

Protect Ohio Pensions 4th Quarter 2022

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

Insight From the Administrator

By Maryfrances Kamyar



Ohio Did it Right

POP5 Flyer

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.

“Thank goodness for the General Assembly that originally set up the pension system. They did it right by keeping the investment of pension funds out of the control of themselves and their fellow legislators. They put a Board of Trustees in charge, the majority of which were member elected, and two of which were administrative office holders. They charged this Board of Trustees with the fiduciary responsibility to steward these funds for the sole benefit of the members.

It couldn't be written any clearer than it is in section 145.11 (a) of the Ohio Revised Code where it is stated as follows: *The members of the public employee's retirement board shall be the trustees of the funds created by section 145.23 of the Revised Code. The board shall have full power to invest the funds. The board and other fiduciaries shall discharge their duties with respect to the funds solely in the interest of the participants and beneficiaries; for the exclusive purpose of providing benefits to participants and their beneficiaries and defraying reasonable expenses of administering the public employee's retirement system;*”
WIW Insight

You may say to yourself, isn't it the same in all states? Well, no it isn't. In many states the legislature manages the pension system and all public workers are in one retirement pension system. This includes school employees, public employees, teachers, police, fire and highway patrol.

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The Legislative Report

By Steve Buehrer, Esq.



Looking Back and Forward

As the New Year has come upon us, the old axiom “out with the old, in with the new” comes to mind. Many of us are clinging to our New Year's resolutions and hoping for a brighter 2023. These same sentiments have also been sweep-

ing the Statehouse in the last month as the General Assembly met for an intense period of session days to close out 2022 while looking forward to newly elected terms as the New Year dawns. Therefore, it is important to look back on some of the issues that were debated in the closing days of 2022 and use them to guide our thinking about 2023 and beyond.

As you are well aware, Ohio held elections for statewide offices and legislative seats in November. In these elections, Ohio's voters returned all of the current statewide elected officials including Governor Mike DeWine who won another four-year term. The voters also increased the Republican majority in the state Senate to 25-8 in the new session beginning in January and increased the Republican majority in the House to 67-32. After a fall election, it has become the tradition for the Ohio General Assembly to return to the Capitol to conclude business for the old session which ends on December 31st. Any work that is not concluded during this period must start over as a new legislature is sworn in to begin the New Year.

This year was no exception to this tradition as the General Assembly held a month of sessions and committees to close out the year culminating with a final session day on December 14th. During this period of intense hearings and deliberations, a high number of issues of importance to our state were considered. In the world of pension legislation, a number of bills also received hearings. Although no significant pension changes were made, two important topics were debat-

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RETIREES & WORKERS

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Since the legislature manages the pension system, if there are shortages in the budget for the state then the state considers the money theirs, it is public money (tax dollars). The money is used for other projects and not put into the pension system to be invested. This is not good on two levels, one the money does not go in, two the money is not there to be invested to make more money. It is more than a double loss. If these actions by the legislature continues, the unfunded liability becomes larger and larger. That state must then find a way out of their pension systems funding problems.

“How does one come to the conclusion that the money, once it is in Ohio's Pension Systems is private (*held in Trust*), not public funds? The answer is obvious, if you track the ownership of the money from the beginning. Individuals pay taxes. The Governor and Legislature establish budgets for spending the taxes. State and local employers offer employment and compensation to people. Part of the compensation package is salary, and part is employer contributions into the employee's pension. People accept the employment and compensation offer. People go to work, and employers pay them their salaries and pension contributions.

At the point of payment, the title to the property, whether salary or contribution, becomes the personal property of the employee. It is no longer taxpayer money. It is the employees' money, their compensation, some of which is held in trust for them to be paid later under formulas and conditions established by the Legislature and Pension Board. The General Assembly has no more right to those funds.” WIW Insight

Why does Protect Ohio pensions keep a close eye on legislation and all amendments to legislation in Ohio? Because we know there are those who still believe it is public money. Those same people believe the state has the authority to tell pension boards where to invest the beneficiaries funds.

That is why **OHIO DID IT RIGHT**. The separation from our legislators allows for transparency in their actions should they propose to use the funds in another manner.

When someone wants to redirect those funds, they introduce legislation to do so. POP5 is prepared. We get to work contacting the retirees and current workers to fight together for what is theirs. Let us continue to guard what was set up in the 1930's.

STANDING TOGETHER

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ed that will likely reappear as the new General Assembly begins its work in 2023. Here is a look at the two issues that we have been monitoring and will require our ongoing attention.

In December of 2021, House Bill 512 was introduced which would have increased the employer contributions in the Ohio Police and Fire pension system (OP&F) to 26.5% of total salary over the next few years. Currently, Ohio employers (primarily townships and municipalities) pay 19.5% for their police employees and 24% for fire personnel. If HB 512 would have passed and been fully implemented, the additional cost of these changes would have been an estimated \$117 million annually for local governments. Over a series of committee meetings, advocates of the change argued that the additional funds are necessary to bring financial stability to the system while opponents pointed to the high costs and a lack of specific analysis around the need for these increases. In addition, certain other interest groups including the other pension systems monitored the debate closely. Since employer rates have not risen in Ohio for any of the systems in several decades, it appears that other systems would like to be included if employer contributions are raised. Although the General Assembly concluded without taking action on HB 512, it is likely the issue of employer contribution levels will reemerge in the new 135th General Assembly. The Board of POP 5 is closely monitoring these issues. Certainly POP 5 is committed to advocating for the financial stability and continuity of the pension systems, however, there are strong arguments to be made on both sides of this important topic. We will continue to carefully review any proposal that emerges in the New Year.

A second topic that has been debated in several states this year has been ESG investing. Over the past few years companies and some investment firms have started to consider how publicly traded companies manage the issues of environment, social and corporate governance (ESG) when making decisions around whether that company is a good investment. In short, environment includes things like emissions, air and water quality impacts as well as recycling initiatives. Social issues that are considered include treatment of employees (and suppliers' employment





Recap of 2022

By Nancy King, Board Chair

2022 was a momentous year for Protect Ohio Pensions, Inc. Although it was a difficult year, we are proud of what we accomplished. Below is a summary of the highlights of the past year at POP5.

The most significant thing that happened was that we lost Bill Winegarner as our leader when he passed away in October 2021. This unexpected event left us struggling to fill his shoes as we began 2022. Bill was the founder of POP5 and served as both the Executive Director and Board Chair. This unorthodox arrangement was necessary in 2016 when POP5 was in its infancy and Bill was doing essentially all the work of designing and building the organization, with the assistance of a small group of early backers. His plan had been to build the organization to the point where it was appropriate to hire an Executive Director to replace himself.

After Bill's passing, in early 2022 Candace Shicks, Vice Chair of the Board of Trustees, led the initiative to hire a new Executive Director. Our first order of business was to appoint Mary Frances Kammyr, POP5's Assistant Director, to serve as Interim Director. We were fortunate to have her in place, ready to step into the breach. Subsequently, we interviewed and hired Mary Frances as the Executive Director. As she assumed the role of Executive Director, Mary Frances continued her duties of Chief Operating Officer and maintained the usual business of POP5: kept the office running, wrote and published newsletters and managed the membership drives. In addition, she attended meetings of the boards of OPERS, STRS and SERS and introduced herself. She also reached out to various retiree membership organizations to establish rapport with their staff so that we can work together and continue to support each other's efforts to protect Ohio's public pensions.

Steve Buehrer, our Legislative Counsel, was busy on our behalf throughout the year. He monitored various legislation of interest to our members and the Board as well as composing a letter on behalf of POP5 to Senator's Schuring and Hottinger in

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practices) with topics like diversity, wages and working conditions part of the analysis. Finally, corporate governance is evaluated in terms of shareholder rights, board diversity and executive compensation. As one might guess, these factors are quite subjective and may not be consistent with the best investment decisions if purely financial success is the primary goal. Certain states have already passed legislation that prohibits pension boards and other investment bodies of public funds from considering these ESG factors in making investment decisions. In the closing days of Ohio's legislative session, Senate Bill 367 was introduced which would prohibit the pension boards from considering these ESG factors in making their investment decisions on behalf of the systems' beneficiaries. Although on its face this legislation seems to protect the fiduciary responsibility of pension board investment decisions, we must be careful in supporting anything that would hamper board members from maximizing total investment returns. Once again, the POP 5 Board will be closely following this issue when it reemerges in 2023.

Although the last two-year legislative session closed with little real activity on pension related legislation, the issues of employer contribution increases and ESG investing guidance are likely to lead a lineup of possible pension system changes in the next two years. As we have done in the past, POP 5 will continue to be your advocate in the Statehouse as legislative proposals are considered. In the reality of legislative activity, sometimes the ideas of "the old" also become "the new" as legislation is considered.



Protect Ohio Pensions Board of Trustees

POP5 membership comprises a variety of current workers and retirees who are interested in being represented in the fight for Ohio's defined benefit pension plans.

POP5 is happy to welcome Mr. Ron Wilinski as a new member of our board of trustees. As our organization continues to grow we are looking for our board to grow with it. If you are interested in being on the board of POP5 please contact us. Email: popoffice@pop5.org



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support of SB 347(to prohibit spiking in the SERS system). As we head into 2023, Steve will guide us on where we should put our efforts to promote or oppose proposed legislation of import to the security and integrity of our defined benefit public pensions.

As we begin our 7th year, 2022 was a year of reflection about the status of the organization, with a lot of housekeeping by Mary Frances and the Board to ensure our systems are working efficiently. As the year progressed, the Board moved on to other business which included amending the Constitution, raising dues and electing Officers. As of December 2022,

the new officers are Nancy King-Chair, Candace Shicks-Vice Chair, Ed Wells-Secretary, Mary Winegarner-Treasurer.

Looking forward, the Board has identified some goals we intend to work on in the future, including developing our bylaws, welcoming new Board members, implementing more robust membership recruitment, increasing collaboration with other retiree organizations and active lobbying.

Lastly, throughout this difficult year, we appreciated the ongoing support of our members as we worked to fulfill Bill's vision and our mission of protecting defined benefits in Ohio.



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