

Public Employee Retirees, Inc.
659-F Park Meadow Road
Westerville, Ohio 43081
614-891-6868 • 800-247 7374 • www.operi.org

Open Letter
To The Members Of
The Ohio House Of Representatives

Re: H. B. No. 151
Iran and Sudan Divestiture

Mr. Speaker and members of the Ohio House of Representatives. We write to ask you not to pass H. B. No. 151 the Iran and Sudan Divestiture bill. We believe this bill is wrong and unfair, because it puts the burden of this bill upon the five retirement systems and ultimately upon retirees.

The proponents contend that the purpose of the bill is to "send a message to Iran and Sudan." If the General Assembly wants to "send a message to Iran and Sudan," it should do so. But please do not put the burden on the five retirement systems to pay for this message.

The Public Employee Retirees, Inc. is an organization of some 150 thousand retirees and family members who are receiving benefits from the Ohio Public Employees Retirement System. One of the main goals of our organization is to work to help maintain the financial and fiduciary integrity of our retirement system. Bills like H. B. No 151 that attempt to use our systems to affect social, public, or foreign policy create an un-funded liability and chip away at the fund's financial and fiduciary integrity.

Proponents further contend that one of the purposes of the bill is to protect our retirees, policemen, firemen, and taxpayers from being involved with risky investments. Yet the Executive Directors, of the systems contend that requiring divestiture will guarantee that the systems will incur unnecessary transaction fees and investment opportunity losses. In short, a bill that is suppose to protect us, will actually guarantee that we will suffer losses. Some 350,000 retirees are currently receiving retirement benefits from the five Ohio retirement systems. Approximately 80% of a retiree's retirement benefit comes from a fund's investments. The greater the investment return, the greater the potential retirement benefit-including health care. Every dollar that is spent or lost in the mandated divestiture is one less dollar available for retirement benefits and these retirement benefits are distributed to Ohio retirees who pay taxes here and spend their retirement dollars here in Ohio. We find it unconscionable that the Financial Institutions, Real Estate and Securities Committee tabled an amendment that would have provided the systems with immunity from losses resulting from divestiture. Instead, an amendment was adopted that capped losses to 50 basis points. Again, If the General Assembly wants to send a message to Iran and Sudan; do so, but please do not put the burden on us to pay for it.

If certain investments are improper, let it be our federal government that tells us. In this way all will be affected. All Americans. All Ohioans. All pensions plans. All endowment funds. All 401(K) plans. Not just the investments held by our five retirement systems. If these investments are immoral for the systems to own, then they are immoral for me, and for you, and for everyone else in Ohio to own. Why is it only

Donald Moyer: Board Chairman
Earnest J. Wymer: Vice Chair
Beverly Sycks: 1st Vice Chair



Beverly Calvert: 2nd Vice Chair
Ellsworth Szkudlarek: Sec/Treasurer
William Winegarner: Administrator

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immoral for the systems to own these investments? Should someone sell their "prohibited" investment to one of the systems, does that transfer somehow undergo a trans-configuration and becomes an immoral holding because it is now owned by a retirement system?

Current law, Section 145.11 imposes a fiduciary duty on the OPERS to discharge its duties solely in the interest the participants and beneficiaries and for the exclusive purpose of providing benefits to participants and beneficiaries. If the OPERS board did what this bill win require it to do, the board would be breaching its fiduciary duties. We believe the bill recognizes this by providing in Section 131.08 that a public investor is not liable for breach of its fiduciary duties if it divests pursuant to the bill. In addition, it holds board members harmless from lawsuit. However, it is the systems itself, and not the legislature, that must indemnify board members if they are sued. We further believe that consideration should be undertaken to determine if this type of legislation would violate any of the federal tax laws under which the systems were created. Specifically, will divestiture that is done to affect social, political or foreign policy subject the retirement systems to IRS scrutiny? Please remember that the money held by the retirement systems is not taxpayer's money. Yes, it was earned by public employees who were paid with tax dollars. However, once it was earned and deposited into the retirement system, it was and is no longer taxpayer's money. Our systems are created as trusts under federal tax laws and moneys in the retirement system are held in trust for beneficiaries. This money can only be used solely in the interest of the participants and beneficiaries.

Again, we ask that H. B. No. 151 not be passed.

Sincerely,



William Winegarner
Executive Director
Public Employee Retirees, Inc

Donald Moyer: Board Chairman
Earnest J. Wymer: Vice Chair
Beverly Sycks: 1st Vice Chair



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