

SERS Retirement Board Sustainability – Medicare Part B Discussion Minutes

March 18, 2022

A special meeting of the Retirement Board of the School Employees Retirement System was held in the SERS Board Room on Friday, March 18, 2022. The purpose of this special meeting is to discuss Medicare Part B reimbursement. The meeting convened in open session at 8:30 a.m. with the pledge of allegiance.

Roll call was as follows: Barbra Phillips, Hugh Garside, James Haller, Catherine Moss (attending virtually), James Rossler, Frank Weglarz. Barbra Phillips excused the absence of Jeffrey DeLeone, Matthew King, and Daniel Wilson. Also present via videoconference was Lisa Reid, representative of the Ohio Attorney General, John Garrett of Cavanaugh Macdonald, various members of the SERS staff, and members of the public.

Richard Stensrud, SERS Executive Director, opened the meeting by welcoming everyone to a continuation of the Medicare Part B discussion that was initiated in February 2022. Mr. Stensrud recapped the discussion in February and this month the Board was provided with information on:

- The history of the Medicare Part B reimbursement benefit SERS provides from the pension fund.
- How the benefit is funded; and
- The impact on pension fund normal cost, unfunded liability, amortization, and cash flow if the benefit were to be increased.

Mr. Stensrud provided information on the breakdown of the current recipients by years of service. Currently, over 73% of SERS retirees have over 20 years of service. Also provided was a summary of the evolution of the Medicare Part B Fund over the last five years with respect to fund balance, actuarial accrued liability (AAL), unfunded actuarial accrued liability (UAAL), and funded status. Mr. Stensrud reported the funded ratio has improved from 35% to 57% and the fund balance increased from \$142M to \$223M. Mr. Stensrud also stated that the unfunded actuarial accrued liability has declined from \$260M to \$169M.

Mr. Stensrud continued, stating the portion of employer contribution rate needed to fund the benefit increases as the Medicare Part B reimbursement increases. Funded status decreases as reimbursement increases and we would go back to the 2016 level if the reimbursement was increased to \$70 or more. Mr. Stensrud advised the board that the amortization period for all basic benefits also increases when the reimbursement rate is \$70 or higher.

Mr. Stensrud reported SERS staff and its actuaries are unable to make a clear decision based on the information available because there have been changes made to the actuarial standard of practice (ASOP) recently. These changes may cause some confusion and SERS and the actuaries will continue to work towards a reasonable contribution rate.

Board members were informed by SERS legal staff that if a change is made to reimburse based on service level, there would need to be a legislative change. If the reimbursement rule is changed for all members, only a resolution approved by the board would be necessary.

After a brief discussion, the meeting adjourned at 8:55 a.m.