



INVESTING IN OHIO

The Ohio Public Employees Retirement System (OPERS) makes a significant contribution to Ohio's economy through its pension benefits and health care payments to public-sector retirees. OPERS also generates a significant amount of economic activity throughout the state through its substantial investments in Ohio companies. These dollars support growth and development of Ohio's private sector, job creation and retention.

In 2005, OPERS created the Ohio-Midwest Fund, a regional investment program focusing on strong economic ties to Ohio and the Midwest region. OPERS has committed \$300 million to the program since its inception. To date, the fund has invested in 63 Ohio-based companies that employ approximately 6,800 people.

OPERS INVESTMENT PHILOSOPHY AND GOALS

OPERS' investments are governed by state law requiring a "prudent person" standard to be applied in all investment decisions. Under this standard, fiduciaries are to "discharge their duties solely in the interest of the fund participants and beneficiaries and with the degree of diligence, care and skill which prudent persons would ordinarily exercise under similar circumstances in a like position."

The OPERS Board of Trustees, as the responsible fiduciaries of the system, guides and determines the policies and strategies for OPERS' Investments Division.

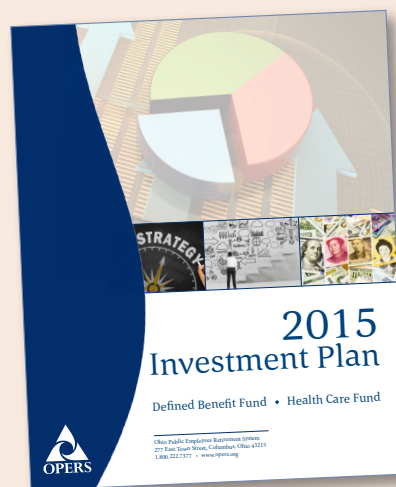
The Investment Division manages overall risk by carefully allocating funds between different classes of assets (e.g., stocks or bonds), making decisions as to which classes will be emphasized in order to achieve OPERS' financial goals.

The goals of the OPERS Investment Division are:

- To generate target returns for the total fund, each asset class and portfolio.
- To maintain a competitive cost structure, relative to their peers.
- To hire, develop and retain top-caliber investment

- professionals who are aligned with the Division's core values; and
- To develop innovative strategies to meet or exceed investment goals and objectives.

The *Annual Investment Plan* is the principal, although not exclusive, vehicle by which investment staff describe planned asset allocation and investment strategies with related performance benchmarks, as well as new strategies and a general framework to support the need for new or replacement portfolios, managers, or advisors. The *2015 Annual Investment Plan* is now available on the OPERS website. It can be viewed at the following link: https://www.opers.org/pubs-archive/investments/inv-plan/2015_Investment_Plan.pdf



As described in the Plan, the Defined Benefit and Health Care Funds will complete their transitions toward strategic asset allocations approved by the OPERS Retirement Board during the first quarter of 2015. This completes a seven year process during which the asset structure of OPERS was transformed. In the simplest terms, these changes were made to reduce the volatility

of the Fund's assets while continuing to secure the best possible returns. This was accomplished principally through asset allocation – diversifying investments within a portfolio to help reduce overall risk.

OPERS OPPOSES MANDATORY SOCIAL SECURITY COVERAGE

Ohio is a non-Social Security state, meaning that its public employees pay into a statewide public retirement system (e.g., OPERS) instead of Social Security. OPERS was created just prior to Social Security and our members began paying into a separate retirement system. As such, the Ohio Retirement Systems' benefits may represent the only retirement income that most of Ohio's public employees will ever receive, if they have never paid into Social Security through a job in the private sector.

Since their creation, the Ohio Retirement Systems have developed into pre-funded pension plans, helping their members to achieve retirement income for the rest of their lives. In the same time frame, the federal Social Security program has experienced funding challenges, and has become a "pay-as-you-go" system in which current workers pay into Social Security and ultimately fund the benefits of current retirees.

In an effort to improve the solvency of the Social Security program, legislation has been introduced in previous Congressional sessions to mandate that public employees in non-covered states participate in Social Security. OPERS has opposed these bills from the very start and will continue to do so in the future. If enacted, this policy of "mandatory coverage" would force the Ohio General Assembly to decide between raising contribution rates for Ohio's five public retirement systems, at a significant cost to public employees and employers, or reallocating existing contributions to Social Security, which would immediately destabilize Ohio's Retirement Systems.

Thanks in part to the leadership and support of the Ohio General Assembly and our congressional delegation, this issue has never gained traction. Supporters of mandatory coverage have not relented in their effort. Listed below are the true costs of mandatory coverage:

- Financial instability for long-established public retirement systems and additional unfunded liabilities for Social Securities in the long-term.
- If existing pension contributions are reallocated to Social Security, the resultant reduction in contributions to the Ohio Retirement Systems would disrupt funding and benefit structures, causing financial instability and immediate and drastic benefit cuts.
 - Any reduction in contributions to the Ohio Retirement Systems would decrease OPERS' investment funds, resulting in lower investment earnings, and potentially contribute to funding concerns.
 - It would 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.
- According to the Segal Company, mandatory coverage would extend the solvency of the Social Security program by a mere two years.

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 Social Security funding. Our Congressional delegation has always been strong advocates for Ohio's public pension funds. We appreciate the support and the leadership you have shown to us and our members.



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With \$88.6 billion in assets, OPERS is the largest public pension fund in Ohio and the 11th-largest public pension fund in the United States. OPERS provides retirement, disability and survivor benefits for more than 1 million public employees. OPERS can be found on the web at OPERS.org.