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OPERS SUPPORTS PROVISIONS INCLUDED IN HB 520

Thank you to Representative Kirk Schuring (R-Canton) and Representative Dan Ramos (D-Lorain) for their collaboration on House Bill 520, which includes a number of provisions sought by OPERS to improve the retirement system for our members. The bill also contains provisions impacting Ohio's other public retirement systems.

For OPERS, the bill includes changes to simplify survivor benefit eligibility as well as reduce the wait time for refunds. OPERS supports the following list of the key provisions in HB 520:

Survivor Benefits

- Provides the payment of survivor benefits until age 22 to the qualified child of an OPERS member who dies prior to retirement regardless of whether the child is attending an institution of learning or training.
- Resumes survivor benefits of certain qualified children under age 22 whose benefits were terminated because they were not attending an institution of learning or training.
- Specifies that, in the case of an OPERS member who is also a member of STRS or SERS, OPERS will honor the last beneficiary designation among three systems if the beneficiary is eligible for a combined survivor benefit from any of the systems.

Refund of contributions

- Reduces the period of time that must elapse without a return to public employment before an OPERS member or contributor may apply for a refund of contributions from three months to two months.

The bill also includes a number of other changes that are technical in nature and modify provisions in Senate Bill 42 (130th G.A.). Some of the changes ensure consistency between the law, our administrative rules, and current business practices.

The changes included in HB 520 are common sense improvements for OPERS' members and the retirement system. We urge the Ohio General Assembly to pass this helpful legislation.

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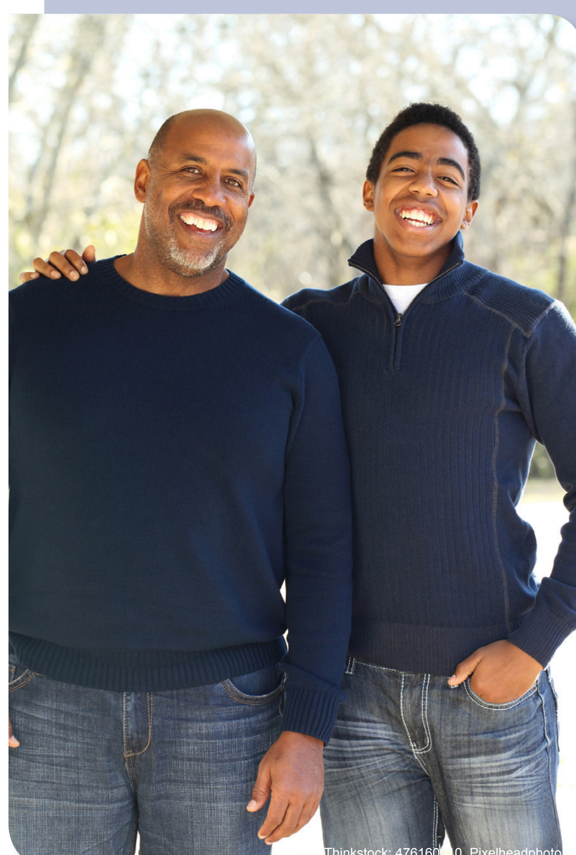

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FEDERAL INITIATIVES PEPTA AND SAFE SHOULD NOT BE PART OF A LARGER FEDERAL LEGISLATIVE FIX FOR THE ON-GOING FINANCIAL CRISIS IN PUERTO RICO

In the last few months, two troublesome federal initiatives have been introduced in Congress. First, the Public Employee Pension Transparency Act (PEPTA), would create a costly and misleading federal reporting scheme for public retirement systems. Second, the Safe Annuities for Employees (SAFE) Retirement Act, would create a new type of retirement plan, cast as a replacement for the existing defined benefit plans used by many state and local governments. OPERS has encountered both of these bills in the past, and in the case of the PEPTA at least, has offered consistent and unequivocal opposition.

Congressman Devin Nunes (R-CA), who first sponsored PEPTA in 2010, just reintroduced standalone PEPTA legislation (H.R. 4822) at the end of March. Senator Orrin Hatch (R-UT) included PEPTA-like language as part of his Puerto Rico relief legislation, which was introduced last December (S. 2381). If enacted, the PEPTA would artificially inflate public retirement systems' unfunded liabilities for the purpose of mischaracterizing defined benefit plans as unsustainable and replacing them with defined contribution plans.

The SAFE Retirement Act, which was first introduced by Senator Orrin Hatch (R-UT) in 2013, would establish a new voluntary retirement plan based on the accrual of annual life insurance annuity contracts. As with the PEPTA-like language described above, Senator Hatch also added his SAFE Retirement Act to S. 2381 in an attempt to tie the SAFE Retirement Act to must-pass legislation – in this case, a bill meant to address the fiscal crisis in Puerto Rico.

While OPERS has not been officially opposed to the SAFE Retirement Act, we are concerned that we know so little about how the bill would be implemented or applied. Although we have reached out to the sponsor regarding the details of the SAFE Retirement Program, many of our questions remain unanswered. These questions include how an individual's annual life insurance annuity contracts would be aggregated at the end of their career, whether the plan would provide necessary disability coverage, and whether the prescribed level of contributions is sufficient to provide true retirement security. More concerning is the fact that the bill would result in serious tax consequences for public employees of state/local governments that have both an existing defined benefit pension plan and a new SAFE Retirement Plan.

In December, we contacted the members of the Ohio congressional delegation and urged them to oppose any effort to attach the PEPTA or SAFE Retirement Act language to any legislation under consideration. Our position has not changed – we continue to oppose the PEPTA, and believe that if Congress wishes to consider the SAFE Retirement Act, it should do so with standalone legislation that can be carefully considered and discussed within the committee process.

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