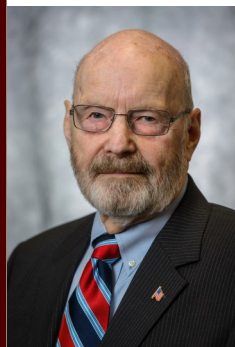


*Retirees & Current Employees Working Together to Preserve Ohio's Public Pensions*

## Insight From the Administrator

By William I Winegarner



### We Can See Them Scrambling.

Over the past 4 years, we have heard about and observed our pension systems scrambling for ways to stay within their statutorily mandated 30-year funding requirements.

From our perspective, these “ways” have mostly manifested themselves as reductions to our COLA and health care benefits.

We react to these changes because they impact us financially. Some respond by striking out at the pension system’s leadership while others will do what they can to understand and help.

Which of the following statements best describes your current opinion?

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## The Legislative Report

By Steve Buehrer, Esq.

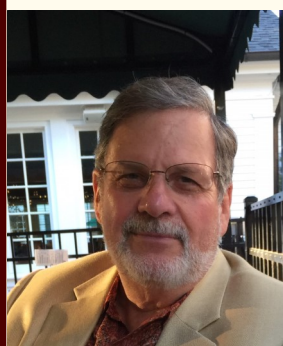


### Seeing Changes As They Happen.

In the last few weeks, many of us have enjoyed the beautiful fall colors as we observe the coming seasonal change. The lower temperatures and colorful hues serve as indicators of changes that will come as the seasons make their eventual transition.

Noticing indicators of change is also part of the public policy world, as well as, the mission of POP 5. Rarely, does a new idea simply fall out of the sky and become a legislative proposal that may become law. Watching and following the calendars of Ohio’s General Assembly tells us what is happening right now. Often weeks, months or years of activity have gone into bills being discussed.

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### Edward Wells – STRS Representative

In July of 2000, I retired from public school teaching after 32 years of service in the Cleveland Public Schools and the Cleveland and University Heights City Schools. I continue to work on a part-time basis for an independent girls’ school in Shaker Heights.

As I enjoyed retirement and talked with retirees from the private sector, I quickly realized how fortunate Ohio Public employees were to have such a robust defined-benefit pension and how superior it is to any of the defined-contribution programs that are increasingly becoming the norm.

When I received a mailing from POP5, I carefully took note of the organization’s stated purpose. Defined-benefit pension programs are under increasingly heavy attack by both public and private forces who desire to destroy them nationwide. None of these agencies are motivated by the best interests of retirees. I felt, and continue to feel, that POP5 is another strong advocate for all the public employees of Ohio and serves a crucial role in the defense of their defined-benefit pensions.

With the untimely passing of Mr. Joseph Endry – POP5 STRS representative, and former Executive Director of ORTA and member of the STRS Board, I applied for and was excited to be accepted as a POP5 board member volunteer. I look forward to working with POP5 to aggressively protect our Ohio defined-benefit pensions.

## RETIREES & WORKERS

Insight: Cont'd from page 1

1. My pension system is operated by egotistical or inept managers, and my pension system's board is out to cause me financial harm.
2. My pension system is operated by qualified and caring managers, and my pension system's board is out to protect the pension fund's solvency while providing me with the best pension and benefits package possible.



If you mostly agree with the first statement, your advocacy path will consist of complaints, petitions, and frustrations. If you mostly agree with the second statement, you will take the time to learn and understand the problems your pension system faces, and your advocacy path will result in constructive input.

Protect Ohio Pensions adheres to the thoughts expressed in statement 2. We developed our opinion through observations that have matured with time, education, and understanding of the issues confronting our pension systems.

With the perspective that pension leaders are doing their best to provide for their members, we can concentrate on protecting the systems from those who would eliminate our traditional pension plans. Sometimes that might even mean protecting them from themselves.

Remember the quote “The best-laid schemes o’ mice and men gang aft-a-gley [often go astray], and lea’v us nought but grief and pain, for promised joy,” from John Steinbeck’s novel *Of Mice and Men*?

Simply stated, no matter how great the intentions behind a pension-system hybrid plan proposal for future employees, it still may result in grief and pain for current and future retirees.

Ohio has, what I will call, once and done defined-benefit plans. Once employees and employers make their required contributions, they are under no obligation to contribute more. Our pension systems are limited to those contributions and returns on investing them to meet pension-payment obligations. Their obligations are projected to be three times the amount contributed by employees and employers. [For details, see the “Insight” article in our 2019 1st quarter newsletter.]

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## STANDING TOGETHER

Legislative: Cont'd from page 1

To fully understand how these bills emerged and what may be next, one must step back from the activity of the Statehouse.

There are certain sources of information that can be monitored to predict when change may be happening. Watching media reports, advisory board activities, other states’ trends or simply societal problems and issues can all be indicators of activity and proposed changes ahead.

For the most part, legislative bodies are reactive. Elected officials observe the world they live in, talk to the people around them and react to problems they see. These reactions become proposals for legislative consideration.

This general pattern of public policy development can also be seen in the area of pensions. Right now, very little formal attention has been devoted to pension discussions in this two-year legislative session of the General Assembly. However, the careful observer can see indications that pension issues may be “in the wind” in the coming days.

We know there are various interest groups that would like to see the demise of defined-benefit pension plans for their own agendas.

Signs of potential change! One recent article in a prominent business publication serves as a reminder of this nefarious agenda. The article is entitled “The Most Insolvent State Pension Funds.” It immediately raised red flags for me because, the article was not a ranking of financial stability or good standing; it was a ranking of “insolvency.”

Many of the states listed were well within acceptable financial ranges. If you are curious, Ohio was ranked 37th, but the subtle message of the article is that all systems are in trouble.

These types of messages which are repeated in other formats in other publications often get noticed and may lead legislators or other interest groups to drive potential change that may have dubious impacts on Ohio’s defined-benefit plans.

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Even with the best of tools, the cost of a defined benefit plan will always be an estimate based on economic and financial assumptions. These assumptions include the average retirement age, lifespans, returns on investments, ratios of workers to retirees, and the continuing flow of employee and employer contributions.

The only variable we can impact is the continuing flow of contributions. It was the preservation of this variable that caused Protect Ohio Pensions to be founded. Whether it is outside corporations, investment houses, special interest groups, political agendas, or even a pension system itself that hinders that flow, it is of major concern to us.

Currently, the Ohio Public Employees Retirement System (OPERS) is developing a hybrid (DB/DC) pension plan for new employees in 2022. This plan, named "Group D," may be a concern to all of us. Ohio's public pension systems tend to follow each other's lead into new territory, and it appears that the Group D plan will divert some of the employee and employer contributions from the current pension fund.

In light of sustaining or returning our benefits, we will continue to monitor the OPERS proposal to determine if the projected improved solvency of the system offsets any future loss of investment assets (employee/employer contributions).



Legislative: Cont'd from page 2

Another indicator of possible changes is discussions among the governing boards of our pension systems and other oversight bodies. One example of this discussion of change has been taking place at the OPERS board. In a fair and open manner, the board and the executive leaders have been discussing the need for health care reform, COLA changes and other potential changes including a new type of retiree-pension called "Group D".

According to published reports and the discussions at public meetings, these considerations are being driven by a need to continue to meet the necessary reserve levels which in turn have become necessary due to tough investment results, lower expected returns in the future, and revised reporting procedures. Other retirement boards are having similar discussions. Clearly, these types of activities and the surrounding media coverage are indicators of possible changes ahead.

Just as we can look out the window and see the turning color of leaves, and we can also monitor the activities across a variety of policy and media sources to see that change is in the air. Just as the changing color of leaves does not tell us exactly what winter will bring, they do direct our attention to the coming events. Watching the "leaves" on the policy trees tells us that change and more discussion are at hand. As these changes approach, POP 5 will continue to watch the "signs" to make sure our members are aware of pension-proposals that may be on the agenda of our state policymakers.



**Maryfrances Kamyar—Chief Operations Officer**

In October 2019, POP5 (Protect Ohio Pensions, Inc) sent out a letter to prospective members outlining our goal of protecting and preserving the Ohio defined-benefit public pensions.

Along with the letter we sent a flyer addressing one of the issues that POP5 is concerned with when it comes to protecting Ohio's pensions, "*The Corporate and Newspaper Attacks on The Funding Status of Public Pensions.*"

Before the recession of 2008, there was very little discussion concerning public pensions and very few articles printed in national and local newspapers. The only groups expressing interest in what General Assemblies were voting on, were the pension systems and retirees.

According to a research paper published by the Department of Political Science at Washington University at St. Louis: Polarization and Policy: The Politics of Public-Sector Pensions by Sarah F Anzia & Terry M. Moe Concerning Public Pension Articles:

*"The number of stories on pensions jumped in 2008 and steadily increased over the next three years—63 in 2009, 71 in 2010, and 90 in 2011."*

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Kamyar: Cont'd from page 3:

The majority of these articles attempt to describe the lack of financial strength in private and public pensions, and the fears of them not being able to meet their obligations. We know the facts of how Ohio's defined-benefit plans are funded and that Ohio plans do not fall into the negative categories portrayed in these articles.

Today, most private companies have changed their defined-benefit pension to defined-contribution plans (401k). There are a few state legislatures that fell victim to the published negativity. They changed their public pensions from defined-benefit to defined-contributions, only to later change them back, after experiencing the increased cost and loss of good employees under defined-contribution.

The many negative articles do not paint a true picture of Ohio's Public Pensions. The negativity and incorrect comparisons reflected in these articles are tactics employed by large corporations and stockbrokers. They are the motivators who want to see the elimination of defined-benefit and replacement with defined-contribution. Their goal is to reduce shareholder power and regain the cost of commissions and fees.



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