

2022

# Financial Stability



Popular Annual Financial Report  
for the year ended December 31, 2022



Ohio Public Employees Retirement System

# Popular Annual Financial Report

(for the year ended December 31, 2022)

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## Responsible Financial Reporting

This *Popular Annual Financial Report* is derived from information contained in the *OPERS 2022 Annual Comprehensive Financial Report* (annual report), but does not contain detailed financial information by plan, nor is it presented in a manner to conform to Generally Accepted Accounting Principles (GAAP). For a complete set of financial definitions included in this summary report, please refer to the OPERS annual report, which is prepared in conformity with GAAP and may be obtained by visiting OPERS website, [opers.org](http://opers.org), or by contacting OPERS to request a copy.

Additionally, those interested in learning more about the OPERS health care program are invited to obtain a copy of the *OPERS 2022 Health Care Report*, which will be made available at [opers.org](http://opers.org) at the end of June 2023.



### 2021 Award for Outstanding Achievement in Popular Annual Financial Reporting—

For the 12<sup>th</sup> consecutive year, OPERS has received the GFOA Award for Outstanding Achievement in Popular Annual Financial Reporting for its popular annual financial report for the fiscal year ended December 31, 2021. This award is a prestigious national award recognizing conformance with the highest standards of creativity, presentation, understandability, and reader appeal for preparation of governmental popular reports. OPERS has received this award for each year we have produced a popular annual financial report.

### To our fellow members and all stakeholders:

On behalf of all management and staff, it's our pleasure to present you with the *2022 Popular Annual Financial Report (PAFR)*. Our theme—*Financial Stability*—reflects that OPERS remains strong and adequately funded despite the down investment market in 2022.

We take our responsibility for providing pension benefits for our members and maintaining access to affordable health care seriously and we reflect that through our actions. Past changes we have made to the pension plans and the health care program, coupled with our long-term investment performance, have positioned OPERS to weather this down market. OPERS members and retirees can be assured we will continue to meet our obligation to fund the pensions for all.

As we work to address challenges, we remain grounded by five overarching plan goals that guide our actions. Specifically, the goals are to:

- Provide a stable pension for all OPERS retirees
- Continue to provide a meaningful retiree health care program
- Minimize drastic plan design changes by making incremental changes
- Ensure OPERS is financially positioned to react to market volatility
- Maintain intergenerational equity

### Key activities in 2022

**Investment Activity**—The down investment market in 2022 was largely driven by inflation and a series of interest rate increases, sending equities falling and causing historic losses in the bond market. In 2022, the total OPERS portfolio returned a loss of 12.49%. This negative return reflects a stark comparison to the strong investment markets in the preceding few years which reflected positive returns of 15.20%, 11.95% and 17.59% for the last three years. This clearly demonstrates the volatility of the investment market and our need for thoughtful planning to maintain financial stability through the market highs and lows.

**Pension Funding Status**—Despite the market conditions, the December 31, 2022 actuarial valuation reflected that OPERS remained 84% funded with an amortization period of 16 years for both 2022 and 2021.

### In closing

As stewards of the trust funds, we must take actions and make the responsible decisions that will promote financial stability. This organization is led by a dedicated and diligent Board that works tirelessly with OPERS management and staff to meet each challenge and each opportunity with professionalism, innovation, and dedication. We all have a fiduciary responsibility to make decisions in the best interest of all one million members. We have a responsibility to be prudent stewards and to look forward and prepare for the challenges we see, not wait for them to occur.

We will continue to take actions to position OPERS to be a strong, financially stable pension system. We will do this by working with members, retirees and stakeholders. We are honored to be associated with, and appreciate and acknowledge the efforts of all involved as we continue to prepare for the future.



Respectfully Submitted,

*Karen E. Carraher*

Karen E. Carraher, CPA  
Executive Director

*Jennifer H. Starr*

Jennifer H. Starr, CPA (Left)  
Chief Financial Officer



# 2022 OPERS Board of Trustees and Leadership



**Board of Trustees as of January 2023**

**Left to Right:** James Tilling, General Assembly Appointed Investment Expert; Chris Mabe, Representative for State Employees and Board Chair; James Kunk, Governor-Appointed Investment Expert; Steve Toth, Representative for Retirees; Stewart Smith, Representative for Miscellaneous Employees and Board Vice Chair as of January 2023; Kathleen Madden, Director—Department of Administrative Services (Statutory Member); Scott Richter, Treasurer-Appointed Investment Expert; Ken Thomas, Representative for Municipal Employees and Board Vice Chair in 2022; Randy Desposito, Representative for Non-teaching College/University Employees; Julie Albers, Representative for County Employees; Tim Steitz, Representative for Retirees

OPERS management and staff work closely with the members of the OPERS Board of Trustees—the governing body of OPERS that is ultimately responsible for the administration and management of all OPERS activities. This dedicated Board meets periodically throughout the year and receives no compensation, but is reimbursed for necessary business expenses.



**OPERS Leadership Team as of January 2023**

**Left to Right:** Tonya Brown, Director—Member Operations; Gordon Gatien, Director—External Relations; Jennifer Starr, Chief Financial Officer; Karen Carraher, Executive Director; Allen Foster, Director—Benefits; Ciji Wilhelm, Assistant Director—Human Resources; Eric Harrell, General Counsel; Chuck Quinlan, Director—Information Technology; Paul Greff, Chief Investment Officer; Caroline Stinziano, Director—Internal Audit

## Plan Overviews and Enrollment Figures

OPERS is a mature pension system with almost as many retirees as active members. We work to proactively address the challenges we face, including volatile economies and the limited ability to make plan changes that will produce meaningful reductions in liabilities, by making incremental adjustments to strengthen the financial foundation of the System. Only through constant monitoring and these incremental adjustments will the System be prepared to meet the challenges of the future. During 2022, OPERS offered members two retirement plans—each provides different features designed to accommodate individual member’s knowledge base and risk tolerance. Effective January 1, 2022, the Combined Plan is no longer available for member selection, but remains open for existing members.

**Traditional Pension Plan:** Retirement benefit is based on a defined benefit formula determined by years of contributing service and final average salary. OPERS handles investments and absorbs all risk. Ideal for those who want security in retirement, have a low risk tolerance and low desire to handle financial transactions.

**Member-Directed Plan:** Retirement benefit is based on member contributions, vested employer contributions and the gains and losses on those contributions. Members choose from a variety of funds—including fixed income and equity funds, target date funds and a self-directed brokerage account. Provides control but significant risk for members.

**Combined Plan:** Hybrid plan where member contributions for remaining members are deposited into a self-selected account (like Member-Directed Plan) and employer contributions are deposited into the guaranteed defined benefit option (like Traditional Pension Plan).

Below is a table which displays the number of active, inactive and retired members in each plan as of December 31, 2022. Inactive members are no longer contributing to OPERS, but have not refunded their accounts and may be eligible to receive a retirement benefit in the future.

	Traditional Pension Plan	Combined Plan	Member-Directed Plan	Total
<b>Active Members</b>	<b>281,149</b>	<b>6,592</b>	<b>10,086</b>	<b>297,827</b>
Average Age	43.9	47.6	45.8	
Average Service Credit (Years)	10.2	11.7	7.5	
<b>Average Final Average Salary</b>	<b>\$45,049</b>	<b>\$62,588</b>	<b>\$62,063</b>	
<b>Inactive Members<sup>1</sup></b>	<b>721,122</b>	<b>2,616</b>	<b>6,401</b>	<b>730,139</b>
Average Age	39.9	43.4	40.1	
Average Service Credit (Years)	1.2	5.2	3.2	
<b>Average Final Average Salary</b>	<b>\$6,959</b>	<b>\$36,506</b>	<b>\$33,418</b>	
<b>Retired Members</b>	<b>219,625</b>	<b>620</b>	<b>422</b>	<b>220,667</b>
Average Age	70.7	69.5	70.7	
Average Service Credit (Years)	23.1	12.5	N/A	
Average Annual Benefit	\$31,470	\$9,196	\$5,942	
<b>Total Members</b>	<b>1,221,896</b>	<b>9,828</b>	<b>16,909</b>	<b>1,248,633</b>

<sup>1</sup> Inactive members no longer contribute, but still have an account that may be activated upon return to public service and may be eligible to receive a retirement benefit in the future.



# 2022 Assets and Liabilities

## Summary Comparative Statements of Fiduciary Net Position for all Plans and the Health Care Trust

Presented below are the assets and liabilities for the years ended December 31, 2022 and 2021. The net position represents the funds OPERS had accumulated by end of year to pay pension benefits for retirees, active and inactive members, as well as health care costs for current and future retirees. The decline in net position reflects the loss from investing activity recognized in 2022.

While 2022 was a down year in the investment market, the System remained stable with a pension funded ratio of 84% and amortization period of 16 years for both 2022 and 2021. This show of stability is due primarily to the \$10.5 billion in unrealized investment gains from prior years smoothed into the 2022 valuation offsetting all of the portion of the investment loss recognized in 2022. OPERS continues to take action to strengthen the financial foundation of the System to ensure the commitment to members of financial security in retirement is met, even in years when net position may remain flat or decline.

	2022	2021	Amount Increase/ (Decrease) from 2021 to 2022
<b>Assets</b>			
Cash and Cash Equivalents	\$4,356,480,859	\$4,601,033,654	(\$244,552,795)
Receivables	856,101,869	890,094,917	(33,993,048)
Investments	101,867,924,413	121,654,291,561	(19,786,367,148)
Collateral on Loaned Securities	10,741,129,135	8,215,168,629	2,525,960,506
Net Capital Assets	133,924,583	132,058,024	1,866,559
Prepaid Expenses and Other Assets	1,458,744	2,083,696	(624,952)
<b>Total Assets</b>	<b>117,957,019,603</b>	<b>135,494,730,481</b>	<b>(17,537,710,878)</b>
<b>Liabilities and Deferred Inflows</b>			
Benefits Payable	149,638,740	179,566,492	(29,927,752)
Investment Commitments Payable	245,263,155	114,333,543	130,929,612
Obligations Under Securities Lending	10,741,925,399	8,216,926,869	2,524,998,530
Other Liabilities	40,941,911	24,486,671	16,455,240
<b>Total Liabilities</b>	<b>11,177,769,205</b>	<b>8,535,313,575</b>	<b>2,642,455,630</b>
<b>Deferred Inflows—Lessor Obligations</b>	<b>2,129,919</b>	<b>2,614,095</b>	<b>(484,176)</b>
<b>Total Liabilities and Deferred Inflows</b>	<b>11,179,899,124</b>	<b>8,537,927,670</b>	<b>2,641,971,454</b>
<b>Net Positions Restricted for Pensions and OPEB*</b>	<b>\$106,777,120,479</b>	<b>\$126,956,802,811</b>	<b>(\$20,179,682,332)</b>

\* Other post-employment benefits such as health care

## Summary Comparative Statements of Changes in Fiduciary Net Position for all Plans and the Health Care Trust

The statement below shows OPERS income (additions) and expenses (deductions) for 2022 and 2021. While investment earnings are typically the main component of income, OPERS recorded a loss from investing activity in 2022. Member and employer contributions increased 6.7% in 2022 compared to 2021. The increase in contributions reflects salary increases and not a change in the contribution rate.

OPERS paid \$7.0 billion in pension benefits and \$0.6 billion in health care expenses, net of health care receipts, to more than 220,000 retirees and their beneficiaries, compared to \$6.8 billion and \$0.9 billion in 2021. The increase in pension benefits paid reflects growth in the number of retirees and beneficiaries receiving benefits, demographic changes in the retiree population, and an annual simple cost-of-living adjustment. The significant decrease in health care expenses results from changes to the health care program effective January 1, 2022. See page 10 for additional information on recent health care program changes.

	2022	2021	Amount Increase/ (Decrease) from 2021 to 2022
<b>Additions</b>			
Member Contributions	\$1,669,552,482	\$1,564,633,333	\$104,919,149
Employer Contributions	2,336,592,553	2,189,843,795	146,748,758
Contract and Other Receipts	78,897,024	91,249,363	(12,352,339)
Net Income/(Loss) from Investing Activity	(15,950,779,683)	17,131,577,656	(33,082,357,339)
Other Income, net	583,828	490,886	92,942
Interplan Activity	43,250,059	40,246,132	3,003,927
<b>Total Additions</b>	<b>(11,821,903,737)</b>	<b>21,018,041,165</b>	<b>(32,839,944,902)</b>
<b>Deductions</b>			
Pension Benefits	7,037,982,598	6,772,996,281	264,986,317
Health Care Expenses	653,260,099	1,074,193,456	(420,933,357)
Health Care Receipts	(62,169,400)	(221,080,037)	158,910,637
Refunds of Contributions	613,719,345	591,091,983	22,627,362
Administrative Expenses	71,735,894	72,945,468	(1,209,574)
Interplan Activity	43,250,059	40,246,132	3,003,927
<b>Total Deductions</b>	<b>8,357,778,595</b>	<b>8,330,393,283</b>	<b>27,385,312</b>
<b>Net Increase/(Decrease)</b>	<b>(20,179,682,332)</b>	<b>12,687,647,882</b>	<b>(32,867,330,214)</b>
<b>Net Positions Restricted for Pensions and OPEB*</b>			
<b>Balance, Beginning of Year</b>	<b>126,956,802,811</b>	<b>114,269,154,929</b>	<b>12,687,647,882</b>
<b>Balance, End of Year</b>	<b>\$106,777,120,479</b>	<b>\$126,956,802,811</b>	<b>(\$20,179,682,332)</b>

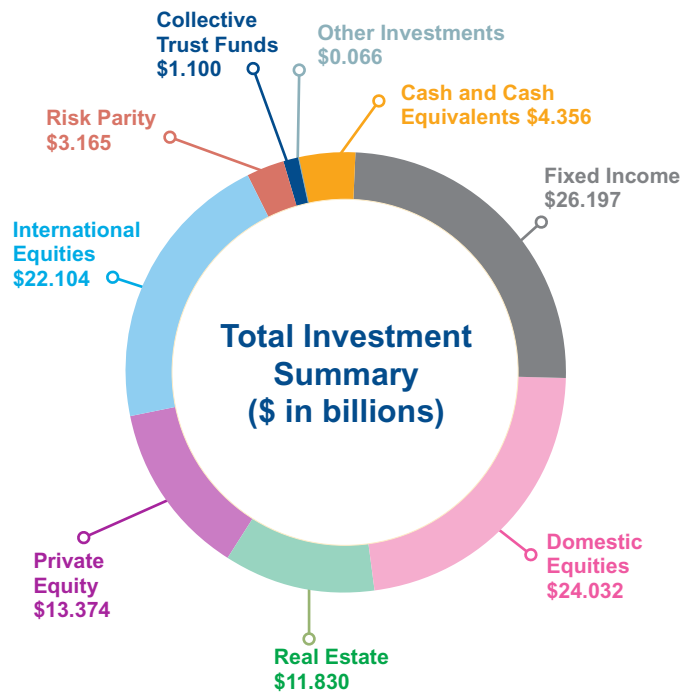
\* Other post-employment benefits such as health care

# 2022 Investment Summary

## 2022 Investment Overview

At the end of 2021, the OPERS investment portfolios had just completed the best three-year period since the early 2000's with total returns of 15.20%, 11.95%, and 17.59% for 2021, 2020, and 2019, respectively. Then came 2022. What a difference one year makes—the year finished with widespread negative returns across the majority of asset classes, resulting from elevated geopolitical tensions, persistently high inflation, and rapidly rising interest rates.

As a result, the OPERS defined benefit portfolio returned a loss of 12.03%, which was below the assumed rate of return of 6.9%. The health care portfolio returned a loss of 15.51%, which was also below the assumed rate of return of 6.0%. The defined contribution portfolio returned a loss of 16.00%. The OPERS total return reflects the combined returns of the underlying portfolios that fund the pension benefits and the health care program. The total return for the OPERS portfolio for 2022 was a loss of 12.49%.



## Historical Investment Returns (net of fees)

Year	Total Portfolio Return	Total Defined Benefit Return	Total Health Care Return	Total Defined Contribution Return
2022	(12.49%)	(12.03%)	(15.51%)	(16.00%)
2021	15.20	15.34	14.34	13.99
2020	11.95	12.02	10.96	14.96
2019	17.59	17.23	19.59	21.74
2018	(3.38)	(2.99)	(5.76)	(6.65)

It is important to put the final returns of 2022 in context with the long-term focus of the System. Yearly returns will vary with the market volatility; we expect years with positive returns above our expectations and negative years with returns below our expectations. The goal is to structure an investment portfolio that will provide long-term returns. This long-term approach must be balanced by keeping in mind our short-term liquidity needs and liability due dates—meaning meeting our obligations to members. The upcoming year presents its own unique set of challenges, but the OPERS Investment Staff will remain vigilant in protecting OPERS capital.



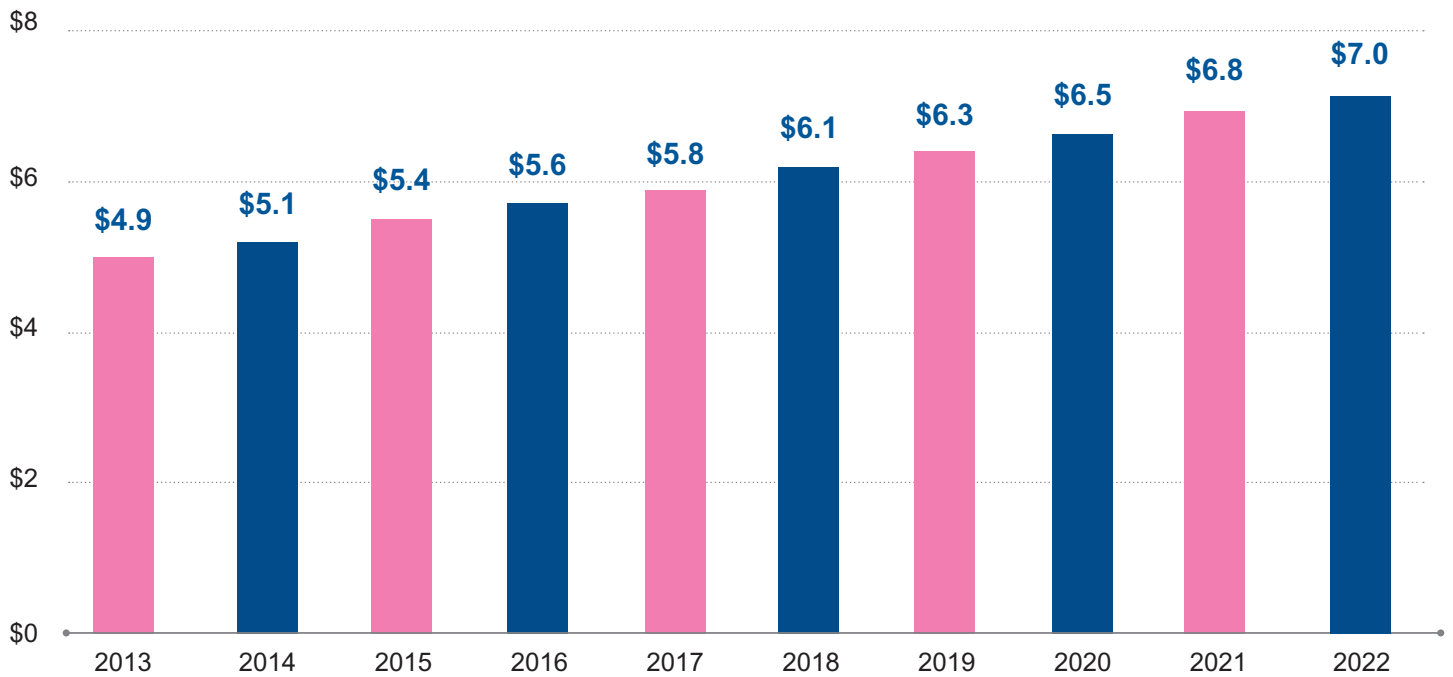
## OPERS Provides Secure Retirement

For almost 90 years, OPERS has consistently provided pension benefits to retirees and beneficiaries. That's more than 1,000 months of payments to each and every generation of retirees.

How does OPERS continue to deliver on its commitment year after year? Only through responsible actions and the courage to anticipate and plan for change. This has allowed the System to face challenges such as members working longer with a higher final average salary, retirees living longer in retirement than ever before, volatile global markets, and an ever-decreasing member-to-retiree ratio.

Demonstrating these challenges, pension payments have grown 42.7% over the past 10 years, from \$4.9 billion in 2013 to \$7.0 billion in 2022.

## Pension Benefits Paid (\$ in billions)



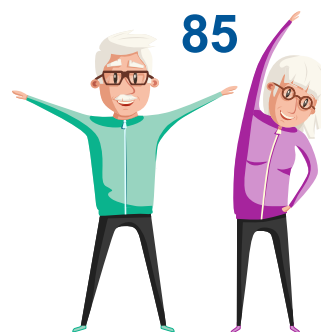
## 2022 Facts

**Oldest OPERS member**



**107**

**85**



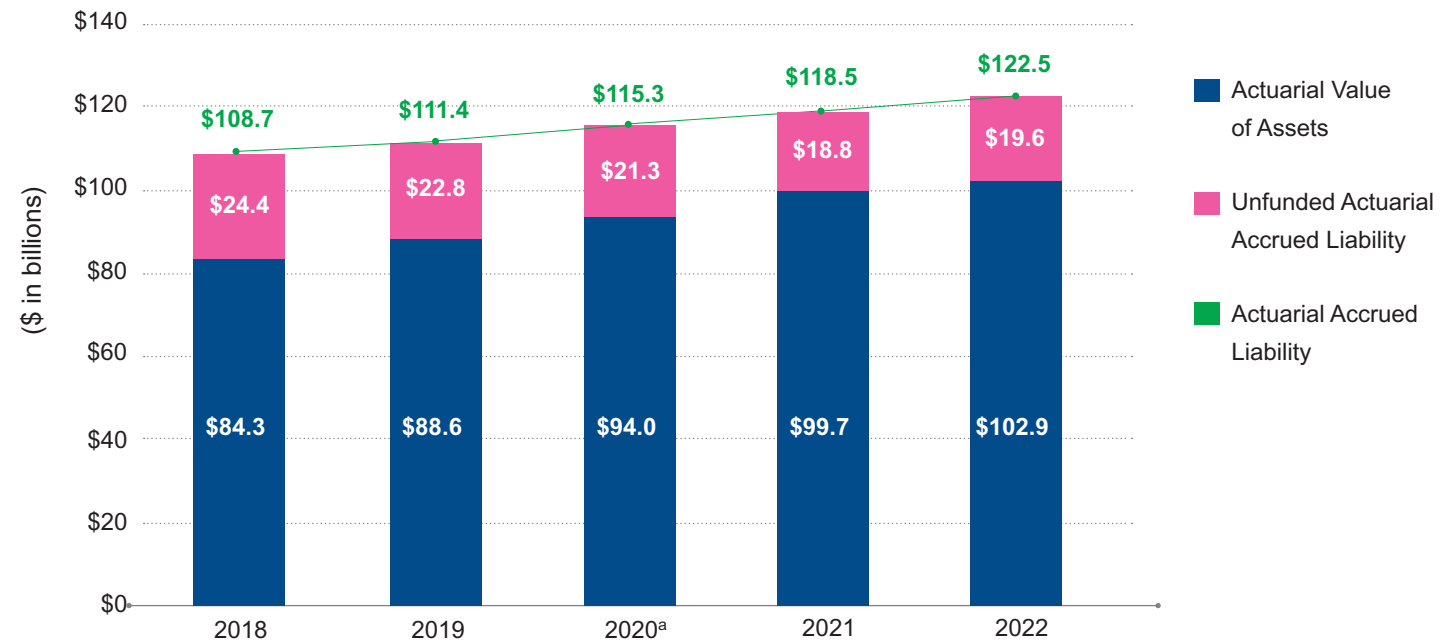
**Number of members older than 100**

### Pension Funding Status

Retiree pension benefits are funded by contributions from members and employers and income earned from responsibly investing these funds throughout a member’s career.

OPERS is required by law to remain within a 30-year funding window—meaning the System is in the position to fund all pension liabilities within 30 years. Funded status measures the progress of accumulation of the funds necessary to meet future obligations. The December 31, 2022 valuation funded status was 84.0%. The unfunded liability was expected to be funded within 16 years on a funding basis. We are dedicated to maintaining and enhancing the stability of this System.

### Components of Unfunded Actuarial Accrued Liability for Pension<sup>1</sup>(All Plans)

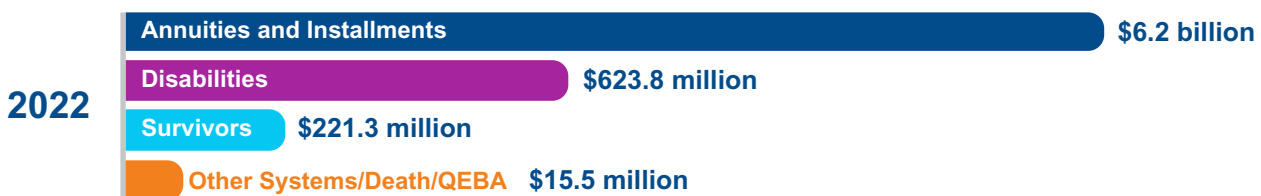


Funded Ratios	77.5%	79.5%	81.5%	84.1%	84.0%
Funding Years	27	23	21	16	16

<sup>a</sup> Revised actuarial assumptions based on experience study.

<sup>1</sup> This table includes the funded ratio and funding years based on actuarial assumptions and includes the smoothing of investment gains and losses over a closed four-year period. Information shown on this funding basis is used to monitor the funding status of OPERS.

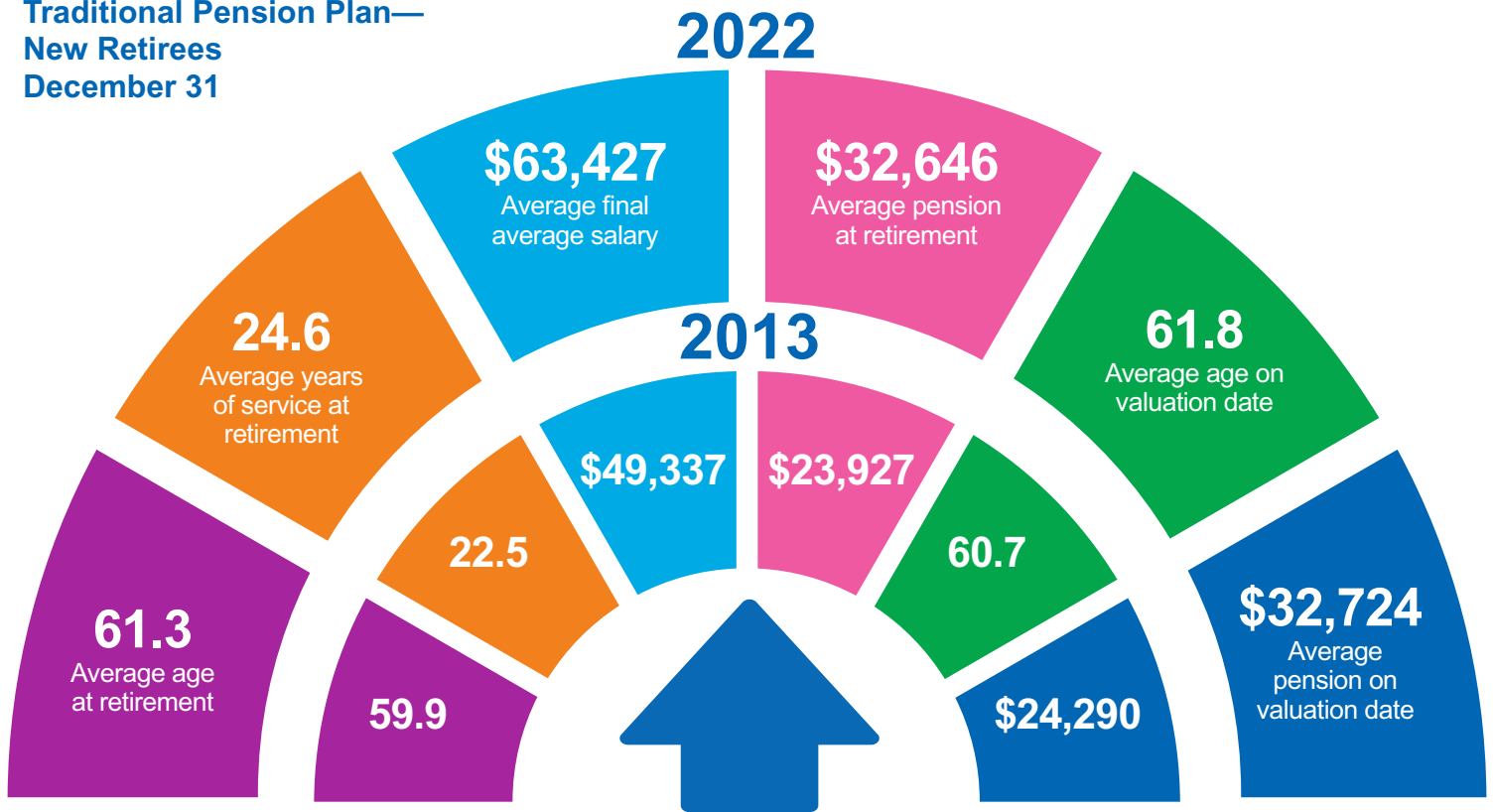
### Pension benefit payments by type



## 2022 Averages At-a-Glance

The average benefits paid to retirees receiving a benefit under the Traditional Pension Plan, the System's largest plan, are included below with several other averages. The cost of retirement will continue to increase as new retirees with higher final average salaries replace long-time retirees with lower final average salaries and as members continue to work longer.

### Traditional Pension Plan— New Retirees December 31



### Active members by employer type

employers (top number)

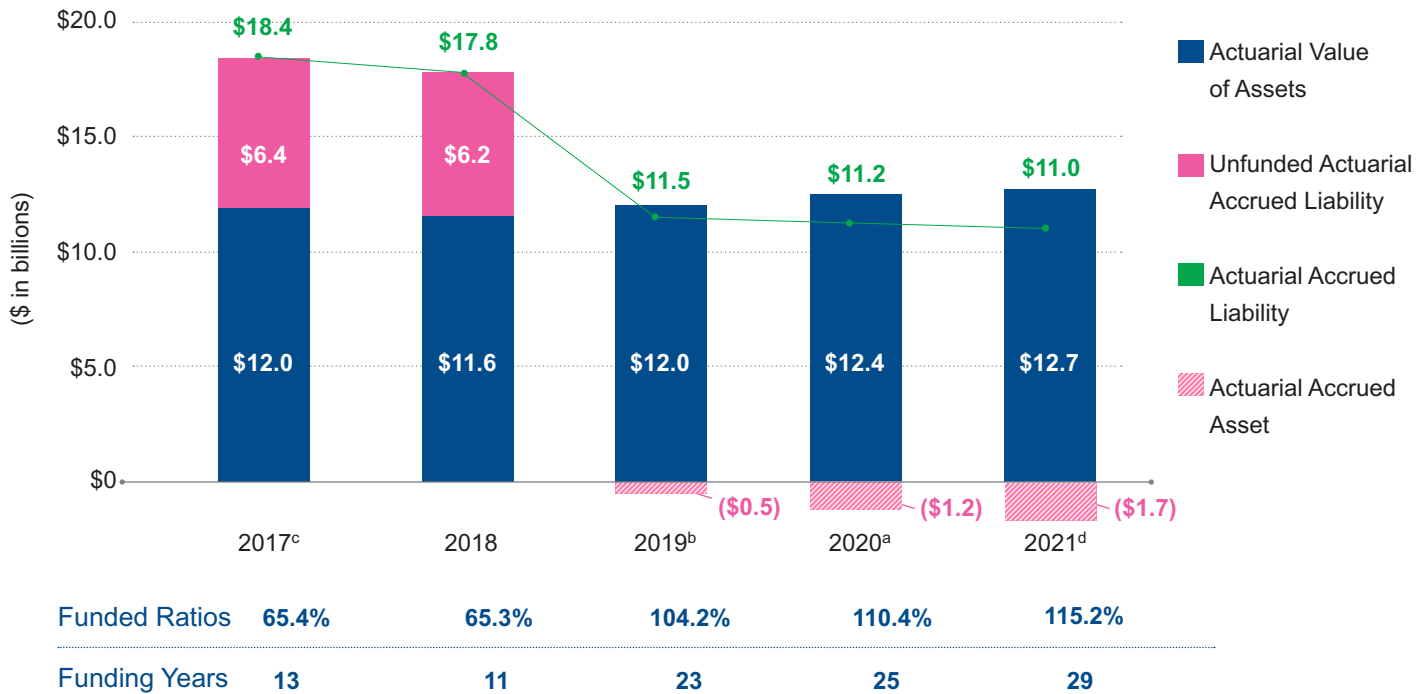


240	240	244	513	253	1,307	653	239
State	County	Municipalities	Miscellaneous	Libraries	Townships	Villages	Law Enforcement/ Public Safety
107,076	83,764	47,687	19,513	11,431	9,950	10,389	8,017
employees	employees	employees	employees	employees	employees	employees	employees

### Health Care Funding Status

Although health care is neither mandated nor guaranteed, the Board, management and staff recognize the importance to our members of providing access to meaningful health care. We know that health care is a significant component of a secure retirement. The tradition of working to preserve the health care fund through incremental changes designed to lengthen the solvency of that fund will continue. As of the December 31, 2021 health care actuarial funding valuation (the most recent), OPERS was 115.2% funded. In the absence of employer contributions, the health care fund is expected to become insolvent after 29 years.

#### Components of Unfunded Actuarial Accrued Liability/(Asset) for Health Care<sup>1</sup>



<sup>a</sup> Revised actuarial assumptions based on experience study.

<sup>b</sup> Results reflect health care program changes effective January 2022, approved by the Board in January 2020.

<sup>c</sup> Results after change in discount rate from 6.5% to 6.0%.

<sup>d</sup> The health care information is a year in arrears. Thus, 2021 reflects the most recent actuarial valuation and does not reflect the 2022 investment market downturn.

<sup>1</sup> This table includes the funded ratio and funding years based on actuarial assumptions and includes the smoothing of investment gains and losses over a closed four-year period. Information shown on this funding basis is used to monitor the funding status of OPERS.

### Preserving Health Care

Through the years, OPERS has worked to make responsible decisions to thoughtfully change the health care program to be both sustainable for the long term and to ensure a consistent level of coverage between generations. In 2020, to improve the sustainability of the health care program, modifications to health care coverage for Medicare and non-Medicare retirees were approved. Group plans offered to non-Medicare retirees and re-employed retirees were discontinued as of December 31, 2021. Eligible non-Medicare retirees now select an individual medical plan and are provided a subsidy or allowance. Eligible retirees are able to seek reimbursement for plan premiums and other qualified medical expenses.



In addition to the termination of the group plans, eligibility requirements were also changed. Eligibility requirements for those who retire after January 1, 2022, and who are in the Traditional Pension Plan or Combined Plan, are:

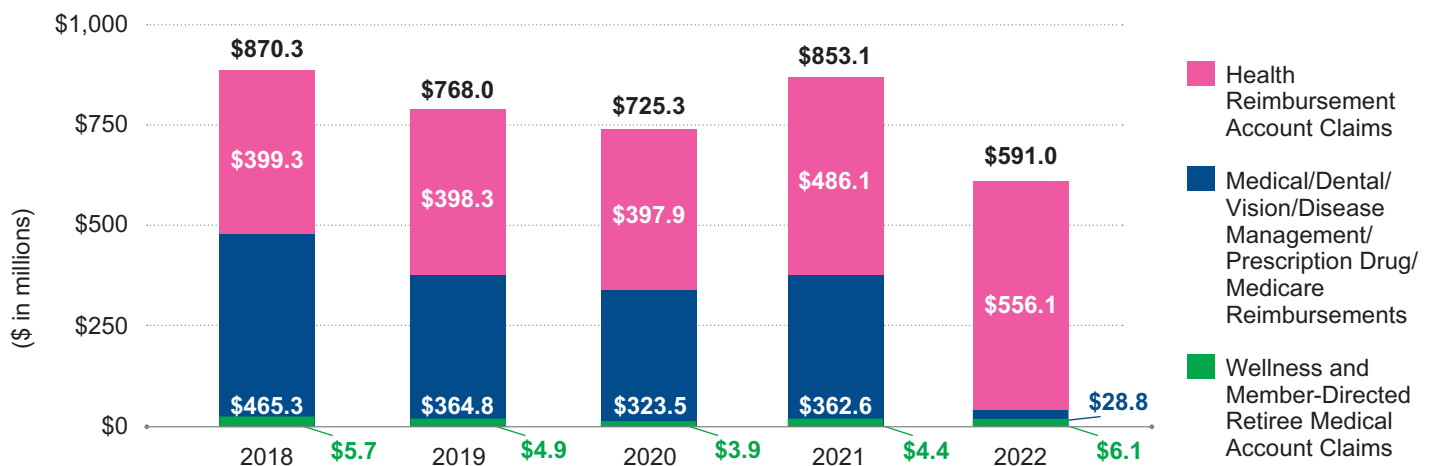
- **Medicare Retirees**—Medicare-eligible with a minimum of 20 years of qualifying service credit.
- **Non-Medicare Retirees**—Non-Medicare retirees qualify based on their group—each group measures years of service credit and age to determine access to health care (refer to the annual report, OPERS website at [opers.org](http://opers.org), or contact a counselor for specific group information).

The impact of these changes significantly reduced health care costs from \$0.9 billion in 2021 to \$0.6 billion in 2022. These changes were recognized in the valuation of the actuarial accrued liability beginning with the 2019 health care valuation (which was performed in 2020 subsequent to Board approval of the changes). As a result, the actuarial accrued liability decreased substantially from \$17.8 billion in 2018 to \$11.5 billion in 2019. Coupled with the positive investment returns in 2019 driving an increase in the actuarial value of assets, the unfunded actuarial accrued liability of \$6.2 billion in 2018 was eliminated and OPERS reported an actuarial accrued asset of \$0.5 billion in 2019. The actuarial accrued asset continued to grow through 2021 to \$1.7 billion.

## HRA Allowances

The majority of retirees receiving health care benefits are members of the Traditional Pension or Combined plan and have a health reimbursement arrangement (HRA) account. Eligible retirees have an allowance and assistance in choosing a health care plan via the OPERS Connector. The Connector helps retirees determine the best use of health care funding for their particular situation as well as provide assistance in enrollment. Eligible retirees receive a percentage of the base allowance (\$1,200 per month for non-Medicare retirees, \$350 per month for Medicare retirees in 2022) determined by age and qualified years of service at retirement.

### Health Care Costs by Type

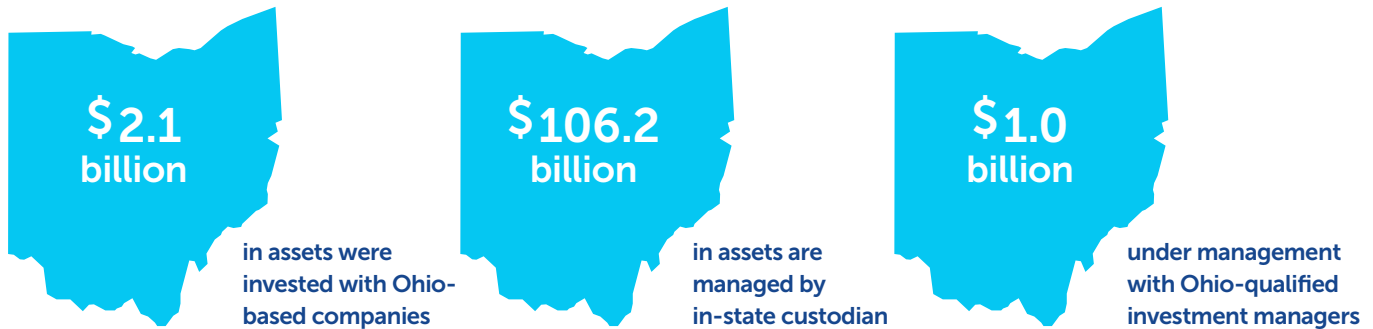


OPERS Is Good for Ohio, Consider This:

As the largest public pension system in Ohio, and the 14<sup>th</sup> largest in the U.S., OPERS is a significant economic driver for the state. The majority of our 1.2 million members and retirees live and work in Ohio, providing economic stability throughout the state. For every dollar received by OPERS from public employers in 2022, \$3.27 is returned to the economy through pension and health care payments made to retirees—retirees who spend the majority of retirement proceeds on goods and services within the state.

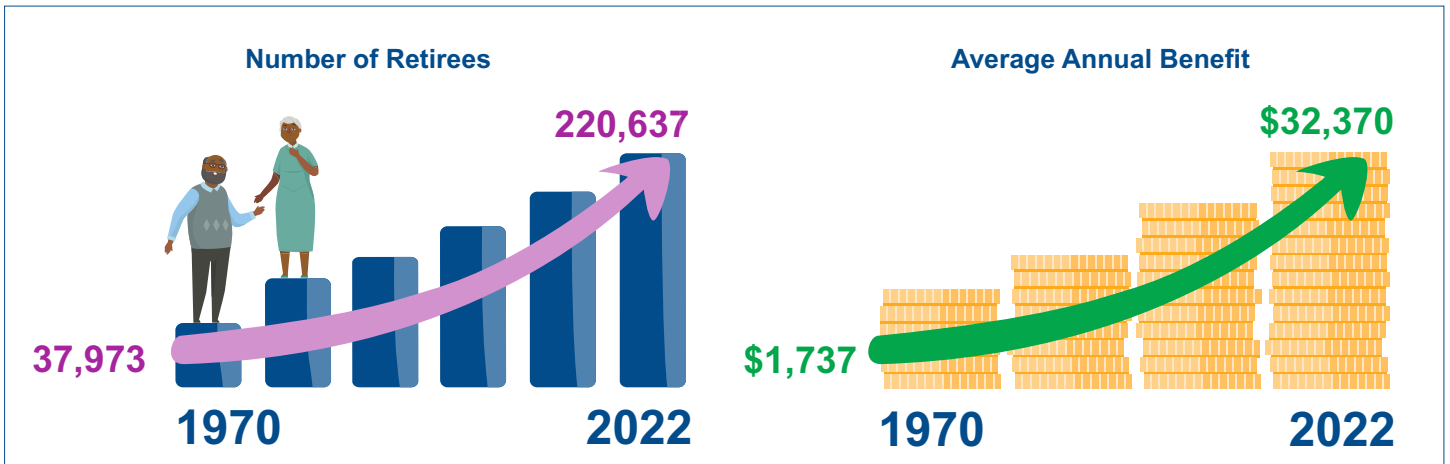


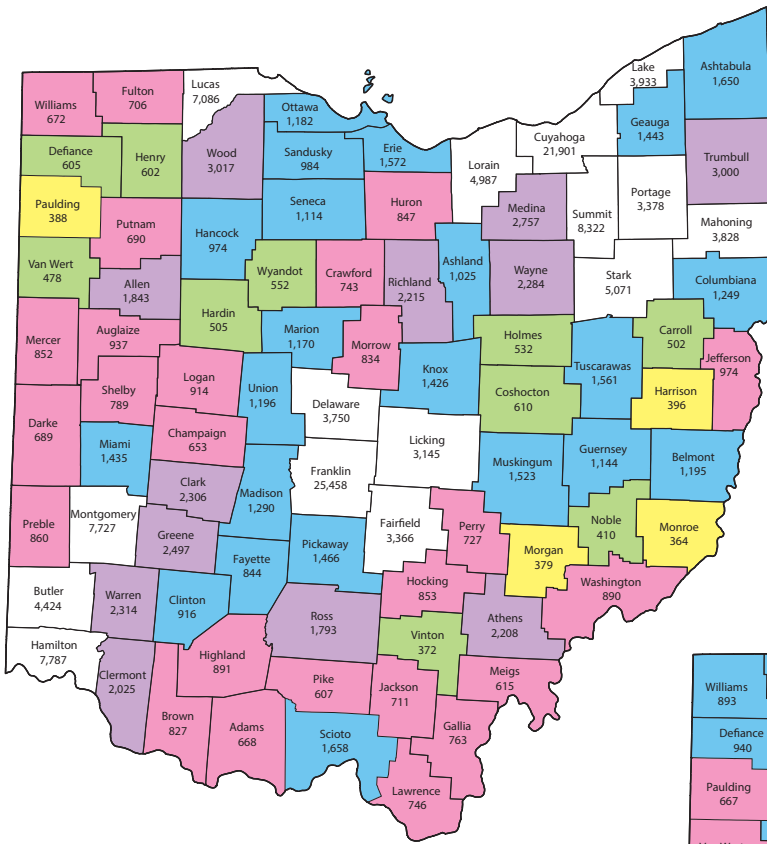
Member and employer contributions are carefully invested



Retirement by the Numbers (all plans)

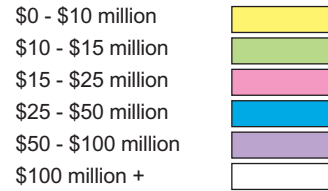
Preparing for financial security in retirement takes planning. All members are encouraged to be active participants in their retirement planning.



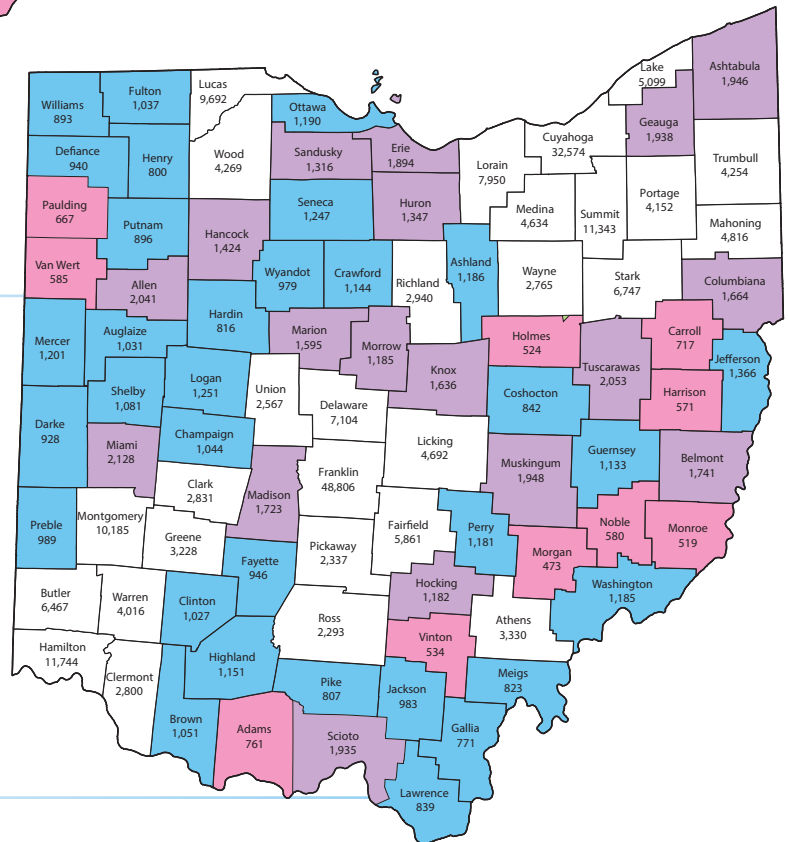


2022 Pension Benefits and Retirees by Ohio County

Retiree Pension Benefits and Active Employees Payroll Color Key



2022 Active Employees and Payroll by Ohio County



**89.1%**  
of all OPERS retirees remain in Ohio—continuing to contribute to Ohio's economy.

- ▲ Of the 220,637 OPERS retirees, 196,592, or 89.1% remained Ohio residents as of December 31, 2022.
- ▲ Pension benefit payments of more than \$6.3 billion were distributed throughout Ohio to retirees and their beneficiaries, representing the OPERS impact on the state's economy.

# Mission

To provide secure  
retirement benefits  
for our members.



# Vision

To be your trusted retirement  
partner delivering responsive  
high-quality service.



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