

PENSION Attacks by Media

OFT officers and executive committee:

Reporters from several newspapers across Ohio are working together on a project that questions the sustainability of defined benefit public pension systems such as STRS, OPERS and SERS. We believe the project takes their coverage of eligibility changes and the ORSC to another level to attack our pensions.

In response to reporter questions, we participated with several other unions whose members are part of the public pension systems, as well as representatives from the pension systems. Our coalition response (which we submitted to the reporter in writing) is attached.

Ben Marrison of the Columbus Dispatch says reporters are, "Looking at if they are sustainable given the increasing expense and the increased inability of school districts and towns to pay for them." However, given the anti-public employee sentiment of the media in Ohio, we anticipate that rather than a balanced reporting project that explains in fact why public pensions ARE SUSTAINABLE and a BETTER BANG FOR TAXPAYERS' BUCK, they will instead attack the pensions.

In short, the answer is YES defined benefit pensions are absolutely sustainable. Defined benefit pension provide much more retirement stability to the retiree and are much less expensive than defined contribution 401k type plans. The systems constantly reassess their own stability and making changes for long-term viability, unlike 401k plans that are volatile to the stock market. Pension benefits push billions of dollars into the Ohio economy and create some 80,000 jobs. The cost to employers has not changed in 25 years in the case of STRS.

Also attached is an article that will publish in the edition of the Ohio Teacher that is now at the printer. It focuses on why defined benefit pensions are better for both the employee and employer than a defined contribution 401k type plan. I send this article as a special preview to you in advance of the newsletter publication.

This project - which was first scheduled to run Nov. 29 and has been pushed back twice to Dec. 13 - is being done by reporters from several newspapers including The Repository in Canton, The Plain Dealer in Cleveland, The Akron Beacon Journal, The Blade of Toledo, the Dayton Daily News and The Vindicator in Youngtown.

Please let us know if you happen to see if run in newspapers in your area before that date.

The next page contains an article that will appear in Ohio Teacher

The following article will appear in the December edition of Ohio Teacher:

Your Pension is Better for You - and Your Employer - than a 401(k)

Pensions for public employees are often the target of news media and conservatives who claim - incorrectly - that such retirement plans are costly and fail to serve the public good. On the contrary, defined benefit public pensions like OPERS, SERS and STRS to which OFT members belong, provide greater retirement security to workers at a lower cost to employers.

In the wake of such "pension envy" tirades, remember that Ohio's public employees are taxpayers too. Critics like to frame their misguided comments in terms of pensions costing taxpayers. It is important to note that public employees have only a pension; they are not covered by Social Security in retirement like private sector workers. So public employers make contributions to the pension fund on behalf of the employee and private sector employers pay into Social Security at nearly the same rate. Most pensions do not cost employers significantly more.

The cost of the pension systems to employers has remained relatively unchanged for decades. The employer cost for STRS members, for example, is the same that it was in 1984 when many of you who are now eyeing retirement were just starting your careers. For every dollar paid to a retired public employee, taxpayers contributed about a quarter. Two-thirds of the benefits come from investment returns, the rest comes from employee contributions.

So what do retirees do with their pension dollars? Expenditures made by state and local government retirees provide a steady economic stimulus to Ohio communities and the state economy. In 2006, nearly 400,000 Ohio residents received \$8.41 billion in pension benefits from public pension plans. These dollars are vital to fuel Ohio's economic engine.

According to a study by the National Institute on Retirement Security, every dollar paid to a retiree in benefits, returns \$1.33 to the Ohio economy as those retirees (roughly 90 percent of whom live in Ohio) spend that money in our communities. This helps fuel the economy of cities and school districts and increases revenue to all political subdivisions. The NIRS research also shows that the Ohio public pension systems create 79,410 jobs in Ohio from the spending of these retirees. If you take these jobs away who will pay the taxes to fund schools, cities, towns and the state?

Ohio's pension plans are sustainable. Defined benefit public sector retirement plans continue to demonstrate that not only are they sustainable over time, but they truly provide more bang for taxpayers' pension buck in terms of overall costs. According to NIRS, defined benefit plans cost employers nearly 50 percent less than defined contribution plans or 401(k) type funds.

A defined benefit pension provides benefits more efficiently, better fuels our economy and provides true retirement security. It is more fiscally responsible. And let's be clear, defined contribution 401(k) plans - which are vulnerable in the stock market - were always intended to merely supplement a pension, not replace it. They were not designed to provide a full retirement and relying on them to do so wreaks havoc with any attempt to allow for a secure retirement and a natural progression of retiring older workers to make room for young people entering the job market.

The switch to defined contribution pensions in the private sector was never about ensuring retirement security - it was about shifting risk and costs to employees and off the books of corporations. This is why many Americans who have only defined contribution 401(k) type plans are neither ready for retirement nor able to retire. Americans who have only a defined contribution plan are at huge risk of outliving their assets. Adding public workers to this mix is the wrong answer for everyone including taxpayers.