

Public Employee Retirees Inc.

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**Testimony on Substitute H.B. 153
House Finance and Appropriation
By Bill Winegarner, PERI Administrator**

Mr. Chairman and members of the committee, I am Bill Winegarner and I serve as the Administrator for the Public Employee Retirees, Inc. P.E.R.I., as we are commonly known, is an association of a little over 62,500 retirees who are receiving benefits from the Ohio Public Employees Retirement System.

I am here today to give testimony in opposition to those sections of HB 153 that propose to raise the employee and reduce employer contribution rates by 2%; and remove the pension systems ability to regulate rates within given parameters.

Currently, on a monthly basis, public employees contribute 10 percent of their individual salaries, and public employers contribute 14% of payroll to Ohio Public Employees Retirement System.

State and federal laws mandate the use of these employee and employer contributions.

1. The entire employee contribution must be allocated toward the member's pension plan.
2. The employer portion is allocated four ways: the pension fund, the pension-fund unfunded liabilities, the employer's disability program, and the remainder, if any, to retiree health care coverage.

On first glance, it appears that these proposed rate changes would not negatively impact the state-required funding status for its retirement systems, because the same total amount of contributions would be going into the pension system. Upon further study; however, that assumption does not take into account the legally mandated allocations of the employee and employer contributions mentioned above.

For example:

1. The up-tick in the employee contribution increases the retirement system's projected future payouts. The reduction in employer contribution decreases the reserves required to offset unfunded liabilities, to pay for the employer's disability program, and to support the retiree health care program.
2. Statutory law requires a 33 or 66 percent match to those who take a refund in lieu of a future pension benefit. The increase in employee contribution requires more payout, while the reduction in employer contributions creates a smaller pool of funds with which to meet the required matches.
3. Health care is funded solely on a pooled basis and solely through employer contributions. A decrease in the total amount of employer contributions will eventually deplete the existing health care fund reserves.

The specifics of the causes and effects are better known by the retirement systems and members of the Ohio Retirement Study Council, and I defer to them on explanations of the details; however, the important point to consider is the fact that the contribution section of this bill will push OPERS over the state mandated 30 year funding requirement, and will ultimately result in the elimination of the majority of the health care coverage for publicly employed retirees.

In conclusion, I would like to leave you with the following thoughts:

- H₂O produces water, but changing the formula to H_{1½} and O_{1½} does not. Similarly, the 14% and 10% contribution rates sustain the pension programs, but changing the formula to 12% and 12% does not.
- Our members are willing to share the pain, but the loss of health care would result in a 1/3rd reduction in the average pension and benefit package. This is definitely not an equal sharing.
- When the Ohio General Assembly set up the pension system, it established the greatest money making program for the taxpayers that has ever existed. For every one dollar taxpayers have invested, \$2.58 has been returned to the state's economy.
- For the past 75 years, Ohio's pension programs have provided an economic, recession-proof, income base for all of Ohio's cities, townships, and counties.

We are asking you to remove the pension contribution rate section from this bill and place it in substitute HB 69 so it can be properly evaluated with all the other legislation dealing pension funds and funding.