

## LAWMAKERS MULL FAR-REACHING RETIREMENT SYSTEM CHANGES; LEGISLATIVE ACTION EXPECTED

A series of high-stakes plans designed to improve the funding status of Ohio's multi-billion dollar public employee retirement system officially entered the legislative arena on Wednesday as system leaders detailed a number of potential controversial changes.

Members of the state's public retirement system oversight panel expressed concerns about several aspects of the proposals, but indicated that now is the time lawmakers need to act to shore up the funds' balances.

"It's important that we take a proactive approach to this situation," said Rep. Todd Book (D-Portsmouth), who chairs the Ohio Retirement Study Council. "This is the big day we've kind of all been waiting for."

The council charged each system with having its board approve a series of changes that will help bring the systems within the 30-year funding period. Four of the five systems did so, and a fifth, is continuing its review of the matter.

Mr. Book and system leaders observed that many of the proposals will require legislative and retirement board action, saying continued reliance on stock market gains won't get the systems back to the target funding period.

"We cannot invest our way out of this," he said.

Ohio Police & Fire Pension Fund Director William Estabrook reviewed his board's plan, which calls for equalizing and increasing employer contributions for police and fire officials to 25% of salary.

Active members, he noted, would also see their contributions rise from 10% to 12% of salary.

Mr. Estabrook stressed that the system has been able to pay retirement benefits without borrowing any money. "There is not a cash flow problem," he said.

Sen. Keith Faber (R-Celina) raised concerns about increasing the OPF employer contribution rates, noting that some municipalities "pick up" employees' share of the contributions. In that case, he said the change would mean that local governments would pay 37% on top of salary directly to employee retirement accounts.

Sen. Faber also raised the prospect of having disability benefits covered through Ohio's workers' compensation system. Mr. Estabrook said that option was considered in the 1990's, but hasn't been on the table since.

Council member Dale Van Vyven noted that the OP&F indicates that its board will implement discretionary changes only if the General Assembly enacts all of the proposed changes.

"That allows you to cop out of the whole plan," he said.

Mr. Estabrook said the board's plan requires implementation of all changes to bring the funding level back into acceptable range. "It should not be stripped apart because none of these legs are going to stand by themselves," he said.

He said, however, he is certain the board would revisit the issues if the legislature enacts some of the changes. "If the legislature shows good faith, I'm sure the board will show good faith," he said.

Rep. Dan Dodd (D-Licking Twp.) observed that the board could make some changes without waiting for the legislature to act. "I'm not understanding why we have to do everything for you to do something," he said.

Several members questioned the board's decision to not propose changes in the minimum retirement age for active members.

The director said the OP&F plan raises the minimum retirement age from 48 to 52 for new hires, but doesn't adjust the age for current members. Mr. Estabrook added the board considered raising the retirement age for active members, but said its members felt it would be unfair to change promised benefits.

"That would just be an undue hardship," he said. "It was not something that was palatable."

Rep. Lynn Wachtmann (R-Napoleon) said the recent economic downturn has forced many Ohioans to reconsider their retirement plans. "There are very few Ohioans out there that haven't had to rethink retirement age," he said, adding that the board appeared to be protecting its members as a "privileged group."

State Teachers Retirement System Director Michael Nehf detailed his board's plan (See STRS web site [www.ohstrs.org](http://www.ohstrs.org)), noting it increases both teacher and employer contribution rates. The proposal, he said, includes a phase-in period to help avoid a retirement "stampede" that could occur otherwise.

Mr. Nehf said members signaled a strong interest in preserving the current defined benefit plan, and retaining access to the retiree health care program.

Responding to questions, he said the board felt it is no longer necessary to offer an enhanced retirement benefit for those who reach 35 years of service, noting that many teachers are working longer so they can maintain their employer-sponsored health insurance.

He further told Sen. Sue Morano (D-Lorain) that the STRS plan was developed with input from a key stakeholder group: Healthcare and Pension Advocates for STRS.

Chris DeRose of the Ohio Public Employees Retirement System said his board continues to consider a mix of changes that the ORSC asked to have considered, but noted that it has taken a variety of other steps in the recent past to cut expenses.

Mr. DeRose noted that his system is within the 30-year funding period and has seen its investments increase by 10% so far in 2009. "We've taken a balanced approach knowing the markets will come back," he said.

Mr. DeRose said the PERS board is considering a number of items, including requiring full cost purchases of service credit, increasing the minimum earnable salary for service credit, increasing retirement eligibility ages by two years and changing final average salary determinations.

The director added that the way PERS transitions to a new plan is important, noting that members need to be afforded adequate notice about pending changes.

Jim Winfree, director of the School Employees Retirement System, also noted that his system is within the 30-year funding period. He said SERS began to address funding years ago when it pushed for law (SB148) that benefit packages.

Highway Patrol Retirement System Director Dick Curtis discussed his system's plan and also asked for a change in budget language that stripped the board's authority to raise the employer contribution rate.

Rep. Wachtmann offered a sharp criticism of the budget move, saying the language should have first been considered by the ORSC.

"When leadership chooses to not respect the ORSC procedure...it sets a very bad precedent and a very bad environment" to address new challenges, he said.

"That lack of respect shown by you, Mr. Chairman, and the speaker does not bode well."

Chair Book said he regularly points out that issues should be considered through the ORSC process, and said he would review the ORSC's role with caucus officials.

"I know it's important," he said. "We're dealing with big issues here that are important."

