

**Pew Center on the States**  
**Talking Points for “The Trillion Dollar Gap”**  
Report released Feb. 18, 2010

**Overview:**

The Pew Center on the States released its most recent report on the state of public retirement systems in the United States. Pew analyzed 231 state-administered pension plans and 159 retiree health care and other benefits plans.

Ohio is rated a “Solid Performer” in the report for both its pension and non-pension obligations, which is the highest rating. Pew researchers analyzed three of Ohio’s five pension systems – OPERS, STRS and State Highway Patrol – because they are the funds contained in the state’s CAFR. OP&F and SERS were not part of the data collection.

The Pew Center report underscores the relative strength of Ohio’s pension systems compared to their peers. The report cited Ohio as a “Solid Performer,” saying it has funded 87 percent of its total pension bill. That’s well above the 80-percent benchmark set by the U.S. Government Accountability Office. The “Solid Performer” designation is the highest of three the Pew Center uses to rate state pension systems.

Yet the report also emphasizes the need for immediate change, which OPERS has been advocating to legislators, stakeholders and members. “We have a significant problem now, but it’s a problem that can be solved by taking relatively modest steps,” said Susan K. Urahn, the Pew Center’s managing director.

Legislative action to enact changes to member benefit plans, which OPERS has recommended, will allow the system to maintain its 30-year funded status. If these changes are delayed, Urahn said, the problem could grow into an “unmanageable crisis.”

**Talking Points from the Report:**

- The Pew report puts Ohio in the “Solid Performer” category with respect to its pension fund – one of only 16 states to achieve that distinction.
- The Pew report puts Ohio in the “Solid Performer” category again with respect to its non-pension obligations, such as health care – one of only nine states to achieve that distinction.
- The Pew report “Solid Performer” rating for OPERS puts OPERS’ funded ratio at 87 percent, meaning for every \$1 of pension obligation, OPERS has 87 cents “in the bank” to meet those obligations.

*“Ohio is a national leader in managing its long-term liabilities for both pensions and retiree health care and other benefits. It has funded 87 percent of its total pension bill—above the 80 percent benchmark that the U.S. Government Accountability Office says is preferred by experts....”*

- The report says that, *“the Buckeye State has nearly met its actuarially required contribution levels, averaging 95 percent of its total annual bill during the past five years.”*

## Talking Points on OPERS:

- OPERS continues to operate within the statutorily required 30-year timeframe for meeting future pension obligations. The Pew report shows that OPERS' pension and HC funds are well funded when compared to other pension systems, but proposed changes are needed to maintain our solid footing.
- The market downturn at the end of 2007 and through 2008 was unprecedented, and OPERS was not immune from the effects of a poorly performing investment market. However, OPERS' 2009 unofficial investment returns showed significant gains (19% pension, 25% HC), and indication of a slowly improving economy.
- The pension system has weathered decades of economic ups and downs. Each time, it has emerged stronger because the Board of Trustees planned for the future and listened to stakeholders, thereby allowing the Board to address issues quickly.
- Most recently, on Nov. 18, the Board recommended to the legislature a series of benefit plan changes designed to strengthen the pension system and with the added goal of maintaining adequate funding for health care.
- The OPERS Board has recommended the following benefit changes.
  - Age & Service Eligibility – add two years to the current plan.
  - Benefit Formula – maintain the current 2.2% x Final Average Salary (FAS) but increase the timeframe that the multiplier increases to 2.5% from 30 years of service to 35 years.
  - Final Average Salary (FAS) – Change the FAS calculation from the three highest years of earnings to the five highest years of earnings.
  - Cost of Living Adjustment (COLA) – Replace the current 3% simple COLA with a simple COLA equal to the change in the Consumer Price Index up to 3%. This change would not apply to current OPERS retirees.
  - Contribution Rate – No change in the current contribution rates, Members (10%) and Employers (14%)
- The above recommendations are in addition to several other measures already approved or identified by the Board as part of OPERS' strategic plan. Monitoring, anticipating and being open to change have been the tradition of OPERS' Boards of Trustees. The Board's Health Care Preservation Plan is one such example.
- It's important to note that in Ohio, public employees do not pay into Social Security. Without OPERS many would not receive a retirement benefit.
- Our 75-year history of prudent and proactive management has resulted in secure retirement benefits for thousands of public workers now and in the future.