



MANDATORY SOCIAL SECURITY COVERAGE FOR OHIO'S PUBLIC EMPLOYEES DOES NOT MAKE SENSE

In previous issues of the OPERSource, we have spoken at length about the dangers of forcing Ohio's public employees to contribute to the Social Security system. And even though there is currently no "mandatory coverage" legislation pending in Congress, the threat remains. As Congress turns its attention to entitlement reform, we must remain vigilant against attempts to co-opt Ohio's public employees for the short-term benefit of Social Security.

This is why we continue to educate about the potential consequences mandatory Social Security coverage would have on Ohio's public employee retirement systems. We are grateful for the continued support we have received on this issue. The Ohio General Assembly's passage of HCR 19, which urges Congress to oppose any measure mandating participation in Social Security, was a valuable show of support for Ohio's retirement systems and an important talking point when we discuss this topic with members of Congress. Speaking of whom, we continue to appreciate the strong support we have received from the Ohio

Congressional Delegation; their leadership on this issue has helped to prevent this short-sighted policy from becoming law.

You may remember from our previous discussions on this matter that forcing Ohio's public employees to

participate in Social Security would be costly – the cost of paying the additional contributions to Social Security could be as much as \$6.3 billion, according to the Segal Company. Under any scenario, this additional expenditure of funds would be disruptive, regardless of whether it was paid for by Ohio's public employers or simply



taken from Ohio's five statewide retirement systems. In OPERS' case, if a significant percentage of our incoming contributions were reallocated to Social Security, we would be forced to immediately readdress benefit and coverage levels in both our pension and health care programs.

Together, we are ensuring that Ohio's retirement systems remain strong and sustainable for all of Ohio's public employees.

PUBLIC PENSIONS ARE GOOD FOR OHIO'S ECONOMY

Numerous articles have been written about the costs of public pensions to "taxpayers;" however, many of them do not accurately reflect how cost effective Ohio's retirement systems are. According to a recent report released by the National Association of State Retirement Administrators (NASRA), Ohio spends less than the national average on pension costs for public workers.

State and local government pension benefits accounted for only 3.7 percent of all states' budgets in 2011,

according to the NASRA issue brief (The issue brief can be accessed at <http://www.nasra.org/files/Issue%20Briefs/NASRACostsBrief.pdf>). Ohio came in below that rate, with 3.55 percent of spending in 2011 directed toward pensions. Because OPERS employers' contribution rates are generally static, state and local governments in Ohio can easily and consistently budget for their statutory obligation. Employers and the General Assembly alike have consistently upheld their statutory responsibilities, which has led to OPERS' historically strong funding status.

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PUBLIC PENSIONS ARE GOOD FOR OHIO'S ECONOMY *(continued)*

NASRA researchers found that the cost of pension contributions has declined from five percent in 1982. During that period, investment earnings have accounted for about 61 percent of all public pension revenue, proving that public contributions to pensions are a great bang for the buck.

"On average, retirement programs remain a relatively small part of state and local government spending, although required costs, benefit levels, funding levels, and funding adequacy vary widely," the report states.

"With 90 percent of our retirees remaining in Ohio, OPERS contributes significantly to the economic strength of the entire state."

NASRA also reported that nearly every state has enacted some type of pension redesign since the 2008-2009 financial crisis. In most cases, that has resulted in the reduction of benefits and an increase in member contributions, but not the elimination of programs.

"Although some lawmakers have considered closing existing pension plans to new hires, most determined that this would increase – rather than reduce – costs, particularly in the near-term," the report states.

The report also indicates that up to 30 percent of government employees contribute to their state and local retirement plans instead of Social Security. That includes virtually all public employees in Ohio, 40 percent of the country's teachers and a majority of our firefighters and police officers.

In its final analysis, NASRA highlights that for a "relatively small part of state and local government spending," hundreds of billions of dollars are put back into the economy. In 2013, OPERS paid out more than \$6.5 million to our retirees and beneficiaries. With 90 percent of our retirees remaining in Ohio, OPERS contributes significantly to the economic strength of the entire state.

VIDEO DISCUSSES OPERS' MILESTONE 2015

With OPERS' new health care plan going fully into effect in 2015, OPERS is preparing for the possibility of a larger-than-normal group of retirees this fall. In the most recent PERSpectives on Pensions video, OPERS Benefits Director, Allen Foster, discusses Milestone 2015 - our effort to prepare eligible retirees to make fully informed decisions about their retirement. This includes expanded web presence, online planning tools and targeted communications

There are more than 45,000 OPERS members eligible to retire this year. Many of them could base that decision on health care coverage, which is undergoing some significant changes. Some of those changes include: changing age and service eligibility standards; spousal coverage; and Medicare B premium reimbursement.

In the video, you'll hear about the ways we're helping members consider all factors in determining when to retire, and how we can facilitate a member's application when he/she decides to do so.

You can watch the video (<https://www.youtube.com/watch?v=ZaRFYP9gYq4>) by visiting our YouTube channel.

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With assets of \$80.3 billion, as of Dec. 31, 2012, OPERS is the largest public pension fund in Ohio and the 11th largest public pension fund in the U.S. In operation since 1935, OPERS provides retirement, disability and survivor benefits for public employees throughout the state and serves more than one million members, including more than 190,000 retirees and beneficiaries.