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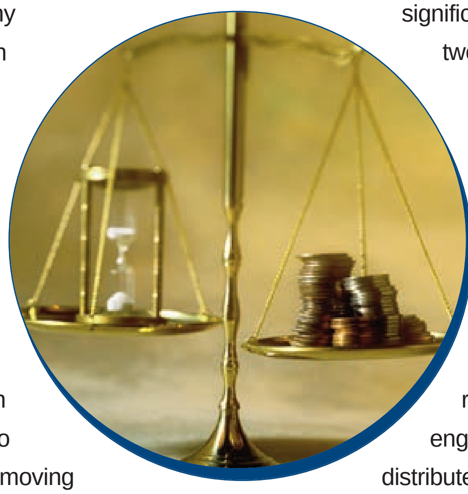
OPERS OPPOSES MANDATORY SOCIAL SECURITY COVERAGE

Since 1935, OPERS has provided retirement security for nearly a million Ohioans. Our members count on OPERS to be there for them, and thanks to the prudent oversight of the General Assembly and the prudent management of our Board, we will be able to provide benefits long into the future. Not everyone knows that for a significant percentage of our members, OPERS represents the only retirement income they will ever receive. Ohio is a non-Social Security state-- meaning its public employees contribute into a statewide public retirement system (e.g., OPERS, STRS, etc.) instead of Social Security. There are many reasons for this arrangement which have been explained in previous issues, but the reality is that Ohio established and has maintained vibrant and sustainable retirement systems, several of which were created prior to Social Security.

In the case of OPERS, we strive to be a well-funded and well-managed system, and following the enactment of pension redesign in 2012, we believe that we are well-positioned to provide our members with retirement security moving forward. The Social Security Fund, on the other hand, has been used by Congress in the past for other purposes, making it more challenging to maintain its long-term solvency. To improve the solvency of Social Security, one suggested "fix" is to increase the membership in that system by forcing all public employees who do not currently contribute to Social Security to participate in that system. OPERS opposes any effort to force Ohio's public employees to contribute to Social Security, and we respectfully request that you join us in opposing this proposal.

Mandatory coverage would decimate state and local retirement systems. In September 2011, the Coalition to Preserve Retirement Security documented that mandatory coverage will cost states, localities and public workers $53.5 billion in the first five years to buy only a short-term extension of Social Security solvency, at the most two years. This short-term cash injection will also increase the Social Security system's long-term liabilities.



Moreover, this mandate will disrupt the current funding and benefit structure of existing public employee retirement plans as employers and employees adjust to paying the Social Security contribution (currently, 6.2% for employees and employers).

Mandatory Social Security coverage will also raise the cost of maintaining current benefit levels. Shifting limited resources to contributions into Social Security and away from current programs could leave state and local retirement systems with significant funding challenges. Currently, more than two-thirds of OPERS' pension benefits are funded through investment returns. Reduced contributions will decrease OPERS' investment funds, resulting in lower investment earnings and potentially contribute to funding concerns.

Economic Impact

OPERS, as well as Ohio's other public retirement systems, are significant economic engines for Ohio's economy. Annually OPERS distributes over $6 billion in pension and health care coverage payments to benefit recipients that help support local communities. If all public employees are required to participate in Social Security it will trigger the need for additional benefit and/or funding adjustments. This action will undermine many of the corrective actions taken by the Ohio General Assembly and OPERS as recently as the fall of 2012 that were necessary to ensure the long-term sustainability of the fund for their members and beneficiaries. This could also further reduce our positive economic impact on Ohio's economy.

OPERS strongly urges Congress and the Administration to avoid the temptation of including mandatory Social Security coverage for public employees as part of any so-called "solution" to the federal government's debt, deficit, and budgetary challenges. As the data shows, public retirement systems are economic drivers that minimize the chances that their members and beneficiaries will be a burden on federal, state, and local governments.

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COST TO PURCHASE SERVICE CREDIT WILL BE INCREASING

Due to changes included in Sub. Senate Bill 343, a bill that was passed last session, and changes to our actuarial cost calculations, the cost to purchase some types of service credit is increasing to better represent the true cost of the benefit. However, members do have a window of opportunity to make a service purchase at the current cost if the member initiates the purchase through post-tax payroll deductions (by July 7, 2013) or makes a valid payment to OPERS (by July 5, 2013).

If a member is eligible to purchase or receive…

- Leave-of-absence time
- Time worked for an out-of-state public employer or federal government
- Military service credit for periods of:
  - Active duty service
  - Reserve/National Guard
- Exempted public service
- 35% elective service
- Bureau of Workers' Compensation time
- School board time (pre June 30, 1991)
- Unreported elective service (pre July 1, 1991)
- Unreported firefighter service (pre May 1, 1991)
- Plan change service credit

The member may be eligible to obtain service credit at the cost in effect prior to the change in Ohio retirement law.

Action is required

If OPERS members intend to initiate a service purchase prior to the July 7, 2013, deadline, they should begin the process as soon as possible. Some service purchase types require paperwork from third parties and OPERS cannot intervene to obtain necessary certifications from employers. Deadlines will not be extended due to an inability to obtain certifications/paperwork from third-parties. Please visit www.opers.org for a complete listing of requirements for each type of service purchase.

To initiate a post-tax payroll deduction, a valid Service Purchase - Payment Option Form (the last page of a cost statement) must be post-marked on or before July 7, 2013, to OPERS.

To make a payment, the payment accompanied by the Service Purchase - Payment Option Form must be received by OPERS on or before July 5, 2013 - the last business day prior to the end of the six-month period.

Members will then have until July 7, 2018, to complete the purchase before the cost will be recalculated. If the purchase is not completed by July 7, 2018, any remaining service credit to be purchased will be recalculated under the new cost calculation.

An important note about health care eligibility

Please be aware that a service credit purchase will enhance a member's pension benefit at retirement but the purchase may not qualify as service credit applicable for health care eligibility. See www.opers.org for detailed information.

Elected officials - denied salary

Under current law, elected officials whose salary is legislatively increased during a term of office and who, by reason of any constitutional provision is denied receiving the additional salary, may at any time prior to retirement elect to pay employee contributions on the amount of the additional salary. The additional contributions will increase the official's earnable salary and, depending on the amount of the official's salary, the additional contributions may increase the official's service credit.

Sub. Senate Bill 343 amended this provision to require that the official pay both the employee and employer contributions on the additional salary and restricted this payment to the period of the denied salary. After July 7, 2013, elected officials will no longer be able to make the payment at any time prior to retirement.

If OPERS members are interested in calculating the cost to purchase service under the new cost calculation, they can log into their online account at www.opers.org or contact us at 1-800-222-7377.

2012 Investment Returns Exceed Assumptions

Preliminary calculations indicate that the Ohio Public Employees Retirement System Defined Benefit Fund earned 14.52 percent in calendar year 2012, while the OPERS Health Care Fund returned 13.75 percent. Investment returns are preliminary pending final review and do not include private equity and real estate, which lag a quarter.

The actual returns were higher than the 8 percent actuarial return rate we use to meet our pension obligations. OPERS has attained an average annual investment return of 8.57 percent over the past 30 years.

As of Dec. 31, 2012, OPERS assets totaled $80.3 billion, an increase of $6.2 billion over the same date in 2011. As a result of 2012 investment returns and recently passed pension legislation, OPERS has achieved a funded status of 80 percent and an amortization period of 25 years, well within the state-mandated 30-year funding period.

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