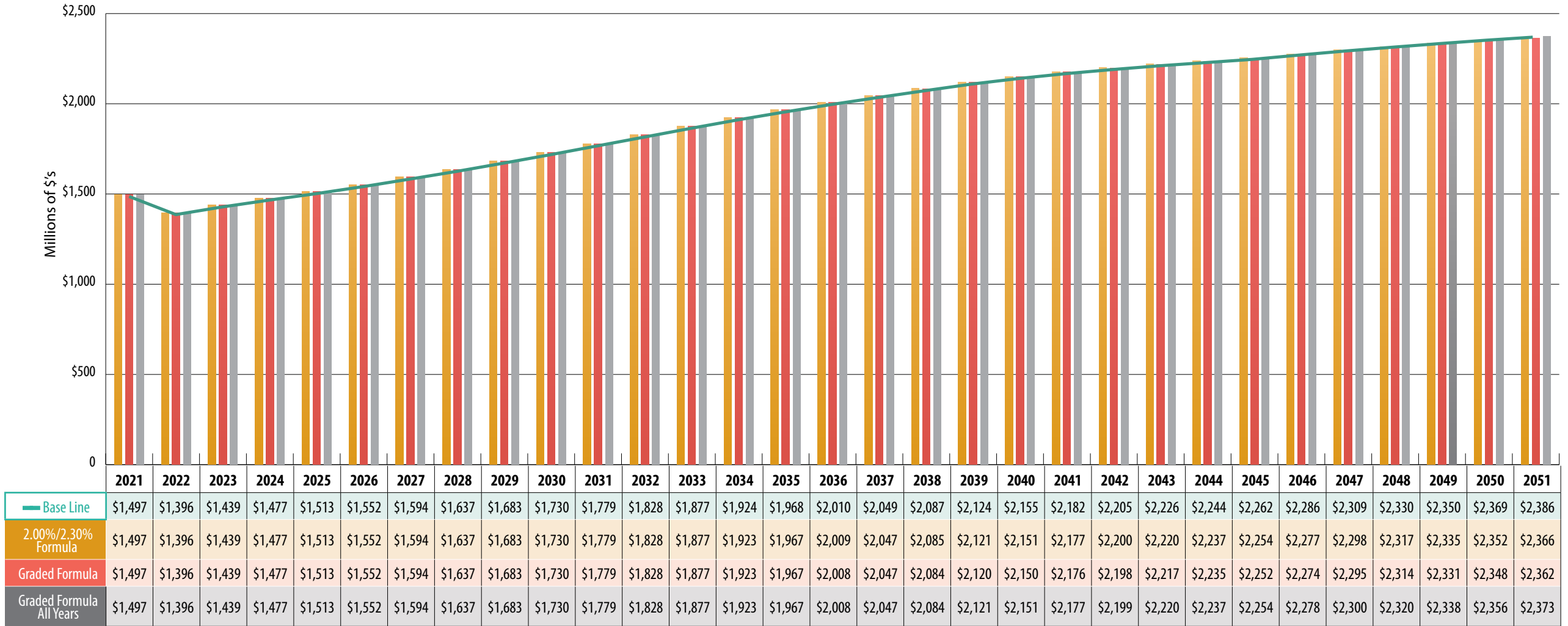
**Graded Formula:** Laddered benefit formula multiplier with no bump when moving to the next tier: • Years of Service: 1-10 at 1.9 • Years of Service: 11- 15 at 2.0 • Years of Service: 16-20 at 2.1 • Years of Service: 21-30 at 2.2 • Years of Service: 30+ at 2.3

**Graded Formula All Years:** Laddered benefit formula multiplier with a bump when moving to the next tier: • Years of Service: 1-10 at 1.9 • Years of Service: 11- 15 at 2.0 • Years of Service: 16-20 at 2.1 • Years of Service: 21-30 at 2.2 • Years of Service: 30+ at 2.3





# PROJECTED BENEFIT PAYMENTS



**Baseline:** Current benefit multiplier of 2.2% per year up to 30 years and 2.5% for each year after 30 years.

**2.00%/2.30%:** Benefit formula multiplier of 2.00% per year up to 30 years and 2.30% for each year after 30 years.

**Graded Formula:** Laddered benefit formula multiplier with no bump when moving to the next tier: • Years of Service: 1-10 at 1.9 • Years of Service: 11- 15 at 2.0 • Years of Service: 16-20 at 2.1 • Years of Service: 21-30 at 2.2 • Years of Service: 30+ at 2.3

**Graded Formula All Years:** Laddered benefit formula multiplier with a bump when moving to the next tier: • Years of Service: 1-10 at 1.9 • Years of Service: 11- 15 at 2.0 • Years of Service: 16-20 at 2.1 • Years of Service: 21-30 at 2.2 • Years of Service: 30+ at 2.3



# MEDICARE PART B

## The History of the Medicare Part B Reimbursement at SERS

- Since 1977, SERS has provided a Medicare Part B reimbursement to assist with the Medicare Part B cost. The reimbursement is funded within and provided from the Pension Fund – not the Health Care Fund – and is paid as part of the monthly pension benefit payment. The health care plan participant pays the Medicare Part B premium directly or has it deducted from their Social Security benefit (if any).
- From 1977 to 2013 all retirees enrolled in Medicare Part B received the Medicare Part B reimbursement irrespective of whether they were participating in SERS' health care program. Beginning in 2013, eligibility for the reimbursement changed, and since that time a retiree has to be enrolled in Medicare Part B and participate in SERS' retiree health care program in order to receive the reimbursement. However, retirees as of 2013 who were not enrolled in SERS' health care program were 'grandfathered' for eligibility purposes and have continued to receive the reimbursement. The number of grandfathered benefit recipients declines annually due to mortality.
- The current Medicare Part B reimbursement is \$45.50 per month but it has changed several times since it was implemented, as has the percentage of the Med B premium covered by the reimbursement.
  - When it was instituted in 1977, the reimbursement covered 100% of the cost of the Medicare Part B premium (\$7.20).
  - In 1988 the reimbursement was changed to the lesser of the cost of the premium, or the amount of the Med B premium as of 1/1/88. The cost of the premium was \$24.80 and the reimbursement covered 100% (i.e., \$24.80).
  - Over the next few years, the premium increased, eventually rising to \$31.80 by 1992 and \$43.80 by 1997. The reimbursement remained at \$24.80 during that period.
  - In 1998 the reimbursement was changed to the lesser of the then Med B premium (\$43.80), or the amount of the premium benefit as of 1/1/92 (i.e., \$31.80). In addition, a lump sum payment was made by SERS to those retirees covered by Medicare Part B during the period 1992 to 1998. The amount of the lump sum payment was the difference between \$31.80 and \$24.80 for each year they received a reimbursement during that period.
  - In 2001, the reimbursement was changed to the lesser of the Med B premium (then \$50.00), or the amount of the premium as of 1/1/99 (\$45.50). In 2001 there was another lump sum retroactive payment made to retirees covered by Medicare Part B for the period from 1993 to 2001. The amount of the lump sum payment was the difference between \$45.50 and \$24.80 (from 1993 until 1998) or \$31.80 (from 1998 until 2001) for each year they received a reimbursement during that period, but with any amounts they received from the 1998 lump sum payment deducted.
  - The Med B premium has increased steadily since 2001, but the reimbursement has remained stable at \$45.50.
  - Over the last few years, the Med B reimbursement has covered 30-34% of the Med B premium.
- The statutory language requires that the Med B reimbursement be at least \$45.50 but the Board has the authority to increase it.

## Funding for the Medicare Part B Reimbursement

- The cost for the Med B reimbursement is part of the 'normal cost' of the pension benefits. The normal cost is first paid through the 10% employee contribution. Any normal cost over 10% is paid from the employer contribution. The remaining portion of the employer 14% contribution is applied to pay down the unfunded liability.
- If the Med B reimbursement is increased for both current retirees and active members, the normal cost increases, as does the unfunded liability. The increase in the unfunded liability will result in downward pressure on the funded status of the Pension Fund. Since more of the employer contribution will be drawn upon to pay the normal cost, less will be available to pay down the unfunded liability, which will extend the amortization period.

- Because the Med B reimbursement is paid from the Pension Fund, increasing the Med B reimbursement will not impact the Health Care Fund.
- A retiree who enrolls in our Medicare Advantage Plan also pays the Aetna monthly premium. The retiree receives a subsidy toward that cost based on years of service from the Health Care Fund. The Aetna premium is not increasing in 2022 so there will be no increased cost to the Health Care Fund or the retiree.

## Fiscal Impact of Increasing the Medicare Part B Reimbursement

- The current Med B reimbursement of \$45.50 will cover 26.77% of the Med B premium for 2022.
- In 2021, Med B reimbursements benefits were paid to 41,360 recipients, for a total expenditure of \$22,582,560.
- If the Med Part B reimbursement is increased, there will be both an increase in the annual expenditure and an increase in the negative cash flow in the Pension Fund.
  - If the Med B reimbursement is increased to \$55 (32.33% subsidy), Pension Fund expenditures and negative cash flow would increase \$4,715,040.
  - If the Med B reimbursement is increased to \$60 (35.27% subsidy), Pension Fund expenditures and negative cash flow would increase \$7,196,640.
  - If the Med B reimbursement is increased to \$65 (38.21% subsidy), Pension Fund expenditures and negative cash flow would increase \$9,678,240.
  - If the Med B reimbursement is increased to \$70 (41.15% subsidy), Pension Fund expenditures and negative cash flow would increase \$12,159,840.

## Medicare Part B Reimbursement Provided by the other Ohio Retirement Systems

- OPERS provides no Med B reimbursement under their HRA model. In the pension reform bill passed in 2012, their statute was changed to give the OPERS Board discretion over how much Med B reimbursement they provide. Previous to the law change the reimbursement was at least \$96.40 a month.
- The OP&F statute requires they reimburse at least \$96.40 a month for Med B premiums, although their Board does have the discretion to go higher. The current monthly Med B reimbursement is \$107.
- STRS currently reimburses \$29.90 a month for Med B premiums, which is lowest amount allowed under their statute, although their Board does have the discretion to go higher.
- The HPRS Board has discretion whether or not provide reimbursement of Med B premiums. By rule the reimbursement amount has been \$0 since 2017.