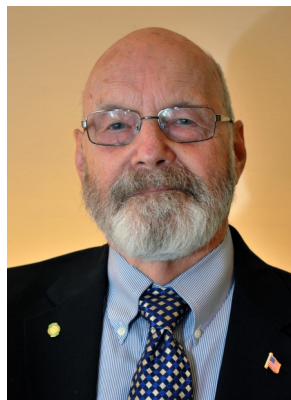


Retirees & Current Employees Working Together to Preserve Ohio's Public Pensions

Insight From the Administrator

By William I Winegarner



Preserving Your Pension

Who or what endangers the continued existence of our defined-benefit pension plans? Part 1

A pension system, in the simplest of terms, is an investment and distribution house. When it comes to public pensions, a system receives contributions from employees and employers, invests them, and then

distributes pensions based upon a pre-determined formula. They have no other source of income. Each Ohio system has a governing board (elected and appointed) and an oversight board (The Ohio General Assembly). The financial returns generated by a typical investment house are not designed, nor should they be considered to be, a replacement for wages, benefits and inflation.

Unlike a typical investment house, pension systems and the General Assembly have an Achilles' heel* : Their emotional and/or political involvement with pension members and taxpayers. That is why governing and oversight boards have given in to the request of their members and have allowed our Ohio pension systems to become embroiled in activities for which they were never designed; Disability (an employer responsibility), health care, inflation compensators and extra checks to name a few.

The process of addressing each of these extra-curricular activities that has kept our pension systems, legislators and members in a constant state of financial turmoil.

The following is from a recent article about public pensions which illustrates some of these points:

U.S. Pension Fund Collapse Isn't a Distant Prospect: It Could Come in 5 Years.**

Kicking the can down the road won't work for much longer.

Continued on page 2

The Legislative Report

By Steve Buehrer, Esq.



As most of us know, the Ohio General Assembly operates in a two-year cycle. Elections are held in the fall of even numbered years (like 2018) and the elected members begin a two-year session the following January.

The largest priority of nearly every General Assembly is the passage of the state budget bill that provides the funding to operate state government over the following two years. This intensive process normally dominates the first six months of the first year. The second year of the General Assembly, which coincides with the beginning of another election season, is often characterized by fewer session days and shorter legislative schedules. The two-year cycle is often capped by a post-election session referred to as "lame duck".

Although it is too early to accurately predict what the 2018 "lame duck" session may look like, it is fair to say that the first half of 2018's legislative calendar stands out for the lack of session days that were conducted. Certainly, committees have met and bills have moved through the legislative process, but as the legislature finishes its work before a long summer recess, less than 20 session days have been held

As I discussed in the last newsletter, this session has not seen any legislation introduced that will significantly impact Ohio's defined benefit pension system. Fortunately, such a proposal would not be undertaken without a major objection from Protect Ohio Pensions.

RETIREES & CURRENT EMPLOYEES SUPPORTING EACH OTHER

Preserving your pensions (continued from page 1)

Warnings about looming public pension disasters have regularly cropped up since the 1950s, pointing to problems 25 years or more down the line. To politicians and union leaders, the troubles were someone else's predicament. Then crisis fatigue set in as the big problem remained down the road. Today, the hard stop is five to 10 years away, within the career plans of current officials. In the next decade, and probably within five years, some large states are going to face insolvency due to pensions, absent major changes. There are some reassuring facts. Many states are in pretty good shape, and many others still have time and resources to fix things. There is no serious chance of retirees being impoverished. What's in doubt is whether states will pay promised benefits to retirees with large pensions or significant outside income or assets. Also, although most of the problem is created by politicians and union leaders cutting deals to promise future unfunded benefits to keep voters happy, there are also plenty of stories of politicians and union leaders risking their careers to stand up for honest pensions. It's important to distinguish between actuarial problems (the present value of projected future benefit payments exceeds the funds set aside to pay them plus projected future contributions) and cash problems (not having the money to send out this month's checks). Actuarial problems are always debatable and usually involve the distant future. Cash shortfalls are undeniable and immediate.

The underlined sentence in the above article identifies two areas of concern: Retirees, union leaders and politicians pushing deals to promise or retain current and future unfunded benefits and union leaders, board members and politicians who are willing to risk their careers to stand up for the long-range financial integrity of a properly funded pension.

Before walking through an example, I want to remind everyone that Protect Ohio Pensions (POP-5) takes no position on the merits of any individual proposal by one of Ohio's five public pension systems. Pension-proposal advocacy is the main focus of retiree associations. Pension-funding advocacy is the main focus of our association: Protect Ohio Pensions.

After months of professional cash flow, actuarial projection and investment-environment studies, one of Ohio's pension systems (OPERS) asked the legislature to change how the pension board could determine the amount of the cost of living allowance for their retirees. Reducing benefits is always a tough decision to make. It took integrity and courage for the OPERS board to ask the General Assembly to help preserve the long-range funding status of the pension fund by reducing the COLA. To date, the leaders of the Ohio General Assembly have not followed through on their responsibility. **Continued on page 3**



Legislative Report (Cont'd from Pg. 1)

Even though no legislation has triggered a "call to arms" this session, a number of bills impacting public pension systems have been considered by the General Assembly and monitored by our organization.

As the General Assembly winds down its session for the summer, it seems worth providing you a quick rundown of those bills and their current status.

House Bill 242 (Representative Carfagna) and Senate Bill 151 (Senator Hite) were similar bills that permitted, rather than required, a cost of living adjustment for School Employee Retirement System members. These bills were amended into the state budget bill and became law in 2017.

House Bill 341 (Representative Huffman) protects from the public records law personal information of judges and magistrates. The bill passed out of the House in January, 2018 (92-2) and has received two hearings in the Senate Judiciary Committee.

House Bill 362 (Representative Carfagna) made minor changes to the laws governing the State Highway Patrol Retirement System

House Bill 413 (Representative Scherer) makes changes to the cost of living adjustments of the Ohio Public Employees Retirement System. After three hearings in the House Aging and Long-Term Care Committee, leadership announced **Continued on page 3**

Preserving your pensions (continued from page 2)

They have responded emotionally and politically to the outcries of the retirees and failed to utilize the accounting and actuarial resources available to them for properly evaluating the request. Whether the proposed request was necessary to preserve the long-rang funding balance of the OPERS fund we don't know, but neither do the opponent retirees nor the leaders of the legislature who have chosen to ignore their responsibility. OPERS retirees are jubilant, because they have stopped a potential reduction of future benefits, and politicians are comforted because they don't have to make a controversial decision in an election year. So, who is harmed, if everyone is happy?

Checks and balances are in place to insure the long-range solvency of Ohio's public pensions. Pension boards are responsible for their funds, and the legislature is responsible for overseeing the boards. In the above case, all members of Ohio's pension funds were hurt because the evaluation process was not fully completed. Too many times one group or the other has won their battle but lost the war for those who follow.

Protect Ohio Pensions strives to develop the perspective of being able to put aside how decisions of our pension board and the General Assembly may impact us personally and to encourage the understanding of which decisions made by boards or politicians will impact the continued positive funding of our Ohio Public Pensions.

Continued in column to the right

Preserving you pension continued

In part 1 of this topic, I have tried to illustrate the strengths and weaknesses of a public pension system and how important it is for boards, legislators and members to work together to keep our pension funds perpetually strong.

In part 2, which will appear in the 3rd quarter newsletter, I will explain the importance of this funding strength in neutralizing the arguments of the outside forces who want to eliminate our Ohio defined-benefit pension plans.



* Achilles' heel = weakness

** Aron Brown April 18, 2018 Bloomberg View

Legislative Report (Cont'd from Pg. 2)

that the bill would receive no more consideration this session.

House Bill 547 (Representative Edwards) and House Bill 572 (Representative Scherer) allow PERS credit for non-teaching employees of the county boards of developmental disabilities. Both bills are under consideration in the House Aging and Long-Term Care Committee.

Senate Bill 247 (Senator Dolan) would require the Public Employees Retirement System to permit certain spouses of retired or deceased members to continue receiving allowances to pay for health care expenses under the System's group health care plans. The bill has received hearings in the Senate Insurance Committee.

As mentioned earlier, none of these bills promote major changes to the system, but each has an impact on the costs associated with managing the system. On behalf of the POP 5 organization, we will continue to closely monitor the activities of the General Assembly.



Board Member Search

Would you like to help guide our association?

We are now looking for a member to be our SERS Representative. To qualify you would need to be a retiree, current worker or survivor beneficiary of SERS. You should have some knowledge of the operation of SERS and a passion to preserve the defined-benefit pension plans for all of Ohio's public workers.

Our board members are only required to travel to the bi-monthly [every other month] board meetings held in Columbus, Ohio.

All board positions are volunteer and members receive no compensation, other than reimbursement for gas and lunch on board day.

If you have an interest in, or questions about this position, please email a work experience overview to our Executive Director, Bill Winegarner, or call him with any questions you may have. Popoffice@POP5.org or 614-426-4333

Across the Country

Teachers, firefighters, and other public employees in Colorado are members of PERA.

State Treasurer Walker Stapleton has made gutting PERA a centerpiece of his campaign for governor. The most important element of this debate was the preservation of the defined benefit (DB) structure of PERA. Any move away from a DB plan would gut retirement security for Colorado's public employees and their families and harm the local economies they support.

While the changes in the legislation that did pass were

significant, they avoided a fundamental departure from the defined benefit structure of PERA.

Current and future Colorado public employees and retirees will continue to have the security and reliability of a defined benefit pension in retirement.

Extracted from a National Public Pension Coalition article



The move to eliminate traditional (defined-benefit) pensions continues. It is happening in other states. This is why we have to stay vigilant and organized in Ohio. We don't want it to happen to us.

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