



June 30, 2012

Ms. Bethany Rhodes, Director
Ohio Retirement Study Council
88 East Broad Street, Suite 1175
Columbus, OH 43215-3506

Dear Ms. Rhodes:

In accordance with Ohio Revised Code Section 5505.12(E), I am attaching a full accounting of the revenues and costs of health care by the Highway Patrol Retirement System at December 31, 2011.

If you have any questions, please contact me.

Sincerely,

Mark R. Atkeson
Executive Director
direct dial 614.430.3557
matkeson@ohprs.org

cc: The Honorable John Kasich, Governor
The Ohio Retirement Study Council
The Honorable William G. Batchelder, Speaker of the House
The Honorable Thomas Niehaus, Senate President
The Honorable Lynn R. Wachtmann, Chair, House Health and Aging Committee
The Honorable Kirk Schuring, Chair, House Health and Aging Subcommittee on
Retirement and Pensions
The Honorable Kevin R. Bacon, Chair, Senate Insurance, Commerce, and Labor
Committee
The Honorable Keith Faber, Chair, Ohio Retirement Study Council



Annual Health Care Report

Year Ending December 31, 2011

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Plan Summary

General

The Highway Patrol Retirement System is authorized to provide health care benefits according to Ohio Revised Code Section 5505.28. In addition, long-term care insurance is offered pursuant to Section 5505.33.

During 2011, HPRS provided health care coverage to 2,247 eligible retirees and dependents at a net cost of \$12,360,917.

Medical and Prescription Coverage

Medical and prescription benefits for Non-Medicare and Medicare participants are attached. The Non-Medicare benefits are self-insured. In 2011, HPRS contracted for a fully-indemnified Medicare Advantage product for Medicare participants.

HPRS offers creditable Medicare D coverage to its participants and receives a subsidy from the Centers for Medicare and Medicaid Services (CMS).

A tobacco surcharge is added to the monthly premium cost for any plan participant who has used tobacco products during the past twelve months. For 2011, this premium was increased from \$35.00 to \$39.00 per month.

Medicare B

Upon submitting evidence of coverage, HPRS reimburses a retiree or surviving spouse for the Medicare Part B premium, up to \$96.40 monthly.

Dental and Vision

Dental and vision coverage is offered to retirees for a contribution of \$1 per month. Dependents pay the full cost of coverage. Changes in coverage must occur during the annual open enrollment period unless a qualifying event occurs.

Long-Term Care Insurance

Pursuant to Ohio Revised Code Section 5505.33, HPRS permits participation in contracts for long-term care insurance. Participants pay the full cost of the premiums.

Eligibility Requirements

All retirees, survivors, and dependents are eligible for coverage, subject to the deduction of the applicable premium amount from a benefit payment. Dependent child coverage is available until age 26.

A retiree or spouse who has medical coverage available through employment must procure that coverage, regardless of cost.

Pursuant to Ohio Revised Code Section 5505.52, participants in the deferred retirement option plan are not eligible for health care benefits.

Eligible Participants

During 2011, HPRS provided health care coverage to 2,247 eligible participants:

Census Data, December 31, 2011

Retirees, non-Medicare	571
Retirees, Medicare	546
Spouses, non-Medicare	324
Spouses, Medicare	521
Dependent Children	254
Surviving Children	31
Total	2,247

In general, HPRS does not have record of eligible participants unless they sign up for coverage; therefore, the full number of eligible participants is not known.

Accounting, Asset Valuation, and Funding Method

HPRS uses the accrual basis of accounting. Assets are stated at fair value. Funding is determined on an actuarial basis, with 1.75% of employer payroll currently being allocated to health care. The allocation for the actuarial valuation date ending December 31, 2011 has not yet been determined. Based on a continuation of the current allocation to health care of 1.75%, an intermediate assumption (neither optimistic nor pessimistic) yields an estimate of health care solvency until the year 2022.

Net Assets

At December 31, 2011, \$95,835,299 in net assets was available for health care funding.

Changes in Net Assets

The attached schedules of Plan Net Assets and Changes in Plan Net Assets show the history of funding from 2006 through 2011. During 2011, plan participants paid \$1,274,337 in direct premiums.

Plan Changes

The following plan changes were introduced in 2011:

- \$1/month premium for dental/vision coverage
- Premium for those using HPRS coverage as a secondary insurer was increased from \$10/month to \$39/month.
- Tobacco surcharge increased from \$35/month to \$39/month
- The out-of-pocket maximum was increased from \$750 to \$1,500
- Non-Medicare deductible increased from \$100/year to \$250/year
- Non-Medicare co-pay increased from \$15/visit to \$20/visit
- Non-Medicare specialist co-pay increased from \$15/visit to \$30/visit
- Percentage of employer contributions dedicated to health care reduced from 3.5% to 1.75%

ORC Section 5505.28 (B)

Medicare B premiums in the amount of \$770,183 were reimbursed to plan participants during 2011.

Health Care Funding History

Primary funding for health care expenses is based on an allocation of the employer contribution rate, shown as a percentage of total employer payroll.

<u>Actuarial Valuation Date</u>	<u>Pension Allocation</u>	<u>Health Care Allocation</u>	<u>Total Employer Contribution</u>
12/31/1995	19.87	4.13	24.00
12/31/1996	19.87	4.13	24.00
12/31/1997	19.50	4.00	23.50
12/31/1998	19.50	4.00	23.50
12/31/1999	18.75	4.75	23.50
12/31/2000	18.75	4.75	23.50
12/31/2001	18.75	5.75	24.50
12/31/2002	21.00	3.50	24.50
12/31/2003	22.00	3.50	25.50
12/31/2004	22.00	3.50	25.50
12/31/2005	22.00	3.50	25.50
12/31/2006	21.00	4.50	25.50
12/31/2007	21.00	5.50	26.50
12/31/2008	22.00	4.50	26.50
12/31/2009	23.00	3.50	26.50
12/31/2010	23.00	3.50	26.50
12/31/2011	24.75	1.75	26.50

2011 Summary of Coverage - Non - Medicare Participants

	Out of Area Basic Plan	In Network	Out of Network
Deductible	\$250 / person	\$250 / person	\$1,000 / person
Annual OOP Max (does not include deductible)			
Single	\$1,500	\$1,500	\$5,000
Family	\$1,500	\$1,500	\$10,000
Lifetime Max	N/A	N/A	N/A
Member Coinsurance at Plan Level	80%	80%	60%
PCP	80%	\$20.00 copay; 100%	60%
Specialty Care	80%	\$30.00 copay; 100%	60%
Office visits for surgery	80%	\$30.00 copay; 100%	60%
Routine X-Rays/Lab Tests	100%	\$30.00 copay; 100%	60%
Therapy (Phys, Occup, Speech)	80%	100%	60%
Home Health Services	100% for 100 visits	\$20.00 copay; 100%	90% for 100 visits
	80% balance	100% for 100 visits	60% balance
Hospice		80% balance	
Inpatient	100% up to 30 days	100% up to 30 days	80% up to 30 days
Outpatient	80% up to \$7,500	80% up to \$7,500	60% up to \$5,000
Outpatient Surgery	\$100 copay, 100% balance	\$100 copay, 100% balance	\$100 copay, 60% balance
Hospital Admission	\$100 copay, facility 100%	\$100 copay, facility 100%	\$100 copay, facility 100%
	80% Professional charges	80% Professional charges	60% Professional charges
ER (Waived if admitted)	\$50 copay, 80% balance	\$50 copay, 80% balance	\$50 copay, 80% balance
Ambulance	80%	80%	80%
Routine Physical	100%	100%	60%
Routine GYN Exam	100%	100%	60%
Routine Mammogram	100%	100%	60%
Prostate Cancer Screening	100%	100%	60%
Chiropractic	80%		60%
Skilled Nursing (100 days)	100%	\$30 copay, 100%	90%
Mental Health			
Inpatient	100%	100%	60%
Outpatient	80%	80%	60%
Substance Abuse			
Inpatient	100%	100%	60%
Outpatient	80%	80%	60%
Hearing Aids	80%, max \$1,000 every 3 years per aid	80%, max \$1,000 every 3 years per aid	80%, max \$1,000 every 3 years per aid

2011 Summary of Coverage - Medicare Participants

	In Network	Out of Network
Deductible	0	N/A
Annual OOP Max (includes deductible)	\$1,500	N/A
Lifetime Max	N/A	N/A
Member Coinsurance at Plan Level	N/A	N/A
PCP	\$20 copay	N/A
Specialty Care	\$20 copay	N/A
Office visits for surgery	\$20 copay	N/A
Allergy Testing/Treatment	\$20 copay	N/A
X-Rays/Lab Tests	\$20 x-ray, no copay lab	N/A
Complex Radiology	\$20 copay	N/A
Radiation Therapy	\$20 copay	N/A
Outpatient Kidney Dialysis	0%	N/A
Therapy (Phys, Occup, Speech)	\$20 copay	N/A
Home Health Services	No copay	N/A
Hospice	Covered by Medicare in certified facility	
Durable Medical Equipment (DME)	100%	N/A
Outpatient Surgery	\$50 copay	N/A
Hospital Admission	\$100 copay	N/A
ER (Waived if admitted)	\$50 copay	N/A
Urgent Care	\$35 copay	N/A
Ambulance	20%	N/A
Routine Physical	No copay	N/A
Routine Eye	No copay	N/A
Routine GYN Exam	No copay	N/A
Routine Mammogram	No copay	N/A
Bone Mass Measurement	No copay	N/A
Colorectal Screening	No copay	N/A
Prostate Cancer Screening	No copay	N/A
Immunizations	No copay	N/A
Routine Hearing Exam	No copay	N/A
Diabetic - Monitor/Supplies	No copay	N/A
Chiropractic	15.00	N/A
Non-Routine Podiatry	Not covered	N/A
Skilled Nursing (100 days)-medically necessary	0% per day, days 1-120	N/A
Inpatient	\$100 copay	N/A
OP Mental Health	\$20 copay	N/A
OP Substance Abuse	\$20 copay	N/A
Wellness Benefits	Included	N/A
Hearing Aid Reimbursement	up to \$2,000 every 36 mo. (both ears)	N/A
Dental Benefit	Not included	N/A
Prescription Lens Reimbursement	Lens Discounts	N/A

Highway Patrol Retirement System
Combining Statements of Plan Net Assets
Health Care
2006-2011

	2011	2010	2009	2008	2007	2006
Assets						
Cash and Short-Term Investments	\$1,530,168	\$2,251,450	\$3,728,083	\$2,039,274	\$1,690,433	\$6,252,744
Receivables						
Contributions						
Employer	63,465	115,108	291,909	296,156	272,780	177,006
Employee	0	0	0	0	0	0
Accrued Investment Income	64,198	146,371	153,359	75,527	89,058	176,657
Health Care Receivable	0	180,492	513,658	317,498	0	0
Tenant Rent Receivable	0	0	0	0	11,834	18,591
Total Receivables	127,663	441,971	958,926	689,181	373,672	372,254
Investments, at Fair Value						
Domestic Equity	32,896,093	45,528,948	39,232,638	31,055,773	50,189,610	55,643,930
Fixed Income	16,030,076	17,690,974	19,394,890	17,418,699	17,574,385	17,820,703
International Equity	23,728,345	20,032,549	15,633,008	11,853,697	21,697,796	14,262,634
Real Estate	4,446,948	3,259,771	1,242,226	1,320,400	7,066,698	6,655,231
Private Equity	10,102,207	10,701,600	9,067,807	8,012,999	1,113,036	322,533
Hedge Funds	7,570,141	8,500,912	8,660,806	6,741,092	7,866,076	4,182,365
Global Tactical Asset Allocation	0	0	0	1,712,316	8,874,780	5,613,741
Collateral on Loaned Securities	0	0	2,121,882	5,084,976	13,087,886	19,429,541
Total Investments	94,773,810	105,714,754	95,353,257	83,199,952	127,470,267	123,930,678
Prepaid Expense	7,308	1,600	957	546	0	0
Property and Equipment, Net	2,270	2,936	1,298	822	1,395	2,525
Total Assets	96,441,219	108,412,711	100,042,521	85,929,775	129,535,767	130,558,201
Liabilities						
Accrued Health Care Liabilities	84,834	807,107	537,405	844,299	1,205,547	876,496
Accounts Payable	28,908	159,396	164,124	137,103	184,273	190,161
Other Liabilities	7,778	9,780	9,108	4,329	98,079	5,729
Accrued Payroll Liabilities	484,400	21,681	37,929	37,932	35,023	210,689
Obligations under Securities Lending	0	0	2,670,434	5,084,976	13,087,886	19,429,542
Total Liabilities	605,920	997,964	3,419,000	6,108,639	14,610,808	20,712,617
Net Assets Held in Trust for Postemployment Health Care Benefits	\$95,835,299	\$107,414,747	\$96,623,521	\$79,821,136	\$114,924,959	\$109,845,584

Highway Patrol Retirement System
Combining Statements of Changes in Plan New Assets
Health Care
2006-2011

	2011	2010	2009	2008	2007	2006
Additions						
Contributions:						
Employer	\$1,622,889	\$3,227,905	\$4,281,052	\$4,350,474	\$4,276,436	\$3,064,718
Member	0	0	0	0	0	0
Transfer from Other Systems	0	0	0	0	0	0
Other Income	2,069,860	1,382,985	0	0	0	0
Total Contributions	3,692,749	4,610,890	4,281,052	4,350,474	4,276,436	3,064,718
Investment income:						
Net Appreciation in Fair Value of Investments	(3,716,169)	17,205,090	20,333,247	(31,736,978)	11,224,656	14,691,644
Interest & Dividend Income	1,659,904	1,269,217	1,905,082	1,497,681	686,533	1,392,371
Security Lending Income	0	(53,913)	(536,162)	59,262	42,141	35,241
Real Estate Operating Income, Net	22,004	18,112	(31,813)	16,684	6,806	20,121
	(2,034,261)	18,438,506	21,670,354	(30,163,351)	11,960,136	16,139,377
Less Investment Expense	(717,748)	(704,090)	639,936	646,201	706,090	507,193
Net Investment Income	(2,752,009)	17,734,416	21,030,418	(30,809,552)	11,254,046	15,632,184
Total Additions	940,740	22,345,306	25,311,470	(26,459,078)	15,530,482	18,696,902
Deductions						
Benefits Paid Directly to Participants	12,360,917	11,447,630	8,385,875	8,546,663	10,354,006	7,980,823
Refunds of Employee Contributions	0	0	0	0	0	0
Administrative Expenses	159,271	106,450	123,210	98,082	97,101	92,761
Transfers to Other Systems	0	0	0	0	0	0
Total Deductions	12,520,188	11,554,080	8,509,085	8,644,745	10,451,107	8,073,584
Net Increase	(11,579,448)	10,791,226	16,802,385	(35,103,823)	5,079,375	10,623,318
Prior-Period Adjustment						
Balance at End of Year	\$95,835,299	\$107,414,747	\$96,623,521	\$79,821,136	\$114,924,959	\$109,845,584

Ohio Revised Code

5505.28 Health insurance.

(A) The state highway patrol retirement board may enter into an agreement with insurance companies, health insuring corporations, or government agencies authorized to do business in the state for issuance of a policy or contract of health, medical, hospital, or surgical benefits, or any combination thereof, for those persons receiving pensions and subscribing to the plan. Notwithstanding any other provision of this chapter, the policy or contract may also include coverage for any eligible individual's spouse and dependent children and for any of the individual's sponsored dependents as the board considers appropriate.

If all or any portion of the policy or contract premium is to be paid by any individual receiving a service, disability, or survivor pension or benefit, the individual shall, by written authorization, instruct the board to deduct from the individual's pension or benefit the premium agreed to be paid by the individual to the company, corporation, or agency.

The board may contract for coverage on the basis of part or all of the cost of the coverage to be paid from appropriate funds of the state highway patrol retirement system. The cost paid from the funds of the system shall be included in the employer's contribution rate as provided by section 5505.15 of the Revised Code.

(B) The board shall, beginning the month following receipt of satisfactory evidence of the payment for coverage, pay monthly to each recipient of a pension under the state highway patrol retirement system who is eligible for medical insurance coverage under part B of "The Social Security Amendments of 1965," 79 Stat. 301, 1395j, as amended, an amount established by board rule not exceeding the basic premium for such coverage.

(C) The board shall establish by rule requirements for the coordination of any coverage, payment, or benefit provided under this section with any similar coverage, payment, or benefit made available to the same individual by the public employees retirement system, Ohio police and fire pension fund, state teachers retirement system, or school employees retirement system.

(D) The board shall make all other necessary rules pursuant to the purpose and intent of this section.

Effective Date: 10-01-2002

5505.33 Long-term care insurance programs.

(A) As used in this section:

(1) "Long-term care insurance" has the same meaning as in section 3923.41 of the Revised Code.

(2) "Retirement systems" has the same meaning as in division (A) of section 145.581 of the Revised Code.

(B) The state highway patrol retirement board shall establish a program under which members of the retirement system, employers on behalf of members, and persons receiving service or disability pensions or survivor benefits are permitted to participate in contracts for long-term care insurance. Participation may include dependents and family members. If a participant in a contract for long-term care insurance leaves employment, the person and the person's dependents and family members may, at their election, continue to participate in a program established under this section in the same manner as if the person had not left employment, except that no part of the cost of the insurance shall be paid by the person's former employer. Such program may be established independently or jointly with one or more of the retirement systems.

(C) The board may enter into an agreement with insurance companies, health insuring corporations, or government agencies authorized to do business in the state for issuance of a long-term care insurance policy or contract. However, prior to entering into such an agreement with an insurance company or health insuring corporation, the board shall request the superintendent of insurance to certify the financial condition of the company or corporation. The board shall not enter into the agreement if, according to that certification, the company or corporation is insolvent, is determined by the superintendent to be potentially unable to fulfill its contractual obligations, or is placed under an order of rehabilitation or conservation by a court of competent jurisdiction or under an order of supervision by the superintendent.

(D) The board shall adopt rules in accordance with section 111.15 of the Revised Code governing the program. The rules shall establish methods of payment for participation under this section, which may include establishment of a payroll deduction plan under section 5505.203 of the Revised Code, deduction of the full premium charged from a person's service or disability pension or survivor benefit, or any other method of payment considered appropriate by the board. If the program is established jointly with one or more of the other retirement systems, the rules also shall establish the terms and conditions of such joint participation.

Effective Date: 06-04-1997

5505.52 Plan members ineligible for service credit or health benefits.

(A) A member who makes an election under section 5505.51 of the Revised Code shall continue in the active service of the state highway patrol but shall not earn service credit under this chapter for employment after the election's effective date. While the member is in the active service of the state highway patrol, the member shall contribute, and the state shall contribute and report, to the state highway patrol retirement system in accordance with section 5505.15 of the Revised Code.

On and after the effective date of the member's election to participate in the deferred retirement option plan, the member is ineligible to purchase service credit under this chapter.

Neither the member nor the member's spouse and dependents are eligible for any benefit under section 5505.28 of the Revised Code while the member is participating in the deferred retirement option plan.

(B) A member participating in the deferred retirement option plan is eligible to vote in elections for the retirant members of the state highway patrol retirement system board, but not eligible to vote in elections for the employee members of the board.

Effective Date: 06-15-2006

Ohio Administrative Code

5505-7-04 Health care.

(A) Eligible benefit recipients and dependents may enroll in any plan offered pursuant to section 5505.28 of the Revised Code.

(1) The annual premium cost for each category of coverage shall be determined by the board prior to the annual open enrollment period.

(2) The benefit recipient shall pay the excess premium cost of an additional plan option.

(3) Open enrollment for any additional plan option shall be established, as necessary by the board.

(4) A retirant who has access to medical coverage through employment must secure it as primary coverage, regardless of cost. In the board's discretion, this provision may be waived if the board deems that cost to be excessive. If the retirant has medical coverage through employment, the retirement system's medical coverage may be secondary; however, the retirement system will still offer primary dental and vision coverage.

(B) The spouse and dependent children of a retirant who is receiving a monthly benefit, are eligible for health care, subject to the following conditions:

(1) A spouse is a wife or husband as set forth in a statutorily-valid certificate of marriage or as recognized by judgment of a court establishing a common-law relationship.

(2) Health care will not be provided to a spouse who is receiving pension benefits from another public retirement system if the spouse has at one time received health care benefits from the other public retirement system.

(3) Dependent children are step-children that are residing in the same household as the retirant, natural children, or adopted children.

(4) The board may require documented proof of marriage or parenthood before approving spouse or dependent coverage.

(5) A spouse who has access to medical coverage through employment must secure it as primary coverage, regardless of cost. In the board's discretion, this provision may be waived if the board deems the cost to be excessive. If the spouse has medical coverage through employment, the retirement system's medical coverage may be secondary; however, the retirement system will still offer primary dental and vision coverage.

(6) The board reserves the right to deny coverage for failure to provide satisfactory proof of eligibility.

(7) Eligibility for dependent health care coverage is independent of eligibility for survivor benefits.

(C) Upon the death of a retirant or member, the surviving spouse, dependent children, and step-children are eligible for health care coverage, subject to the following conditions:

(1) A spouse is a wife or husband as set forth in a statutorily-valid certificate of marriage or as recognized by judgment of a court establishing a common-law relationship.

(2) Dependent children are natural or adopted children.

(3) Dependent step-children , residing in the same household as the retirant or member, who had coverage at the time of the retirant's or member's death, may continue coverage, provided the surviving spouse elects to continue coverage.

(4) In the event a surviving spouse remarries, health care coverage eligibility shall continue for the surviving spouse or any dependent step-children only if coverage existed prior to the remarriage.

(D) Only benefit recipients and covered dependents who are enrolled under one of the health care plans are eligible for prescription drug coverage.

(E) Nothing shall prohibit the board from implementing cost control measures as may be deemed necessary.

(F) Health care eligibility for dependent children of a deceased member or retirant shall terminate when pension benefit eligibility terminates.

(G) Health care eligibility for the spouse, dependent children , and step-children shall terminate under the following conditions:

(1) At the end of the month in which the spouse is no longer married to the benefit recipient.

(2) At the end of the month in which the child or step-child (a) is no longer a dependent of the retirant, (b) is no longer a full-time student, (c) marries, or (d) attains age twenty-three, whichever occurs first.

(H) Retirants and benefit recipients who are receiving benefits in accordance with sections 5505.16, 5505.17, and 5505.18 of the Revised Code and are insured under medicare part B will be reimbursed , upon the receipt of evidence of coverage, for the lesser of the cost of coverage or an amount established by the board.

(1) Evidence shall consist of a copy of the health insurance card or other verification provided by the social security administration.

(2) The reimbursement amount for the following year shall be established by the board no later than the December meeting.

(3) Reimbursement shall become effective no later than the first full month following receipt of evidence, and will be paid as a monthly addition to the pension payment .

(4) Reimbursement will not be made to benefit recipients who are eligible to receive reimbursement from another entity (e.g., employer, other public retirement system, etc.)

(I) Anyone who is eligible but who does not enroll for medicare part B coverage will have reduced coverage. Medical claims that would have been covered by medicare part B will not be covered.

(J) Anyone who is eligible for a benefit based only on an election in accordance with section 5505.162 of the Revised Code shall not be eligible for health care coverage or medicare part B reimbursement.

(K) An alternative payee under section 5505.261 of the Revised Code shall not be eligible for health care coverage or medicare part B reimbursement.

(L) A benefit recipient can not be covered by more than one public retirement system.

(M) If the cost of coverage through an employer, pursuant to paragraph (A)(4) or (B)(5) of this rule, exceeds twenty-five per cent of gross wages, the retirant may apply for a hardship exemption on a form prescribed by the board.

(N) All provisions of this rule are subject to the current health care contracts and amendments.

Effective: 09/28/2010

R.C. 119.032 review dates: 07/07/2010 and 09/28/2015

Promulgated Under: 111.15

Statutory Authority: 5505.28

Rule Amplifies: 5505.28

Prior Effective Dates: 1/1/1987, 2/1/1990, 11/1/1990, 2/1/1992, 3/15/1992, 12/1/1994, 6/1/1996, 10/1/1996, 10/21/2005