

# Protect Ohio Pensions

1st Quarter 2018

***Retirees & Current Employees Working Together to Preserve Ohio's Public Pensions***

## Insight From the Administrator

By William I Winegarner



### So, what have you done for me lately? An explanation of advocacy

Do you recall the old adage “No news is good news?”

There are times when members of an association wonder if their financial support is really accomplishing anything for them. The answer to that question usually comes from two observations: 1. Your knowledge of the potential threats, and 2. Is the association accomplishing the purpose for which you joined.

I want to address these two areas in order to help you understand the value of your membership in Protect Ohio Pensions, and our appreciation of your support. Let’s start with area number 1. Your knowledge of the potential threats:

Individually you gain information from your local newspaper, TV stations, pension system or possibly the Internet. As a member of Protect Ohio Pensions you will also hear about areas of concern via the Newsletter or the email legislative alert system.

From the public information sources, Newspapers, TV etc., the threat to our traditional [defined-benefit] pension tends to be subtle, usually along the lines of public pensions being in financial trouble. As individuals, we often gloss over these references, because Ohio’s public pensions do not generally fall into this category.\*

The first major value you receive from your membership in Protect Ohio Pensions, is our concentration on collecting and digesting national and local information about the motivation, efforts, and tactics behind all those who are trying to build a case to convince Ohio legislators to eliminate our traditional [defined-benefit] pension plans.

From your association information sources, the Protect Ohio Pensions Newsletter will inform you when a specific issue has moved

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## The Legislative Report

By Steve Buehrer, Esq.



Since I began working with the Protect Ohio Pensions (POP) organization nearly two years ago, my newsletter columns and reports to the Board of Directors have always included wording to the effect that “no harmful legislation to the defined benefits pension systems has been passed in Ohio”.

With this “mission accomplished” statement, I am often tempted to end my report because, as mentioned in the Administrator’s column this quarter, no news is good news. Yet to end the story this simply would ignore the work and effort that goes into accomplishing the goal of protecting defined benefit pension systems from harmful messages and conniving actors who would seek to upend the great system that Ohio public retirees, present and future, enjoy.

Even if no harmful legislation is introduced or receives significant consideration, the activities that are required to protect Ohio’s pension systems are never ending. On numerous fronts, the topic of pensions are constantly being discussed on the state and national stage. Too often these messages serve to confuse the listener and create a perceived crisis where in most cases there is none. An example of this confused messaging is the debate on pensions that has taken place in Washington DC in the past few weeks as Congress debated and passed a budget funding package. With shrieks of a “pension crisis,” a task force was added to the federal budget legislation. This legislative task force must report a solution to the “pension crisis” by

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## RETIREES & CURRENT EMPLOYEES SUPPORTING EACH OTHER

### Insight

into the threat category; and if you receive an email alert, it will inform you that it is time for you to act with us in order to address a specific piece of legislation at the Statehouse.

The second major value you receive from your membership is peace of mind; is knowing that your association is prepared with all the necessary background information on those who are behind a current effort to eliminate our traditional [defined-benefit] pensions, and the approaches they use. Armed with this knowledge and information, your association's leadership and its legislative-council and his Statehouse-team are in the best position to be proactive at the Statehouse before any legislation is even introduced.

I titled this article with the question "So, what have you done for me lately?" and here is the answer:

1. We continually review all pension related articles and information from:
  - The Gongwer News Service [provides hourly emails and articles on activity at the Ohio Statehouse]
  - All of Ohio's major newspapers and the Associated press.
  - National Institute on Retirement Security.
  - National Coalition of Public Employee Retirement Systems.
  - National Public Pension Coalition.
2. We have discussed defined-benefit pension related activity with sources in Washington, DC.
3. We have discussed defined-benefit pension related activity with the Executive Directors and/or Government relations officers of the pension systems.
4. We retain the services of one of

the finest legislative counsels and his firm's public policy team, to work with all members of Ohio's General Assembly and the Governor's administrative leadership to promote the value of all of Ohio's traditional [defined-benefit] pension plans. This is a daily activity.

5. We work diligently to communicate the importance of becoming a member of Protect Ohio Pensions for the preservation of all of Ohio's public pension plans to the end that retirees and members can have the absolute best pensions and benefits possible.

We have all lived long enough to know that somewhere there is someone who is after the money (pension) we have earned. Our job is to stop them and protect what is ours. When it comes to our pensions and benefits, no news is always good news, and we continually work to keep it that way.

\* *From time to time, Ohio pension systems do have "funding" requirement issues, but that is totally different from financial problems.*



current investment returns for Ohio's pension systems have exceeded their projected bench mark returns for calendar year 2017 and remain in a sustainable position going forward. The fact that the pension systems have had good financial returns and are presently in strong shape has also been overshadowed by some of the debates in the Ohio General Assembly- especially in the legislative discussions around cost of living adjustments (COLA). Certainly, each of Ohio's five pension systems has its own financial story to tell. However, casual observers of the House Bill 413 debate (the legislative effort to curtail automatic COLA increases in the OPERS system) have struggled with the conflicting proposition that even though the funding of the system is within appropriate guidelines, the COLA changes are necessary for the longer term financial health of the system. No matter where you come down on this important debate, the truth remains that POP's responsibility is to provide good information to key decision makers. Ultimately, our guiding principle is to ensure that the current system survives today and into the future. We will support the ability of the governing boards of each system to make informed decisions about the health of that system. Along the way, we will also provide information to clarify and inform the debate. Furthermore, we will step forward when any proposal seeks to undermine our defined benefit system here in Ohio.

### Legislative

November of this year. However, a little digging into the details reveals that the debate is about the future financial sustainability of private sector (primarily union) pension systems. Although these issues are very real to the individuals in the private sector who may be faced with uncertain retirement futures, the discussion about pension stability and the work of the newly minted House-Senate Task Force, which will likely draw media attention in the coming months, has nothing to do with Ohio's public pension systems or their stability.

In fact, all data indicates that the

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## The Elimination of a Traditional Pension Plan

One of the national associations to which we subscribe is the National Institute for Retirement Security (NIRS). In their February 2018 bulletin there was an issue brief entitled Retirement Reform Lessons: The Experience of Palm Beach Public Safety Pensions.

The article gives us some insight to the chaos that could occur should the anti-traditional [defined-benefit] plan forces ever prevail in Ohio. \* Let's move to the NIRS study:

Since 2009, fiscal constraints pushed state and local governments to reduce costs in ways that impacted employees such as layoffs, salary freezes or benefit reductions. Nearly every state modified its retirement systems to ensure long-term sustainability, most often by increasing employee contributions, reducing benefits or both. During these deliberations, some retirement systems faced pressure to move from defined benefit (DB) pension plans to defined contribution (DC) 401(k)-type individual accounts, in part or whole.

Sounds familiar, doesn't it?

Advocates of switching from DB [defined-benefit] to DC [defined-contribution] plans position the change as reducing employer costs for unfunded liabilities ...., In 2012, the Palm Beach Town Council closed its existing DB pension systems for all employees, including police and fire. This case study of the Palm Beach experience offers an important cautionary tale on the detrimental impacts of switching public employees from DB pensions to DC accounts. More specifically, the town's experience reveals that:

**Dismantling the DB pension benefit caused a mass exodus of public safety officers.** Employees' reactions to losing expected DB pension benefits were swift. 20 percent of the town's workforce retired after the change. 109 other protective officers left before retirement in the next four years. Mid-career safety officers departed the forces in unprecedented numbers with 53 vested police officers and firefighters departing Palm Beach's forces.

**Neighboring towns benefitted from the changes that Palm Beach implemented to its retirement plans.** Nearby towns saw the public controversy erupt in Palm Beach and instead adjusted their DB pensions rather than dismantle employees' benefits. The 109 trained officers who decided to leave provided a talent pool for other towns and counties.

**The shift away from the DB pension increased costs in other areas.** The town did not anticipate the financial impact of the high attrition. For example, firefighters had to work extremely high levels of overtime to fill staffing gaps. Also, the unprecedented loss of new and

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## Legislative

Even though a handful of bills are being considered by the legislature that impact certain aspects of individual retirement systems, none of them at the present time contain a clear threat to the existing systems or their governance. While we celebrate that "good news," we continue to monitor legislative activities and to provide clarity around the real issues that are of concern to the thousands of POP members who have put their faith in us. This responsibility is an important one that we take very seriously.



## Ed Wells Appointed



At their February Board meeting, the members appointed Mr. Ed Wells, from Chagrin Fall, to the position of STRS Representative.

Mr. Wells brings a wealth of experience to the POP-5 board. 30 years teaching at the elementary and middle school levels, 2 years as a curriculum coordinator in Career Education, 3 years as an assistant elementary school principal, 16 years as a part time teacher at the Hathaway Brown School in Shaker Heights at the elementary, middle and upper school levels, 28 years as a member of the teacher's union executive board, and 5 years as an elected vice president of AFT, Local 795.

Ed's experience as a negotiator and member representative will be a great aid in helping accomplish the association's task of protecting Ohio traditional public pension plans.

## In Memoriam



We are saddened to announce that Mr. Joseph Endry, former Advisor to the POP Board, and recently appointed STRS Representative, died on January 21, 2018.

Joe served in Reynoldsburg Ohio as principal, assistant superintendent and superintendent. From 1989 to 2001, he served as Executive Director of the Ohio Retired Teachers Association (ORTA). From 1999 to 2001, he was president to the Association of State Retired Teachers Executives. From 2001 to 2005 he was elected to the State Teachers Retirement System's Board of Trustees, and served as Vice Chair and Chairman.

His love, service and advocacy for Ohio's defined-benefit pension plans spanned the past 20 years as illustrated by his record of service. Joe was one of our founding Lifetime members, and one of the first to recognize that membership in his system's retiree association and POP-5 were essential in preserving Ohio's traditional pension plans.

## The Elimination

experienced public safety officers caused the town's training cost to soar likely reaching upwards of \$20 million, based on an "all in" cost estimate of \$240,000 per officer to bring a new police officer through the rookie period in Florida.

**The DC switch proved a failed experiment in Palm Beach.** The Town Council voted in 2016 to abandon the DC plans and improve the DB pensions for police officers and firefighters by raising benefits substantially and lowering the retirement age. The Council offset the cost of the police and fire DB pension improvements by increasing employee contributions and eliminating the DC plan with its employer match.

Public pension plans are an important workforce management tool for recruiting, retaining and retiring public sector employees. The Palm Beach experience suggests that policy-

makers must carefully analyze the consequences of moving employees from DB pensions to DC accounts, particularly for public safety personnel. The dramatic staffing shifts resulted in expensive consequences as high turnover escalated training costs.

The study in this article points out why it is so important for Ohio's public and retired workers to become unified in protecting Ohio pensions. If the retirement plans change for current workers it will clearly harm recruitment of qualified employees, our local economies, and dramatically impact the funding and benefits offered to our current retirees.

\*The entire NIRS Palm Beach article can be found on the Insight page of our website [www.pop5.org](http://www.pop5.org)



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