

SERS Retirement Board Pension Sustainability Discussion Minutes

February 16, 2022

A special meeting of the Retirement Board of the School Employees Retirement System was held in the SERS Board Room on Wednesday, February 16, 2022. The meeting convened in open session at 1:01 p.m. Roll call was as follows: Barbra Phillips, Chairperson, Hugh Garside, James Haller, Matthew King, Catherine Moss (attending virtually), James Rossler, Frank Weglarz, Daniel Wilson and Hugh Garside. Barbra Phillips excused the absence of Jeffrey DeLeone. Also present on videoconference was Lis Reid, representative of the Ohio Attorney General. Also in attendance was various members of the SERS staff and members of the public.

Richard Stensrud, SERS Executive Director, opened the meeting with an introduction of the material being presented, which included:

- Alternate benefit formula scenarios
- Assumptions and factors
- Summary impacts
- Projected active member counts
- Projected employer normal cost rates
- Projected funded ratio
- Net external cash flow
- Projected negative cash flow as a percentage of market value assets
- Projected benefit payments

Mr. Stensrud also provided information on Medicare Part B such as:

- History
- Funding
- SERS fiscal impact
- Other Retirement Systems

Mr. Stensrud reported the numbers in the materials were moved to compare how SERS membership would change year by year. The first metric shows how the composition of the membership will change over a 30-year period. Relatively quickly, the membership will transition from legacy career employees to new hires. Mr. Stensrud reviewed several graphics and opened the floor for discussion.

Several board members stated they liked the graphics provided and suggested they be updated and reviewed annually to maintain the sense of due diligence. SERS board members want to continue to review sustainability, make small tweaks as needed, and stay on top of the member numbers by reviewing the changes on a regular basis. The board and the actuaries agree the review should be held in February at the board retreat so the updated school numbers and latest actuarial assumptions can be factored into the annual review.

The board took a break at 2:30 p.m.

The board reconvened at 2:45 p.m.

The meeting continued with a Medicare Part B discussion. Mr. Stensrud opened the Medicare Part B discussion with a description of the benefits and its impact on the retirement fund. The benefit has changed over time. The healthcare benefit is meant to help defray the costs of the Medicare Part B premiums. The current premium is \$45.50 and has remained stable. As noted, this reimbursement is funded through the pension fund, not the healthcare fund, and adjusting the reimbursement would increase the normal cost of the overall pension plan.

Mr. Stensrud continued by noting that OPERS provides no Medicare Part 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. Before the law change the reimbursement was at least \$96.40 a month.

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Mr. Stensrud also reported 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.

Mr. Stensrud finally reported 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 to provide reimbursement of Med B premiums. By rule the reimbursement amount has been \$0 since 2017.

After his presentation, Mr. Stensrud opened the floor up for questions or discussion. Board member Matt King asked why the reimbursement wasn't funded through the healthcare fund. Mr. Stensrud advised Mr. King that several pension plans do not have healthcare funds, and those with healthcare funds don't have a funding source for the reimbursement. However, the pension plan does include a funding source for the Medicare Part B premium reimbursement. Per the SERS CFO, Tracy Valentino, the Medicare Part B reimbursement fund started out from the pension originally because there was no healthcare fund when it was created.

After continued discussion, the board requested information on increasing the premium reimbursement for career members would affect the fund.

The Pension Sustainability Discussion adjourned at 3:26 p.m.