

# OHIO NEWSPAPERS INVESTIGATION

## HEALTH-CARE CRACKUP NEAR

### Crushing costs threaten Ohio's public pensions

By Laura A. Bischoff | DAYTON DAILY NEWS

In 1974, the Ohio Police & Fire Pension Fund voluntarily started giving health-care coverage to retired cops and firefighters. At the time, it was a bargain — \$3 million. But fast forward 34 years, and the cost has spiked to \$153.4 million a year. That doesn't even count the higher co-pays, premiums and deductibles that retirees are paying out of their own pockets. Now, OP&F wants taxpayers to shell out more toward the retirement system for police officers and firefighters, in part because of high health-care costs. Among the five public pension systems in Ohio, health-care costs run \$2.2 billion a year to cover 375,000 people. "We know that health-care costs are rising and life expectancy is increasing. It's an added burden to our pension systems. It's something we'll have to get our arms around," said state Sen. Kirk Schuring, R-Canton, a member of the bipartisan Ohio Retirement Study Council.

No state law or contract requires health-care coverage for retired public employees. Still, lawmakers and the retirement systems intend to preserve it, Schuring said.

"It's come to the point where many retirees depend upon that health-care benefit just as much as, if not more than, their pension benefit," he said.

The pension systems are selfinsured. That means they pay their own doctor and hospital bills.

Member contributions, employer contributions and investment income provide the revenue used to support Ohio's public retirees. Each system sets aside a chunk of the employer contribution for healthcare costs.

So, for every \$1 in wages, the government entity sends between 14 cents and 26.5 cents to the retirement systems to cover pensions. From that contribution, the five systems set aside between a penny and 6.75 cents for health care.

It's unsustainable. Thanks to portfolio losses and rising costs, four of the five pension systems plan to shave back the percentages set aside for health care. Medical bills already are eating up more money than is being set aside. That means if all stays the same, the health-care money will run out.

Right now, the State Teachers Retirement System projects its health-care fund will run dry by 2016 and the School Employees Retirement System will run out of health-care money just four years down the road.

"Bottom line: I believe the pension part of the system is going to be solvent. The health-care side, I don't know," said Carl Curry, chief bailiff at Vandalia Municipal Court and a retired Vandalia police sergeant.

Curry, 62, plans to work until he qualifies for Medicare at age 65.

Skyrocketing health-care bills have forced each of the retirement systems to shift more of the burden onto retirees. That has kept the ratio between health-care and overall pension costs steady and even reduced it in some cases.

But the move has been painful for retirees, and some have had to return to work to pay for health care. In 2000, retired bus drivers and school janitors chipped in \$11.5 million toward SERS health care. By 2008, they paid \$73.8 million — a 541 percent increase.

Retired teachers are paying roughly 40 percent of the STRS health-care bill, STRS spokeswoman Laura Ecklar said.

Tom Curtis of Stark County said when he retired from teaching in 1998 he paid just \$30 a month for medical coverage for himself and his wife. By 2004, STRS had stopped subsidizing spouses and reduced the subsidy for retirees. Curtis'

share now tops \$14,000 a year, he said.

Thirty years ago, retired cops and firefighters and their families paid nothing for health care. Now, they pay as much as \$932.50 a month for medical and prescription drug coverage for the retiree, spouse and one dependent child.

Doug Shade said he paid \$80 a month for coverage for him and his wife when he retired from the Vandalia Police Department in 2000. After his out-of-pocket costs spiked to \$800 a month, Shade went back to work full-time, as a court bailiff.

Shade, 59, hadn't planned for the added health-care costs.

"When you start out in public service, you better be putting money aside in a deferred compensation program or something like that, because who knows what (the pension system) is going to be like in 20 or 30 years," Shade said.

OP&F Director Bill Estabrook said change is certain. Retirees might get a monthly stipend for their health care, or perhaps survivors and dependent children won't be covered as they are now, he said. "They're just going to have to bear more of the cost."

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DISPATCH PHOTO ILLUSTRATION

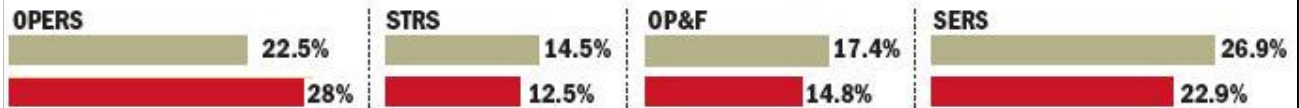
## The health-care burden

Skyrocketing health-care bills have forced each of the retirement systems to shift more of the burden onto employees. That has kept the ratio between health care and overall pension costs steady. But if current trends continue, the bulk of public employees in Ohio will see funding run dry within the decade.

**KEY**

**OPERS:** Ohio Public Employees Retirement System; **STRS:** State Teachers Retirement System; **SERS:** School Employees Retirement System; **OP&F:** Ohio Police and Fire Pension Fund; **OHP:** Ohio Highway Patrol Retirement System

► **Health care costs as percentage of total cost**    1998    2008



► **Funds running out**

	OPERS	STRS	SERS	OP&F	OHP	TOTAL
Money set aside	\$11.2 billion	\$2.9 billion	\$376.4 million	\$537.8 million	\$95.8 million	\$15.1 billion
When it's expected to run out	2019	2016	2014	2036	2023	
Number receiving coverage	209,000	115,590	53,327	25,366	2,103	405,386
Annual cost	\$1.4 billion	\$541 million	\$215 million	\$161.8 million	\$10.4 million	\$2.3 billion