

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

Insight From the Administrator

By Maryfrances Kamyar



Ohio's Pension Committee

Ohio's newly formed pensions committee is marching towards the conclusion of its first year. I use the word marching purposely. With the Ohio Police and Fire introducing legislation for an employer increase and a few other pension systems voting for their staff to move toward similar legislation, (plus other pension legislation) it has been a busy year thus far for the pension committee.

Over the years Ohio has greatly utilized the Ohio Retirement Study Council and its staff of two legal executives and one highly educated and efficient research executive for many years, but we needed a pensions committee. Before the committee was formed, the ORSC would gather information from the staff concerning any laws or information that was pertinent to a pension "Bill". The council would then vote to accept the ORSC staff recommendations or form their own recommendations and send them to the legislative committee responsible for the "Bill". Now the ORSC sends their recommendations to the pensions committee for any pension "Bill" being considered. It is in this committee that the knowledge of the Ohio Revised Code that steers the decisions and actions of both the pension systems and their boards comes into play.

Since the pensions committee formed in March 2023, it has reviewed and heard testimony on seven Bills. The first was H.C.R. 6-Urge Congress to repeal Windfall Elimination. We know the repeal of the WEP will cost Social Security millions of dollars, because of this congress is not taking any action until there is Social Security reform. We are looking forward to SS reform with WEP reform included. The next is H.B. 78-Regards State Teachers Retirement Board Membership: this Bill will allow rehired retirees to be a board member. H.B. 94-Regards Transfer or Purchase of Certain Retirement Credit. This has been an ongoing problem which when resolved will allow current uniformed officers who worked under two pensions systems to retire. H.B. 146-Establish a SERS contribution-based benefit cap. H.B. 261-Make EMS workers "public safety officers" under

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The Legislative Report

By Steve Buehrer, Esq.



Employer Contribution Increases and the Future of Defined Benefit Plans

Despite a legislative session that has produced less than the normal number of enacted pieces of legislation, pension related issues continue to be under active consideration in the Ohio General Assembly. With the creation of a new House Pensions Committee at the beginning of this legislative session, the number of hearings devoted to pension issues has been steady. In the last edition of this newsletter, we mentioned POP 5's support for House Bill 146 which later became law as part of the state budget. This legislation which creates contribution-based benefit caps is a tool that other retirement systems are already using to control unfunded liabilities for their retirement funds. POP 5 will continue to support legislation like HB 146 that protects the integrity of the defined benefit pension systems. Likewise, we will continue to monitor all types of legislation that seeks to impact pension eligibility as well as stability.

Once such issue receiving attention at the Statehouse in the past few years is employer contribution rate increases. Since the last employer contribution rate increases were in 1986, several retirement systems are now calling on the legislature to increase these contribution levels. At the forefront of these discussions is the Ohio Police and Fire Retirement System (OP&F). During the last session of the General Assembly, House Bill 512 was introduced and would have increased employers' contributions for police and fire personnel to 26.5%. Currently, employers of fire personnel contribute 24% of salary while police employers contribute 19.5%. After several passionate hearings on the bill in the Ohio House of Representatives, the bill failed to pass prior to the end of the legislative session. Critics of the bill which included municipal and township governments protested that the cost of the legislation was excessive. Official fiscal notes on HB 512 estimated the

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PERS. H.B. 296-Increase certain contributions to Police and Fire Pension Fund. This is the employer contribution rate for Police. H.B. 310-Regards STRS member purchase of military service credit.

All of these House Bills have proponents and opponents, and it is the job of the pensions committee to have the best interest of the retiree in mind while also balancing the health of each pension system. Their responsibilities require a knowledge of the current laws in place under the ORC. In order for the pension committee to understand current laws and how they apply, they can ask for clarification of the law along with the recommendation from the ORSC.

The vote of both STRS and OPERS boards authorizing their perspective staff to seek employer contribution increases has not yet formed into any House Bill. STRS is requesting an increase up to 22% and OPERS is requesting up to 18%. SERS- School Employee Retirement System is not seeking an employer contribution increase.

In order to fully understand the requests for employer contribution increases a motion was made by Rep. Lightbody-D to the ORSC, "For the staff to create a comprehensive report analyzing historical trends for each of Ohio's five public pension systems. The report shall include a historical review of the five systems, changes to the funding levels of the systems, changes to the contribution rates of the systems, vested and non-vested benefits and changes, and changes to and exercises of board authority of the systems. The report shall include any of the information necessary for a proper staff review of these items." Rep. Bird-R made the point that many "Bills" have been introduced in the pensions committee so there is a need for congruent information of each system. His other important point was term limits, legislators have term limits which could mean new committee members, this information will bring them up to speed.

The SERS sustainability committee requested this information from their staff and it has facilitated them in making decisions for their pension system. Most individual boards have this background of their system.

A comprehensive report along with the knowledge of 2012 "pension reform" rules of law, along with the cost, will play a big part in the decisions concerning employer contribution rate changes. This will facilitate the march of the pensions committee into the end of their first year and beginning of the next. As Always, POP5 will be watching how this situation unfolds.



STANDING TOGETHER

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costs for local governments at \$117 million annually when fully implemented.

This year a new version of this legislation has been introduced as House Bill 296. Under this scaled down version of last

year's bill, police employer contribution rates would gradually increase to 24% to match firefighter rates without any additional employer rate increases for fire personnel. The cost of this legislation for local governments who employ nearly all of Ohio's police and fire personnel has not yet been determined.

In advocating for this legislation, the OP&F board has stated that these funding increases are necessary to maintain the integrity of the OP&F retirement fund. Ohio law requires that all of the five statewide pension systems must maintain a 30-year funding period. (This "funding period" is the number of years that a system would need to amortize its liabilities.) In recent years, the OP&F system has hovered near this level of funding security. Additionally, the OP&F board recently changed its assumed rate of return on its investments to 7.5% from its previous level of 8% (one of the highest assumed rates of return in the country for pension systems). This change is estimated to push the "funding period" to 39 years.

Since the introduction of HB 296, the other pension systems have begun to evaluate their need for employer rate increases as well. Already, OPERS and STRS have made statements that they would be interested in increasing employer rates (or at a minimum the permissible rates so their individual retirement boards could make necessary adjustments as financial conditions change). How these requests will be considered by the General Assembly are currently unclear, however, this possible widespread employer contribution increase proposal is likely to get heightened attention.

In light of these discussions, the POP 5 Board of Directors approved a policy statement last year which expressed strong support for maintaining the integrity of the pension funds. Further, the position statement encourages a broad look at all of the systems' financial needs before any contribution increase is undertaken. The POP 5 board will continue to monitor its position as this legislation continues to evolve in the General Assembly.

We can remain confident our board of directors will continue to take positions that support the sustainability of the pension funds and the ability for each fund to fulfill its responsibilities to current and future retirees.

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Farewell to Mary Winegarner

By Nancy King, Board Chair

It was with regret, but much appreciation, that the Board of POP5 accepted the resignation of Mary Winegarner in August. Mary was one of the founders of Protect Ohio Pensions, Inc. with her husband, the late William I. Winegarner. Together they conceived of the idea of a nonprofit advocacy group which would promote and support all the public defined benefit pension systems in Ohio. They loaned seed money to start POP5 and created the organization from the ground up. Mary was instrumental in the growth of POP5 and served as the Treasurer since 2016. She continued her commitment after Bill passed in 2021. She stayed on as Treasurer and was invaluable during the transition of a new Executive Director. Ron Wilinski has assumed the position of Treasurer. We are fortunate to have someone with his financial expertise to fill this role and to build on the foundation built by Mary. We will miss Mary and wish her well. Thank you for all your hard work and support Mary Winegarner!



Lee Armstrong - Life Member of POP5

In our summer newsletter we introduced you to Lee Armstrong a new member of our board.

One of Lee's friends and former colleagues saw his introduction to POP5 in our newsletter and was so happy to hear what and how he was doing. His colleague contacted him and offered him a job! After some months of consideration Lee decided he would be happy to return to the work force. We are so happy for Lee doing what he loves, aviation operations.

Last spring and over the summer months, POP5 received several phone calls from both members and nonmembers concerning their financial situation and the struggle with both the windfall elimination and government pension offset rules (WEP/GPO) and inflation.

In speaking with Lee about these phone calls he shared some information that is very near and dear to his heart and he asked that we share this in our newsletter. This information can be shared with any friend or family member you may have. We wish Lee much success.

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One consideration in following this debate, however, is the perceptions- both in the public and among our elected leaders- of defined benefit pension systems. It is no secret that most private sector employers have moved to 401K (defined contribution) retirement programs. Additionally, a number of critics in the academic and business world continue their campaigns to highlight the short comings of defined benefit systems and fill the media with stories regarding the lack of sustainability of these systems.

In Ohio, we have been blessed with stable funding for our five public retirement systems for many years. However, as the debate over employer rate increases unfolds, the messaging that the systems may employ in seeking new infusions of public dollars to remain viable becomes critical. Advocacy which calls into question the adequate funding of the systems may serve as a statement of admission for those seeking to end defined benefit plans in Ohio and nationwide. There have been and continue to be examples of failing and underfunded public systems in other states. Thus far, Ohio pension leaders have firmly made the case of the viability and importance of defined benefit plans to Ohio's public retirees and the state's economy as a whole. In the days ahead, as these leaders make their case for potential employer rate increases, our hope should be that the messaging does not change the current positive perception about defined benefit fund stability and its benefits for our state. The wolf of defined benefit skepticism is at the door; Ohio should do nothing that moves us closer to letting him in.



Did you know that Ohio is the only state that offers a Veterans Service Commission (VSC) in all 88 counties?

What types of services are available at the Veterans Service Commissions?

The following are just some of the services offered to those Honorably Discharged veterans and their widows who are residents of a county in Ohio, who qualify, and who provide the documents to the VSC staff that are required by Ohio state statutes and Ohio Revised Code 5901.

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Emergency Financial Relief: For those veterans and widows who qualify, the VSC can help with things like rent or mortgage payments, auto payments or repair, food, utilities and many other financial hardships you may be facing.

Veterans claim assistance: Navigating the Federal VA can be challenging. Knowing what and when to file and what forms to use with the correct wording can be overwhelming. The VSC's have state and nationally trained and accredited Veterans Service Officers ready to assist you. You can call your specific VSC office and a Service Officer will be happy to contact you to see how we can assist.

Estate Arrangements: You may have questions about what benefits are available for your estate and affairs as well as end of life care. Service Officers are ready to answer the varying questions you may have. From the VA's grave marker program, burial in a National Cemetery to flags and so much more.

These are just some of the services the Veteran Service Commission offers to veterans and their widows. For more information, please contact the VSC in your county.



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