

### Talking Points for Encouraging Legislative Activity

- The proposed plan design changes, pending since November 2009, serve a number of purposes for OPERS. These changes:
  - Preserve the financial stability of OPERS
    - This should not be a cookie-cutter approach – OPERS’ membership is different from the other systems; OPERS was, and remains financially solid.
    - OPERS is under the 30-year amortization requirement.
  - Provide the Board of Trustees with the continued ability to offer access to health care coverage for our retirees at no additional cost to employers
  - Address the future growth of retirees into the system as the Baby Boom generation retires
  - End the subsidization of benefits in which some members receive enhanced benefits that are paid by other members
  - Recognizes that our members are living longer in their retirement years and the benefit plan needs to be adjusted
  - Addresses the concern that the private sector workforce must work for a longer number of years
  - While waiting for the ORSC study to be completed, enact component parts of the OPERS proposed plan on which most parties can fairly easily agree. This could help PTA/KMS to focus more on the big picture items and move more quickly toward completion of the review. Thus, when the Legislature is in a position to act on the more substantive issues, it will have laid the groundwork for a more expedited process.
  - OPERS pays out over \$5.5 billion in pension and health care benefits each year to our retirees, who primarily (over 90%) live in Ohio after retirement, spending their retirement dollars at local businesses.
  - Stakeholders – retirees, employers and employees alike – largely support the proposed recommendations even though the plan reduces benefits for future retirees.
  
- The benefits that OPERS provides its members are a win-win for the state of Ohio and taxpayers:
  - A secure retirement benefits everyone. Studies have shown that retirees with modest retirement benefits have lesser dependency on taxpayer funded resources, including Medicaid, public assistance for purchasing food or providing shelter, paying utility bills and other means of taxpayer support.
  - A predictable monthly benefit provides the ability for retirees to remain in Ohio and in an independent living environment for as long as they are physically able.
  - Retirees are a great source of volunteer hours for hospitals, charities and non-profit organizations, like SCORE, who benefit from the experience these retirees have to offer.
  - Studies have shown that a traditional 401(k) savings model does not typically provide enough income for retirees. Volatile investment markets have added to retirees’ concerns that they will simply not have enough savings to make it in retirement.

- Defined benefit plans cost taxpayers less over the long term than defined contribution models. The costs of states switching from a DB to a DC plan are sizeable.
  - DB plans have lower administrative costs, higher investment returns over the long term and pay lower investment management fees, on average, than DC plans.
  - DB plans provide public employers with the ability to offer retirement benefits to public employees by paying a steady contribution rate for these benefits.
- Health care coverage is part of a secure retirement plan:
    - The OPERS Board of Trustees recognized in the 1970's that access to health care coverage was part of a secure retirement.
    - Today, health care coverage remains a component of retirement security for over 170,000 retirees and their dependents.
    - OPERS offers three levels of health care coverage to provide choice to our retirees as they select the plan that most fits their needs and affordability.
    - OPERS pays out over \$1.5 billion in health care benefits each year. The state of Ohio, under Medicaid, does not pay for these expenses.
    - The separate health care trust fund has its own investment plan and actuarial rate of return. The Board of Trustees has the discretion to set the level of benefits for retirees each year.
    - Over the years, the Board has made refinements to the health care offerings for retirees and offered enhancements to provide wellness initiatives and transfer some of the cost to the members who use the health care services more. The Board has been working on its most recent health care preservation plan since 2009, when the proposed plan design changes were given to the Ohio Retirement Study Council.
    - Each year that the plan design changes are not enacted, the Board must reduce the level of health care contribution coming from the public employer's contribution rate. In 2014, without legislative changes to the pension plan, the health care contribution rate will be 0%.
  - Other plan design changes are part of the legislation:
    - The draft legislation contains several additional statutory changes that the Board has recommended.
    - The disability program is moving to a recognized case management model, providing the fund with the ability to offer disability benefits to members who need them and giving them an opportunity to return to meaningful employment as soon as possible.
    - Corrective changes are needed to refresh certain statutory sections that have not been amended for many years.