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**Testimony Before  
The Senate Finance Committee  
On Substitute House Bill 153  
Presented By Bill Winegarner, Administrator**

Chairman Widener 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 any proposed re-insertion of those sections of Substitute HB 153 that would have raised the employee and reduced the employer contribution rates by 2%.

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, as a swap with pension earnings to help sustain retiree health care coverage.

On first glance, it appeared that the proposed rate changes would have been an equitable adjustment for employee and taxpayers alike; however after one takes into account the legally mandated allocations of the employee and employer contributions and what each applies to, it painted a totally different picture.

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 and to pay for the employer's disability 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 a larger payout, while the reduction in employer contributions creates a smaller pool of funds with which to meet the required matches.
3. Because retiree health care cannot be funded with pension funds or earnings on investments, a portion of the employee contribution is set aside for health care before it enters the pension side. That percentage of employer contribution is then replaced on the pension side by returns on investments. Since it is an even swap, no taxpayer money is being used to fund retiree health care.

We are here to ask you to consider the following, before this committee gives any consideration to re-inserting a pension contribution section to the senate version of the budget bill.

When compared to a private sector employee, a state worker's 10% would break down as follows:

- 6.2% of a state employee's contribution is equal to a Social Security percentage.
- 3.8% of a state employee's contribution is equal to a 401k or similar retirement product.

The state employer contribution of 14% breaks down as follows:

- 1.5% goes toward funding the disability program.
- 4.7% goes toward funding unfunded liabilities.

Of the remaining 7.8%

- 6.2 % is equal to a Social Security percentage
- 1.6% is equal to a 401k or similar retirement product match.

As you can plainly see the entire state employer 14% does not apply to the individual employee.

The portion that does apply is actually less than what major private employers pay for social security and a retirement product matching fund. To reduce a state employer's contribution by 2% would mean that the state would be paying less for their employee's retirement than what is required for a Social Security worker.

The fact that Ohio has figured out how to provide its retired public servants with a good pension and benefit package, is nothing of which this legislature should be ashamed. To the contrary, we should be proud that our legislature structured and funded our pension funds so that they could be invest wisely and produce returns that would allow for a good Ohio retirement package, at a bargain price for Ohio's taxpayers.

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

- When the Ohio General Assembly set up the pension system, it established the greatest money generating program for the taxpayers that has ever existed. For every one dollar taxpayers have invested, \$2.85 has been generated to fund pensions and benefits. Those funds are then returned to the state's economy.
- For the past 75 years, Ohio's pension programs have allowed our public servants to retire with dignity and have provided an economic, recession-proof, income base for all of Ohio's cities, townships, and counties.
- A simple switching of contribution percentages will have a serious negative effect on the financial stability of the retirement systems, and that that negative effect will ripple through the retirees and ultimately end up having a negative effect on the economy of Ohio.

After considering the actual allocations of the employer contributions, we are asking you honor the House's decision to remove the contribution changes from the budget,

**Note.** Unfunded liabilities are those liabilities that are outside of the control of the retirement systems. Some examples are purchases of service credits that are not actuarially neutral, members ability to switch pension systems without the transfers being actuarially neutral, salary spiking, switching commissioners to the law enforcement section without requiring them to be actuarially neutrality, or employers not compensating the retirement system for those who were not included in Medicare part A.