



## TODAY'S PUBLIC EMPLOYEE CONTRIBUTIONS DO NOT FUND CURRENT RETIREES' PENSIONS

OPERS does not operate as a "pay as you go" system. When one of our members retires, that member's benefit is actuarially prefunded from monies that include the member's lifetime contributions. To claim that current pension contributions from public employers and employees are being used to pay off current retirees' benefits is inaccurate. In fact, those dollars are invested according to a long-term strategy that historically contributes two-thirds to three-fourths of what's needed to pay pension benefits. Therefore, the substantial majority of public employee pensions are funded by investment earnings, **not taxpayer contributions.**

The recent use of terms such as "Ponzi scheme" to describe elements of public retirement systems illustrates a fundamental lack of understanding regarding how public pension funds operate. A Ponzi scheme, as defined by the U.S. Securities and Exchange Commission, is an unlawful, fraudulent investment practice, uses money from new investors to pay off existing investors often without engaging in legitimate investment activity. That is not an accurate description of the way that OPERS conducts its business.

Ohio Revised Code Chapter 145 provides the precise framework under which Ohio PERS is administered. In addition, the Ohio Retirement Study Council (ORSC), also created under law, provides regular oversight of public pension funds. Finally, the Government Accounting Standards Board and federal tax law also have their own strict requirements that must be followed.

The bottom line is that OPERS is sustainable. For more than 75 years, OPERS has been the cornerstone of

retirement security for its members. The benefits OPERS provides also are important to the Ohio economy. Every year, OPERS pays benefits in excess of \$5.5 billion. And, because more than 90% of our retirees remain in Ohio, a large part of that money flows back into local economies across the state helping to support small businesses and promote job creation and retention.

In November 2009, the OPERS Board of Trustees approved and submitted to the ORSC recommendations for pension redesign. When approved by the General Assembly, our Board's plan would make significant changes to our current pension benefit plan thereby helping to secure the long-term strength of our pension and health care funds. Importantly, our Board's plan did not request additional contributions or any other type of "bailout" from public

employers or the taxpayers that fund them. In 75 years, OPERS has weathered many economic storms. In spite of this, we remain strong, secure and ready to provide retirement security to Ohio's public employees for the foreseeable future. The details of our Board's plan are posted in the Special Coverage section of the OPERS website, which may be found here: [www.opers.org](http://www.opers.org).

Pension legislation is on hold while the ORSC takes bids to hire a consulting firm to review proposed modifications contained in the current legislation as well as consider and make recommendations on other ideas. We recognize that benefit changes are necessary and stand ready to engage in meaningful dialogue to develop reasonable changes that will preserve a solid system.



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## OPERS STRONGLY SUPPORTS TRANSPARENCY

A recent topic of debate across the country is the need for additional transparency in our public pension systems. OPERS does not shy away from the heightened scrutiny paid to public pensions; in fact we consider OPERS a model of transparency. Our system is overseen by a Board of Trustees bound by a statutory fiduciary duty and is subject to both the public records and open meetings laws. Any changes to our pension benefit plan must be reviewed by the Ohio Retirement Study Council (ORSC) and approved by the Ohio General Assembly.

In addition, OPERS is subject to numerous reporting requirements, most of which are submitted to the ORSC. We disclose our pension obligations and funded status annually in our Comprehensive Annual Financial Report, which is available to the public on our website. We conduct a thorough review of our assumptions (workforce, wages, investment returns, etc.) every five years so that we can be sure we are making changes based on trends, not short-term market or demographic swings. And, we review the efficiency and effectiveness of our System as a whole at least every ten years. In each instance, we measure our income and expenditures using generally accepted accounting principles established by the Governmental Accounting Standards Board (GASB). Consider that, in 2011, OPERS will spend over \$2.3 million (see chart) on required actuarial reports and studies in order to comply with current Ohio law and GASB rules.

OPERS funded status is strong – we have sufficient assets available to pay benefits for decades into the future. Since the requirement was enacted into law, OPERS has always met its 30-year amortization obligation.

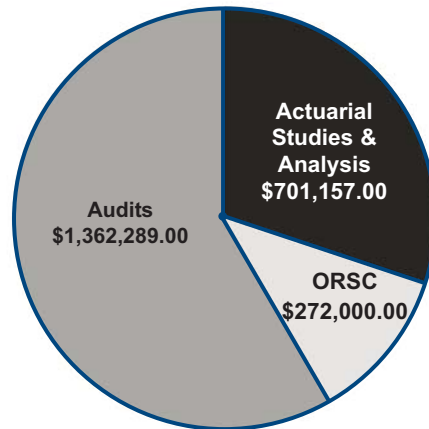
Furthermore, OPERS has not requested, and has no intention of requesting a “bailout” to meet its obligations. The Board developed its plan with a thoughtful, methodical, and balanced approach. However, the Board cannot unilaterally make these changes – we do need the General Assembly to take action on our Board’s recommended revisions to our current pension plan. OPERS welcomes meaningful dialogue about its proposed plan and potential alternatives to ensure retirement security for its members. Approval of this plan will not only strengthen the pension trust fund, but it will also allow OPERS to continue to provide health care coverage to our retirees – coverage that may need to be reduced without action to address our pension benefit structure.

OPERS members and retirees are taxpayers, wage earners, and consumers who live, work and retire in Ohio. Nearly 90 percent of those retirees live in Ohio, spending the vast majority of that money on goods and services in our state. For every dollar we receive from employers, we return \$3.01 to the Ohio’s economy through our pension payments and health care coverage to retirees.

OPERS will continue to provide complete, accurate information to the Ohio Retirement Study Council, the Legislature, and the public as required by law and because that is the way we have conducted our business for over 75 years. We look forward to working together with the members of the General Assembly to implement the necessary changes to keep OPERS a strong economic engine for the entire State of Ohio, providing retirement security for more than 179,000 Ohioans (and growing.)

\* <http://perspective.opers.org/wordpress/wp-content/uploads/View-OPERS-transparency-efforts-here.pdf>

**2011 Cost of Compliance with Legislation\***



### 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.

\*Source: *Pensions & Investments*