

Insight From the Administrator

By William I Winegarner



Why Has the Longest Bull Market Failed to Fix Public Pensions?

What Can the Members of POP-5 do to Alleviate Some of the Problems?

In the Wednesday, April 10, 2019 Wall Street Journal, there was an article by Heather Gillers entitled, “Why the longest bull market has failed to fix public pensions.” Her article contained one of the clearer explanations of why the recent bull market has failed to solve the funding problems of public pensions.

Ms. Gillers wrote, “Maine’s public pension fund earned double-digit returns in six of the past nine years. Yet the Maine Public Employees Retirement System is still \$2.9 billion short of what it needs to afford all future benefits to all retirees. “If the market is doing better, where’s the money,” said one of their retirees.”

Here is the pension system dilemma:

“Public pension funds have to pay benefits—their liabilities. They hold assets, which grow or shrink through a combination of investment gains or losses and contributions from employers and workers. Those assets generally rose faster than liabilities for five decades starting in the 1950s because government was expanding and the number of retirees was smaller. In the 1980s and 1990s, double-digit stock and bond returns convinced governments they could afford widespread benefit increases.”

In simpler terms, benefits such as health care for everyone, 13 checks and mandated COLA amounts were insufficiently funded .

“But the value of their holdings [like those in Ohio’s pension systems] —their assets—

Continued on page 2

The Legislative Report

By Steve Buehrer, Esq.



“Knowledge is Power.”- Francis Bacon

We all seek knowledge and respect those who possess wisdom. So-called “wisdom” comes in many forms and can be found in many places.

In today’s world, we have easy access to more information than our early ancestors could have ever imagined. Often that knowledge is literally in our own hands in the form of smart phones and other gadgets with seemingly limitless supplies of information. However, in today’s information and data driven world, the key to true wisdom and successfully educating others is to find credible sources and distill facts into understandable conclusions.

This idea is central to our advocacy strategy at POP-5. Even though few bills have been introduced so far this session that immediately impact pension viability and stability, we are constantly working to ensure we are aware of what is being discussed, condensing it into useful talking points, and preparing to step up and engage legislators when issues present themselves.

As a former legislator myself, I can tell you that current legislators face many issues with which they have little experience. Luckily, they have a vast amount of resources and information at their fingertips to fill in their knowledge gaps. Unfortunately, the necessary time to truly research information and draw meaningful conclusions is often lacking due to the many demands of the legislative calendar. Furthermore, even when information is gathered in preparing to make decisions on legislation, there is no guarantee that the legislators will get the best or even accurate information.

Continued on page 2

RETIRES & WORKERS

(Insight: Continued from page 1)

began to fall in the aftermath of the dot-com bust in the 2000s, and the 2008 financial crisis followed soon after. State and local retirement systems lost 28% in 2008 and 2009, according to the Boston College data.”

“As the actuaries have explained to pension fund trustees, you have not only lost the assets, but also the earnings those assets would have generated. Combine that reality with the fact that “the amount owed to retirees is accelerating faster than assets on hand to pay those future obligations. Liabilities of major U.S. public pensions are up 64% since 2007 while assets are up 30%, according to the most recent data from Boston College’s Center for Retirement Research.”

Natural demographics are another problem. Longer lifespans have increased the number of living retirees, while the number of active workers have either decreased, or remained relatively stable.

Even though public pension funds have benefited from the extended bull market, many are now having to lower their predictions on the amount of future earnings they can expect. Add to that, the recently enacted and politically-motivated financial accounting procedures (GASB 67 & 68) make their liabilities look even larger, portraying a bleaker picture in the coming decades. The end results being the difficulty of staying within their statutorily required 30-year funding periods.

What Can the Members of POP-5 do to Alleviate Some of the Problems?

The first step is to learn and understand the financial challenges and legal requirements our pension systems face. A lack of this knowledge is usually manifested in rumblings and complaints. Knowledge, on the other hand, is empowering, and when employed properly, has the best potential of bringing about positive solutions.

If our members do not or are unwilling to understand the financial and political challenges to our pension systems, then we will be forever faced with complaints about what we don’t have and/or the quality of our pension system’s leadership, and will continue doing nothing to help improve the situation.

Continued on page 3



STANDING TOGETHER

(Legislative: Continued from page 1)

Therefore, thoughtful groups like POP-5 can be a useful and powerful resource in helping elected members gain wisdom and reach decisions.

sions.

By focusing legislators on the positive benefits defined -benefit pension systems bring to our state, we help to counter the often mis-leading facts and other half-truths that ideologically contrary interests spread through the popular press concerning pension funding.

The idea of stable lifestyles for retirees and the economic benefits of pension dollars cycling through Ohio’s economy is a story that must be told. That is why bringing forward wisdom and educating legislators is a central cornerstone of the POP-5 mission. These activities are what motivates us and brings the members of our organization together. Ultimately, it is also the power of knowledge that makes our role valuable in the debate over our pension systems’ future.



Separating Truth from Error

By: Maryfrances Kamyar, Assistant Director

Research is one of the services your membership in Protect Ohio Pensions provides you.

As an association, we have access to multiple sources of information that would not be readily available to members individually. These sources would include the pension systems’ government relations teams, national and local pension associations, government reporting services, national and local newspapers and of course, “the web.” These resources enable us to see developing patterns from which we are able to draw reasonably accurate conclusions.

The following are examples of some of the headlines and articles we decipher for accuracy and political impact:

Employers Can Buy Retirement Security for \$2.64 an Hour (Bloomberg) Many Americans can’t afford to save for their future and will be doomed to poverty.

It Just Became Easier for Employers to Dump Retirees’ Pensions. (CNN Business) Traditional pensions are disappearing in America, and the federal government just made it easier for employers to get rid of them.

Continued on page 3

We don't want to be in that category. After stating the purpose for membership in Protect Ohio Pensions, Inc., which is to protect the continued existence of Ohio's traditional defined-benefit pension plans, Article II of our constitution sets forth two methods to accomplish that goal: 1. Educating members on issues that could impact the stability of the funds and their ability to continue providing a meaningful retirement pension and benefit package and 2. Educating the public about the cost savings to them and the economic value to their local communities by maintaining Ohio's current pension programs.

One of our primary responsibilities to you is explaining the challenges faced by our pension systems. Your responsibility is to review and corroborate those explanations. When we are of one accord, we become a very powerful asset in protecting our pensions, from a legislative point of view.

Our ultimate goal, is to be knowledgeable enough of pension system challenges and benefits to unemotionally explain them to the public, which includes members of the state legislature.

Why is this so important? Our legislature passes the laws that ultimately impact the structure and benefits provided by our pension plans. In order for legislator to make wise decisions, they need a large and educated source for accurate and unemotional information on the benefits of traditional pension plans, and the motivations and tactics of those who want them eliminated.

By accomplishing our mission, we help provide our pension systems with a much better environment in which to shore up their financial and legislated requirements, and to maintain and/or restore our benefits.



Maryfrances Kamyar

At their April 2019 meeting, the board of trustees promoted our Office Manager, Maryfrances Kamyar, to the position of COO/Assistant Director.

Ms. Kamyar brings 40 years of people skills and leadership experience, in various fields of endeavor, such as overseeing the work of missionary students and managing patient-dietary priorities for a local hospital.

Since joining the POP-5 staff in 2017, and in addition to her regular duties as Office Manager, she has demonstrated exceptional cognition when it comes to the activities and motives of those who want to eliminate our defined-benefit pensions.

In addition, Maryfrances has also been understudying the duties and responsibilities of our Executive Director.

Hawaii's Pension Fund Positioned to Withstand Next Recession (Pew Trusts) Like many states, Hawaii has faced challenges in recent years setting aside enough money to fulfill pension promises made to its public employees. In 2017, the state reported \$15.7 billion in assets to cover \$28.6 billion in liabilities, just over half the amount needed.

World's Largest Pension Fund Loses \$136 Billion in Three Months The world's biggest pension fund posted a record loss after a global equity rout last quarter pummeled an asset class that made up about half of its investments.

The Average American Can't Save Enough to Retire: (Forbes) How much money do you need to retire?

Why the Public-Pension Timebomb Is Growing Even More Deadly (Manhattan Institute) The second-longest bull market in American history hasn't stopped the deterioration of state and local pension funds, whose unfunded debt has almost quadrupled, by their own accounting, from about \$360 billion in 2007 to \$1.4 trillion today.

Panel: Transition NY Pension Fund to Adapt to Climate Change (AP) An advisory panel recommends New York state's \$200 billion public employee pension fund be transitioned to 100 percent sustainable assets by 2030 to adapt to climate change.

A review of these sample articles reveals a range of claims based on inaccurate or inappropriate comparisons upon which a conclusion is reached. Individually, each article paints a negative picture of the financial stability of traditional (defined-benefit) pension plans. Collectively, these and similar articles, are designed to portray defined-benefit pensions as financially unsustainable and defined-contribution (401K type) pensions as a state's way out of future liability.

Anytime our legislators are presented with the argument that they should convert Ohio's pension plans to the defined-contribution (401K) model, we can present them with facts that the way Ohio's pension systems are funded disproves all the negatives being perpetuated in these articles. Even though our pension systems are currently going through a period of adjustment, our defined-benefit pension funds are fine just the way they are. The needed adjustments are only being required because too many side benefits were granted when investment returns were abundant and not because the traditional plans are not sustainable.



The Focus of Protect Ohio Pensions, Inc.

In the purpose clause of our constitution, there is no direct reference to advocating for COLAS, health care or any other side benefit. That's the focus of a retiree association.

Protect Ohio Pensions believes that protecting the continuation of the traditional defined-benefit pension plans for current workers is the best solution to preserve or restore health care and COLA benefits for retirees.

If a pension system doesn't have the financial resources, in reality or as required under law, to pay

these additional benefits, then fighting a pension system for them would appear to be an exercise in futility.

Protect Ohio Pensions' staff, legislative council and well-informed members provide us with the best team to help alleviate the outside political and commercial attacks on our defined-benefit pension plans.

Eliminating the outside interference, from those who care less about Ohio's liability or us and only want to change our pension plans for their personal profit, assists our pension boards in focusing on plans to maintain and/or restore our benefits.



Protect Ohio Pensions, Inc.
132 Dorchester Sq. S. Ste. 101
Westerville, Ohio 43081

NON-PROFIT ORG.
U.S. POSTAGE
PAID
COLUMBUS, OH
PERMIT NO. 1375

Board of Trustees



Bill Winegarner
Chairman/CEO



Candace Shicks
Vice Chair



Mary Winegarner
Treasurer



Nancy King
Secretary



Ed Ciecka, OPERS
Representative



Ed Wells, STRS
Representative

Staff



Maryfrances Kamyar
COO/Assistant Director



Keith Kleiber
Data Manager

Phone: 614-426-4333

Email: POPOFFICE@POP5.ORG