

## Insight From the Administrator

By William I Winegarner



### A Season of Thankfulness.

Three years ago, after spending the previous 22 years advocating for the retirees of OPERS, I began discussing the need for a new type of advocacy association with Mr. Leslie D. (Les) Foor, a retiree from Westerville, Ohio. We knew that the retiree associations were doing a good job of representing the retirees' interests at their respective

pension system, but we saw a great need for an association that could focus its full attention on the most critical areas that were universal and of primary importance to retirees and workers from all five of Ohio public pensions. The elimination of political interference or influence in pension system investment decisions, and stopping the corporate money-motivated movement to replace our traditional (defined-benefit) pension plans with 401K type (defined-contribution) plans.

On January 28, 2016 Les Foor, my wife, Mary, and I filed Protect Ohio Pensions' Ohio non-profit Articles of Incorporation. During the next 8 months we applied for and received our non-profit determination letter from the IRS and our U.S. Postal Service non-profit bulk mailing permit. Sadly Mr. Foor passed away unexpectedly during this time. Ms. Beverly Sycks, a former PERI Chairman, filled in as our Chairman, replacing Mr. Foor. We began reaching out for member-support in October of 2016, and the response was immediate. Retirees and workers agreed with our concerns and understood our approach.

As memberships began to come in, one of our first steps was to hire a leading Ohio law firm to represent our members' interests at the Statehouse.

In September of 2017, our ever-increasing work load necessitated a move to a new office location in Westerville, Ohio. Over the past year and a half our Board of Trustees has also grown with the addition of Ms. Candace Shicks a STRS retiree from Westerville, Ms. Nancy King an OPERS retiree from Upper Arlington, Mr. Ed Ciecka an OPERS retiree from Toledo and Mr. Ed Wells a STRS retiree from Chagrin Falls.

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## The Legislative Report

By Steve Buehrer, Esq.



### Change is in the Air.

As the fall leaves begin to crunch under our feet and the temperatures continue to drop, we are reminded of the changes in the air at this time of year. As we pass through the election season of 2018, strong change in govern-

ment leadership is also in the air- especially in Ohio.

No matter who wins the various elections at the state level, all of Ohio's constitutional offices will see new leadership early next year. Ohio's term limit laws mandate that statewide office holders can serve no more than eight years in an office and all of the current incumbents face that limit at the end of 2018. Additionally, term limits mandate the same type of turnover in the General Assembly. In fact, we know that at least 43 seats in the General Assembly will be filled with different people next year as term limits and other factors leave 33 house seats and 10 senate seats with no current member seeking re-election. This high degree of change brings new opportunities and obstacles for organizations like POP-5.

With any current office holders, there is a level of comfort. Not that we may always agree with a person in office, but we become more aware of their thoughts and possible actions on a host of issues- including pensions. With new office holders comes excitement and anticipation as new ideas are brought forward. This excitement is tempered, however, by the uncertainty that new leaders may bring.

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## RETIREES & WORKERS



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As many of you know, the existing retiree groups joined together in an all-out effort to stop us from establishing our new association.

Their negative messages initially caused a lot of anxiety and concern among many of our early members. Some initially thought that they had made a mistake in supporting our work, but the vast majority of you did not. Over time, those who were originally concerned began to realize that their support of our work was vitally important to the preservation of their pensions and benefits.

Preservation takes work and effective-preservation requires concept, support, organization, research, study, information, exercise, preparation and execution.

- Concept occurs when areas of concentration are defined. In our case: defined-benefit pension plans and no political influence on investment decisions.
- Support comes from membership dues and members willing to volunteer their time and talents to help guide the association as members of the board.
- Organization comes from our pension preservation experience and a skilled technical staff.
- Research comes from our association with knowledgeable pension-related professionals, national pension-related associations, government related subscription services and a top-rated legislative council.
- Study comes from reviewing local and national newspapers for articles on pension related issues.
- Information comes from professional associations, and members and from keeping members up to date on the background of political movements and those who are behind the efforts.
- Exercise comes from discussing pension related issues with legislators and others prior to a decision-making crisis.
- Preparation comes from working with pension system leadership and in knowing what to do, when and with whom.
- Execution is the result of effective actions made possible by all of the above.

These are the services you are purchasing with your membership dues.

Without you, we would not have the resources to carry out these tasks.

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## STANDING TOGETHER

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New office holders may not have had exposure to pension issues. Due to inexperience and unfamiliarity, they may be unaware of the strong reasons

why defined benefit pension systems are superior for retirees and why their stability is critical to our members. Other new office holders may even be unaware of how the current systems operate and what their statutory responsibilities and limitations may be in keeping the retirement systems functioning as they were designed. For example, in the election cycle we are concluding, one statewide candidate repeatedly advocated his proposal to use the “bully pulpit” of his office to influence the investment decisions of the pension boards. This type of political grandstanding regarding Ohio’s pension management will have to be stopped and leaders educated about their proper roles.

At the end of the day, whether the candidates you supported win or lose, there is much to be done. As your advocates at the Statehouse, we have already begun the long process of introducing ourselves and POP-5 to the new members of the General Assembly as well as the statewide office holders. These efforts will continue into the New Year as these office holders officially begin their duties and begin seeking information about pressing issues in our state.

No issue is more important in our eyes than the financial well-being of retirees and future retirees that is maintained by the current Ohio pension systems and their ability to manage the funds in a manner that benefits the beneficiaries now and into the future.

After the new General Assembly members are seated and the new office holders are in place, we will be at the Statehouse every day watching the activities and ideas that may have an impact on Ohio’s public pensions. Perhaps in the days ahead, new ideas will come forward that will strengthen our system; in those situations, we will be an advocate for positive reform. At other times, we will be on alert to proposals that would do harm to our existing system and its statutorily defined management. In those instances, we will seek to inform office holders of the harmful effect of these ideas and,

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Every year the attacks on our pension plans increase, and every year we have to rise up to the challenges of those who want to use the power of our pension savings for political purposes and the fees independent financial advisors could earn if workers would have to become their own investment experts.

We close out our 2<sup>nd</sup> full year 22,250 members strong, 6,238 of which are lifetime members. On behalf of our board and staff, I want to thank you once again for your support and look forward to next year, protecting your pension plans and benefits.



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if necessary, activate our membership to help make this case.

Such is the nature of legislative advocacy, and the reason why POP-5 is vital in this ever changing environment.

Change and new beginnings can be times of great expectations and hopeful optimism. Change can also bring new challenges that call us to action. As we celebrate our great system of government that allows the citizens to choose our leaders and ensures the peaceful transitions of leadership, we are reminded of our responsibility to be vigilant in monitoring the actions of our elected officials and in keeping them informed on issue that remain important to us after they have been elected.



**What is PEPTA and How it Would Impact Public Pensions, by Tyler Bond (NCPERS)**

[In June of this year we notified POP-5 members about this legislation and ask that they contact their federal representatives.]

In June, Congressman Devin Nunes (R-CA) reintroduced the Public Employee Pension Transparency Act (PEPTA). Rep. Nunes has introduced this legislation for the past four Congresses. PEPTA would require state and local public pension plans to disclose their unfunded liabilities to the U.S. Department of the Treasury, but it would require them to calculate their liabilities using the rate of return on U.S. Treasury bonds. This would artificially inflate the unfunded liabilities to much higher levels than what the plans actually face.

The PEPTA legislation would impose unprecedented and burdensome reporting requirements on public pension plans. The federal government has very little oversight of state and local pension plans. These plans are sponsored by the city or state government where they are located. These plans do not receive funding from the federal government, so they are not required to report anything to the federal government. These plans do report plenty of relevant information to the stakeholders in their states.

Perhaps even more concerning than the requirement to unnecessarily report to the federal government is the requirement that these plans calculate their liabilities based on the rate of U.S. Treasury bonds. You may remember that this idea comes from anti-pension ideologues like Joshua Rauh.

Working with independent actuaries, public pension plans determine a discount rate or an assumed rate of return. They use this discount rate to project how much they expect their investments to earn in the decades to come.

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**Why would anyone want to eliminate Defined-Benefit Pensions?** By Maryfrances Kamyar

Pension dollars help local economies. Spending by retired public employees supports jobs, greater tax revenues and economic growth in our local communities.

The NRTA (National Retired Teachers Association): AARP's Educator Community in partnership with NIRS (National Institute of Retirement Security) developed an informational fact sheet on retired Public Employees and retired Teachers for all the states in the US. Data from research done by NIRS and other sources can be found on the NIRS web site.

According to the data NIRS has developed Ohio PERS, STRS and SERS generates 20.1 billion dollars in economic output in the state of Ohio. This output supports 137,048 jobs paying those workers in Ohio \$6.3 billion in income and generates \$3.6 billion in federal, state, and local tax revenues.

When a retiree is receiving their pension, the money is spent in the community in which they live. The Bureau of Labor and Statistics states the average amount of money spent by a retiree is \$45,756 dollars per year.

It is good to know our state can depend on these incomes at a steady rate.

The NIRS fact sheet shows us the funding break down for the Ohio public pension systems. Like all pension's, the funding is shared by employees and employer. Employee contribution is 16.1% of the funding, employer contribution is 22.3% and 61.6% is investment earnings.

Keeping a strong defined-benefit pension system for Ohio's public employees benefits all of our communities as those dollars are spent in our communities generating jobs and paying taxes.



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The average discount rate across state and local public plans nationwide is 7.5 percent, but plans continue to adjust their discount rate as they receive new information from the financial markets.

The current long term rate on a 20 year Treasury bond is 2.9 percent This is dramatically lower than the assumed rate of return of most public pension plans. Forcing public plans to calculate their liabilities using the Treasury bond rate would artificially inflate their liabilities by an astounding amount.

It's not hard to see what the motivation is here. Politicians and anti-pension ideologues like Rep. Nunes and Joshua Rauh want to eliminate public pensions. They think they can scare politicians into voting to make harmful changes to pensions by making pension plans appear to be in much worse shape than they actually are.

Fortunately, supporters of public pensions are fighting back. As soon as Rep. Nunes announced his intention to reintroduce PEPTA, the National Council on Teacher Retirement (NCTR), the National Association of State Retirement Administrators (NASRA), the National Conference of Public Employee Retirement Systems (NCPERS), [Protect Ohio Pensions (POP-5)], and other allies circulated a letter detailing their opposition to the legislation.

Their efforts are paying off because PEPTA currently only has three co-sponsors in the House of Representatives, much fewer than in previous years. Pension supporters must remain vigilant, though, as Rep. Nunes could try to attach PEPTA to a larger piece of legislation later this year.



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