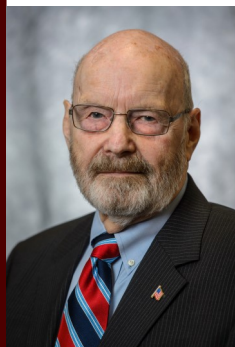


Retirees & Current Employees Working Together to Preserve Ohio's Public Pensions

Insight From the Administrator

By William I Winegarner



On Guard

We are now approaching a season requiring very close attention to legislative activities at the Statehouse.

Shortly before the state shut down for the COVID-19 panic, multiple bills were introduced that would bring operational harm and unnecessary expense to our pension systems. HB 514: To require pension board meetings to be broadcast; HB 515: To require pension boards to disclose certain financial information regarding alternative investments; HB 516: To impose a lifetime ban prohibiting any state retirement system from doing business with a former employee, officer, or board member; HB 530: Change the fiduciary duties of all pension system boards from the members to the state, and to create a new government committee to establish employee pay, salaries, and investment management fees.

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The Legislative Report

By Steve Buehrer, Esq.



A Year Like No Other

Looking back over the last couple of months, one cannot remember or even imagine a more dramatic period of change in our society and in state government. The entrance of the COVID-19 virus into our world has changed nearly every aspect of our lives. From a governmental perspective, nearly all government activities have shifted to a “work from home” reality. Although this change certainly did not shutter the functions of state government, it has focused nearly all activities on virus response with other policy topics nearly disappearing from discussion.

During March and April, the General Assembly ordered its personnel to work from home and returned to Columbus for only a one day session on March 25th to consider a single bill addressing virus related topics. With the state now beginning to reopen, the General Assembly has reconvened and is expected to be in active session

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Candace Shicks—Vice Chair

I retired from Westerville City Schools in 2015 after teaching English/Language Arts for 31 years. It was a very rewarding career full of challenges and changes. Never a dull moment in the teaching profession! I remember at the beginning of my career colleagues saying that teaching is very political. I didn't really understand what that meant at first. How is teaching English/Language Arts, a fairly apolitical subject, political? I soon learned that any teaching position in the public schools, by its very nature, is inextricably political. Why? Tax dollars of course. Any public entity is married and dependent on tax dollars.

Throughout my time of public school teaching there was the constant parade of contract negotiations, levy campaigns, curriculum negotiations, formulation of state standards for mandatory state testing and so on. Meanwhile, every paycheck saw a contribution from the school board and me to the STRS. I didn't really think much about it. It was just part of the deal. Before retiring, I met with a STRS counselor and after certain decisions were made, I received my estimate of earnings. Upon my retirement, I began to receive my monthly pension. All of this was expected and though I was thankful to receive my benefits, I didn't really question it. After all, it was my due so to speak, right? I paid for it. They owed me this money. Or is it that simple?

When POP5 was first envisioned and progressively formed as an umbrella entity to protect and preserve Ohio's public pensions, CEO, Bill Winegarner, spoke with me about the need and founders' reasons for creating this organization.

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RETIREES & WORKERS

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employee pay, salaries, and investment management fees.

The disappointment of losing some or all of their COLAs and health care benefits has caused some retirees to convince a couple of legislators that the only reason for their loss has been pension system mismanagement.

Since emotion is not a replacement for facts, we should begin with considering some basic truths about our pension systems. If you are a new member or have forgotten some of what we have shared about the resources, functions, and purpose of our pension systems; you can refresh your memory by going to our website, pop5.org, and reading the “Insight” articles under the “Newsletter” tab, specifically “Preserving Pensions parts 1 & 2” written in 2018; and “Pensions 101” written in 2019.

Simply put, our pension systems are not our employers, but our investment houses. They owe us nothing other than our base pensions, even though they, upon their own initiative, have been providing us with extra benefits since the mid-70s.

I think it is also important to remember that the employees, staffs, and board members of our pension systems are also members of an Ohio pension, and when extra benefits are reduced or eliminated for current and future retirees, they are being reduced for them and their families as well.

Now here is the controversy. The retirement systems say they are being forced to cut back on some of our extra benefits, because their current and future pension obligations are larger than their current and projected future earnings. Some retirees have responded to their disappointment by promoting the concept that pension systems are only out of funds because pension system leaders are inept and corrupt.

How do we know if what a pension system tells us about their financial status is true? Most of us are not experienced or knowledgeable enough to do that on our own. In order to uncover the truth, we have to rely on the fact that their meetings are attended and observed by the Ohio Attorney General’s office.



STANDING TOGETHER

Legislative—Continued from page 1

until sometime in June although session may be extended depending on the pressing priorities. Most of the activities thus far are focused around budget fixes and other COVID-19 types of legislation. Certain other topics are

also getting hearings at the Statehouse where a number of health protocols remain in place which limit the opportunities for typical, personal interactions with legislative members.

As detailed by the Executive Director in his column, several bills were recently introduced that would impact the operation of the pension systems. Fundamental to the POP 5 mission is our belief that pension system leadership should be allowed to act in their best judgement, with appropriate oversight, for the best interests of retirees now and into the future. Making sure that members of the General Assembly understand this balance and their limited role in managing the day to day operations of the retirement systems will be a primary goal as we track these bills in the coming weeks. There is always a risk in these extraordinary times that pieces of legislation could attract amendments that do not receive a full vetting. That is why POP 5 will continue to follow daily the activities at the Statehouse as well as work with representatives of the pension systems and other advocate organizations to closely monitor all developments taking place.

In addition to these pieces of legislation, we will continue to track other topics that may impact our members. With the financial markets in continuing turmoil, it is inevitable that some will want to question the status and sustainability of current pension finances. Although normal reviews are appropriate, we will need to be vigilant to ensure that no reactive legislation is passed or that Ohio’s well run systems become linked with struggling pension systems in other parts of the country.

The challenges that the virus has brought to our state are many. Parts of our lives have changed and the return to “normal” may be anything but normal. However, this period in our history requires careful consideration of any proposal that would make radical changes when healing and economic recovery are the things most needed. By sticking to the sound principles that established our pension systems and founded our great state, our prosperity and security will certainly return.

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Their books are prepared by certified public accountants, and their reports certified by internal and external auditors as well as the Ohio Retirement Study Council's auditors and actuaries. So, there is already plenty of professional oversight.

How do we know if what unhappy retirees claim is true? They talk about pension system employee salaries and investment fees; however, they offer no industry standards or peer group comparisons to support their claims of abuse or over pay.

There was a pamphlet included with your application to join Protect Ohio Pensions. On the inside, there is panel entitled "Ohio Did it Right." The wording says, "In the 1930s, when Ohio established pension funds for their publicly employed workers, they did it right. They separated the operation and investment decisions from legislators and put them into the hands of an employee-elected board of trustees. The legislature still establishes the rules and pension plans and it retains oversight of the pension systems to ensure compliance with the statutory requirements."

The significance and importance of the structure being described in that panel becomes illuminating when one compares the financial stability of Ohio's public pensions with other public pensions in the United States. Almost without exception, Ohio's pensions are better funded with greater benefits than any of their peers. Also, without exception, the pension systems in the worst financial shape are those where the government administers the pension plans.

If we want our pension systems to survive, what are the lessons to be learned?

Ohio retirees should be abundantly blessed by the way the legislature set up our pension systems, and for the way pension boards have been providing us with extremely generous additional benefits when their investment earnings exceeded those required to fund our base pensions. Now that investment earnings are not exceeding the funds required to support base pensions, we need to be mature enough to accept that reality.

Retirees need to educate themselves about the

operation, function, and challenges their pension boards face. They need to realize that the pension system is an investment house and not an employer replacement. They need to educate themselves on where the funding for extra benefits comes, and the choices that have to be made when the extra funds run out. They need to remind themselves that their base pension payouts, on average, are three times greater than what they have invested. Above all, they need to be thankful for what they are receiving and for the employees, staff, and board members who make it possible.

Legislators need to educate themselves on: The wisdom of their predecessors in how the pension systems were set up. The statutory requirements, operations, functions, and industry challenges an Ohio pension board faces. The fact that the money in Ohio pension systems was earned by the employees and is no longer taxpayer funds, and that is the reason why a board's fiduciary duties should remain solely to the members and their survivors. The fact that Ohio pension systems are investment houses, and not employer replacements.

Where the funding for extra benefits comes from, and the choices that have to be made when the extra funds are not available. The fact that base-pension payouts alone amount to three times what an employee and their employer have contributed. The fact that no successful businesses has ever been run or governed by emotion or committee. How to sit in an oversight roll, while appreciating the work and performance of pension system employees, staff, and board members who make it all possible.

Workers, retirees, legislators, and taxpayers need to realize that Ohio has one of the best and most economical public pension plans in the country. Legislators in particular need to check on every government managed pension system in the US, and note they are failing.

As members of Protect Ohio Pensions, we all need to be prepared to email or call our state Representatives and Senators, should any of these House Bills progress.

POP-5 and our legislative council will keep our eyes and ears open. If the need arises, we will contact you via our legislative alert email process. In the meantime, we will be working with individual legislators, committee chairs, and the government relations officers of the pension systems to ensure the safety and stability of our funds.



Board Appoints SERS Representative.

Mr. Thomas M. Farbizo

At their February 27, 2020 meeting, the POP5 Board appointed Mr. Thomas M. Farbizo from New Philadelphia, Ohio, to the position of SERS Representative.

Mr. Farbizo is a graduate of OSU and completed graduate work at Ashland and Capital Universities. Tom served as the athletic director of New Philadelphia High School for 13 years.

Mr. Farbizo brings a wealth of governance experience to our board including: Director of Starlight Industries, R.T.Y. and the OHSAA. He has also been Secretary of the OIAAA and Chairman of New Philadelphia Airport Commission and the Steve Reese/Leo Benjamin/Quaker Club Scholarships.

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I began to understand that Ohio's pension systems are NOT a given. They are NOT an unalienable right. They actually are unique to each state and are vulnerable every day to attacks and misunderstandings of their structure and purpose. I became more and more curious about the inner workings of not just the pension systems themselves, but also about the concept of protecting and preserving them. I decided to accept the offer of serving as POP5's Vice Chair. I have learned so much and am continuing to learn more about our pension systems and how we can and must protect them from the inevitable politics that play a crucial role in their existence. We cannot take them for granted!

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