

Protect Ohio Pensions 1st Quarter 2023

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

Insight From the Administrator

By Maryfrances Kamyar



Over the last 6 years I have discovered both the simplicity and complexities of pension systems and their goals. In the simplest form, pension systems will receive employee and employer contributions, invest the money, send a retiree or beneficiary a check each month, pay for part or all of their health insurance and give a COLA if the pension is well funded. I may not be fully aware of all the complexities of pension systems, but I am aware they are vast and wide of which no one person can know all the information involved.

At some point we must rely on the information and counsel of others who are educated in a specific interest and have a specific skill set that brings together all parts of the pension systems into a working whole. This includes staff, board members, the Ohio Revised Code (law), financial experts, our communities, the legislature and the members. POP5's members call, email, write and

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The Legislative Report

By Steve Buehrer, Esq.



The 135th General Assembly of Ohio may have gotten off to a slow start, but the legislature is in full swing now with hundreds of bills introduced and consideration of the state's operating budgets under way. The first six months of any two-year General Assembly is always the busiest with the state's operating budget (House Bill 33 this session) taking a large portion of the legislature's agenda. This operating budget bill must be enacted by June 30th to begin the state fiscal year on July 1st. Along with this time-consuming process, scores of other bills will also see action as legislators consider and pass a wide spectrum of legislation that will impact Ohio going forward.

In the initial weeks of this session, few bills have been introduced that impact Ohio pensions. However, the issue of Environmental, Social and (Corporate) Governance (ESG) is the dominate issue of discus-

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Ronald R Wilinski-POP5 Board Member– OPERS Retiree

I earned an MBA Degree from Rutgers University and worked the first part of my career in local government, school districts, and private sector positions. The second part of my career concluded with over 20 years of experience working for the State of Ohio's Department of Job and Family Services retiring as an IT Project Manager. I am a U.S. Army veteran, a former adjunct faculty member at Capital University, review film submissions for the Cleveland International Film Festival, serve on several boards, and am a Lifetime PERI member. I recently ran for a retiree seat on the OPERS board and that opened my eyes to the lives of our retirees. I traveled throughout the state obtaining retiree signatures on my nomination petitions in order to get on the ballot and I became deeply sensitized to the needs and plights they go through. My opponent who served 8 years on the OPERS board shared with me the challenges he faced as only one of two retirees on a much larger OPERS board. As a Lifetime Member of POP5, I was given the opportunity to apply to the POP5 board. After meeting with the POP5 director, staff, and board members I can say my opportunity to serve on the POP5 Board is the best outcome I could ask for. I will do my best to serve you well.

RETIREES & WORKERS

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drop by Westerville to talk with us about their individual pension system. We get questions and comments, some people would like to get some thoughts off their chest, and some would like to say thank you. We appreciate each member because we know each person has a different perspective as to what is important to them, and we know each person has their own story to tell.

Considering this, POP5 continues its mission each day by educating ourselves, our members and those in our communities about public pension systems. For those of you who are happy with newsletters, emails and a cursory glance at a Facebook page or newspaper articles to keep you informed on the activities surrounding Ohio's pension systems, then you are covered. If you have saved your POP5 newsletters, dig them out. There is a large amount of information on many subjects. Or, you can go to our website, click newsletters across the top and refresh your memory of past articles. These articles can enlighten you on the complex framework that pension systems operate within.

For an overall view of public pension systems and a look at some of Ohio's pension legislative history click on our Insight articles. We often repeat our history, and historically speaking our public pension systems are still being attacked in the press with a twist on moving toward 401(k) type retirements.

As you have read in our legislative reports, Ohio's 135th General Assembly is considering SB 6 and HB 4 ESG legislation, which our legislative counsel Mr. Steve Buehrer has reviewed thoroughly. POP5 will be updating our members throughout the movement of these bills. To follow the legislation closely, click on Government Links on the POP5 website, then the Ohio House and Senate button. You can also find your Representative and Senator on this link and how to contact them. These pieces of legislation will apply to all our pension systems if passed.

One of our members shared with me in an email: "The POP5.ORG website is impressive in organization and content." If you have an interest in learning more information concerning the vast and wide complexities of public pension systems, check out our website. www.pop5.org



STANDING TOGETHER

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sion in the pension area so far this session. The high interest in this topic mirrors the national scene as a number of states as well as the federal government are engaged in deciding whether investment firms as well as public entities- including pension systems- should consider ESG factors in making investment decisions on behalf of beneficiaries.

In last quarter's newsletter, I described for you what ESG investing is all about. To recap, some investment bodies have begun to consider how companies view and operate concerning environmental, social and governance policies when making investment decisions. In summarizing these factors, environment includes things like emissions, air and water quality impacts as well as recycling initiatives. Social issues that are considered include treatment of employees (and suppliers' employment practices) with topics like diversity, wages and working conditions part of the analysis. Finally, corporate governance is evaluated in terms of shareholder rights, board diversity and executive compensation. How these factors are considered and weighed as well as whether they should be considered at all are being hotly debated across the country.

At the federal level, the Biden Administration ordered executive agencies responsible for investing pensions and other similar funds to consider ESG factors in making investment decisions. This policy was met with outrage among certain stakeholders who believe that the primary objective of investment decisions should be to maximize returns for those individuals who benefit from the funds-like retirees. Despite a divided Congress, legislation was passed that reversed the Biden declaration. On March 20th, President Biden exercised the first veto of his term and struck down the legislation thereby leaving the ESG mandates in place. These actions make it likely that this contentious debate will continue at the federal level.

The early days of 2023 have also seen two pieces

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Protect Ohio Pensions

Policy Statement on ESG Investing

Protect Ohio Pensions (POP 5) is committed to the protection of defined benefit retirement plans. In furtherance of that mission, POP 5 supports the autonomy of pension system boards of directors in making investment decisions consistent with their fiduciary duties under Ohio law. These fiduciary duties are to be focused on maximizing returns for the preservation and strengthening of retirement fund assets for the maximization of retiree pensions and benefits. Any legislation that would seek to restrict pension boards' ability to act solely for the benefit of current public employees and retirees should be opposed. Environmental, Social and Governance (ESG) investing mandates are sweeping the country in both public and private investing entities. Such ESG considerations should not be forced upon or considered by Ohio's pension systems. Any legislative change to existing Ohio law is unwarranted given the current fiduciary responsibilities of pension board members. However, POP 5 will support simple, straightforward legislation with the sole purpose of preventing the intrusion of ESG mandates into the retirement systems' investing decisions.



Protect Ohio Pensions

Policy Statement on Employer Contribution Increases

Protect Ohio Pensions (POP 5) is committed to the protection of defined benefit retirement plans. Furthermore, POP 5 will support policies that maintain the stability of the pension funds to meet their long-term goal of providing a meaningful retirement pension and benefit package. POP5 will evaluate employer contribution increase requests in the context of system stability and funding adequacy. Although individual system increases may be appropriate at various moments in time, POP 5 would encourage a thorough review of all five pension systems' financial needs prior to granting individual increases for any one system. POP 5 further believes that employer contribution increases should only be considered after system leadership has adopted all reasonable methods to contain costs and align benefits within the existing contribution levels.



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of legislation introduced on this topic in Ohio. In the Ohio Senate, Senator Kirk Schuring- a longtime advocate of public pensions- introduced Senate Bill 6. This legislation would prohibit the state's pension boards (as well as state universities and certain state agencies) from making investment decisions based on ESG factors. This simple legislation has received several hearings in the opening weeks of session and seems likely to pass out of the Senate in the near term. The state pension systems' leadership seems to believe that the legislation is not necessary and that the governing boards operate with a fiduciary duty to invest for the systems' beneficiaries. However, each of the systems have taken a neutral position on Senate Bill 6.

The Ohio House also seems to be making ESG investing a priority topic for debate. House Bill 4, focusing on the ESG issue, was introduced in a package of priority House legislation. The current text of HB 4 only expresses an intent to legislate in this important area. However, the draft legislation that has been circulated by the House bill sponsor goes much further than the Senate version. Under this draft bill, banks, insurance companies as well as a host of other public and private investment entities could not consider ESG but also could not consider a wide range of other factors in investment decisions. In summary, if introduced, this bill would be much broader and would largely tie the hands of investment boards and companies in how they would make investment decisions. As discussions stand now, there seems to be disagreement between House and Senate leaders on how the ESG factors should be considered and how broadly the prohibitions on limiting investments might go. Only time will tell how this debate will be resolved.

POP 5 will continue to closely monitor these debates as well as the legislative process. To guide our thought process, the Board of POP 5 has adopted a general policy statement on the

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POP5 WEBSITE: FAQ's

Under the Government Links tab are two buttons that are of interest to members and can be shared with friends. The first button will direct you to the Ohio Retirement Study Council website. It is available to read the minutes from these meetings and any reports given to the ORSC including audits.

The second button, "What is the Windfall Elimination Provision?" will direct you to an updated sheet explaining basic information on what it is, when it started and why.



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ESG issue. (An additional policy statement has also been adopted on employer contribution increases.) These policy statements appear in this newsletter. As you will see, these guiding statements are general in nature, but express the Board's commitment to the basic tenants of our organization- protecting defined benefit pension systems for the benefit of current and retired public employees in our state. This core mission will continue to guide us as important topics like ESG are debated in Columbus and across the country.



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