OPERSource
September 2010
Your OPERS source for legislative facts

PLAN CHANGES WILL PROVIDE RETIREMENT SECURITY FOR OHIO'S PUBLIC WORKERS AND STABILITY FOR THE STATE

For 75 years, the Ohio Public Employees Retirement System has provided secure retirement benefits for thousands of public workers. A balanced and long-term investment strategy along with an incremental approach to benefit changes has allowed the System to persevere through economic downturns and market fluctuations.

To keep OPERS well-funded for current and future retirees, the Board of Trustees recommended in November 2009, critical, yet gradual plan changes. These changes will not only maintain retirement benefits for our members who do not receive Social Security benefits, but they will ensure that OPERS continues to provide significant contributions to the state's economy.

OPERS IMPACT ON OHIO'S ECONOMY

- The average annual OPERS pension is $20,522. This modest benefit provides those who served the public during their working careers with income to meet basic needs in retirement.
- Retirees' expenditures from these benefits supported a total of $11.2 billion in total economic output in the state.*
- Each $1 in taxpayer contribution to Ohio's state and local pension plans supports $5.73 in total output in the state.*

**Pensionomics: Measuring the Economic Impact of State and Local Pension Plans. The National Institute on Retirement Security, Feb. 2009*

PLAN DESIGN CHANGES

WHO: OPERS members and elected officials.

WHAT: Legislative changes to benefits designed to strengthen the pension system and maintain adequate funding for retiree health care.

WHERE: The Ohio Statehouse. These substantial, yet incremental changes require passage by members of the General Assembly and support from the Ohio Retirement Study Council.

WHEN: OPERS and its members are hoping for the passage of a bill as soon as possible.

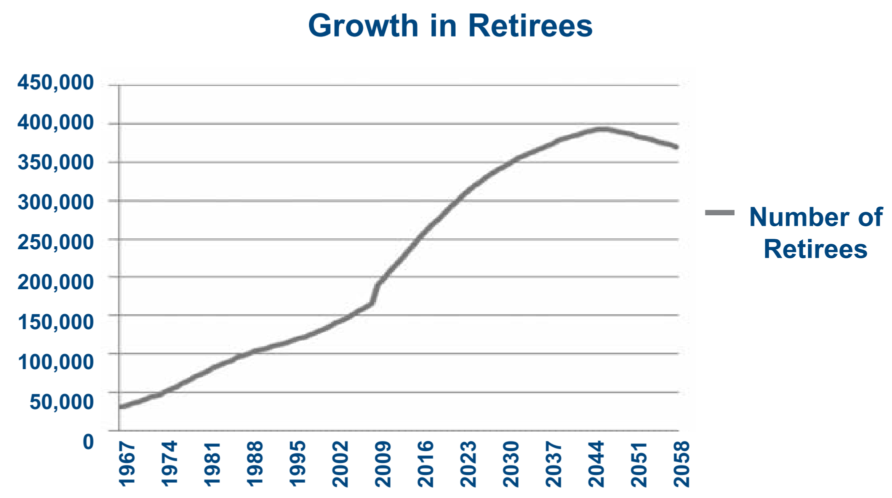
WHY:
- Retirees are living longer and that means they are living longer in retirement as well.
- The changes will ensure the stability of OPERS' benefits.
- The changes will preserve the ability to offer access to health care coverage for our retirees and their beneficiaries as pension benefits continue to be the fiscal priority.
- The changes will further encourage greater personal engagement for members in retirement.

HOW: OPERS will achieve these goals with changes to retirement eligibility, the benefit formula, COLA and the calculation of final average salary. *(See next page for details)*

Please Note: **OPERS is NOT seeking contribution rate increases for public employers or public employees.**

Age and Service Retirement Eligibility

Not only are retirees living longer, the number of retirees coming into the system is expected to increase dramatically. In fact, the average retiree's life expectancy has increased by 14 years since 1940. The Board's plan design proposal adds two years to current age and service requirements (32 years of service would be required for an unreduced benefit) and establishes a minimum retirement age of 55. This change would require members to work longer for an unreduced benefit while bringing eligibility more in line with demographic changes. The proposed modification would also help to maintain a strong retiree health care fund. If the benefit plan remains static, under the Board's adopted plan, the retiree health care fund will continue to receive reduced contributions each year. By 2014, those contributions will discontinue completely.



Benefit Formula

The proposal maintains the current equation (2.2 percent multiplied by final average salary (FAS)) but increases the multiplier to 2.5 percent from 30 years of service to 35 years. This change to the current benefit formula would provide two major benefits. Similar to a change in eligibility, a new formula would provide an incentive for members to work longer.

Secondly, as proposed, increasing the time-frame multiplier in the formula helps to achieve balance by allowing for an incremental change in the benefit plan.

Cost of Living Adjustment (COLA)

The proposal replaces the current three percent simple COLA with a simple annual COLA tied to the annual Consumer Price Index (CPI), up to three percent. Since it was put in place to offset inflationary increases, a change to the CPI helps the benefit tie to inflation and puts it in line with other proposed changes. As proposed, this change would not apply to current retirees.

Final Average Salary (FAS)

The current FAS calculation uses the three highest years of earnings.

The proposed change would use the five highest years. Using the five highest calendar years of earnings ensures members receive the appropriate credit for salary increases and promotions over a longer period of time, which more adequately mirrors the pension contributions.

Further, this adjustment continues to reward legitimate career advancement and thereby still attract quality workers to the public sector. In addition to other changes proposed by the Board, this change would mitigate the potential of increasing earnings in the last three years of public service to enhance a retirement benefit.

For more detailed information on the proposed benefit plan design changes, or to view this publication online, visit the "Special Coverage" section of the OPERS website at www.opers.org.

OPERS Government Relations Team

Gordon Gatien
Government Relations Officer – 614-222-2924

Deborah McCarthy
Assistant Government Relations Officer – 614-222-6466

Christopher Collins
Assistant Government Relations Officer – 614-222-0555

Anthony Tedesco-Nichols
Assistant Government Relations Officer – 614-222-0381

The Ohio Public Employees Retirement System (OPERS) is the largest public pension fund in Ohio and the 12th largest public pension fund in the U.S. In operation since 1935, OPERS serves nearly 954,000 members, including more than 171,500 retirees and beneficiaries.

OPERS 75 Years