

Dear Township Officials:

Yesterday I had the pleasure of meeting with OPERS staff and stakeholders on potential changes to OPERS. At this meeting, it was explained that the Ohio Retirement Study Council has asked all 5 public pension programs in Ohio to look at what they are doing and make recommendations on ways the pension system can be better managed/better funded/stay within the 30 year actuarial requirement set forth in the Ohio Revised Code. OPERS must present recommendations to the Retirement Study Council on September 9.

The OPERS Board has been looking at changes for several years but the economic conditions of today, and the request of the Ohio Retirement Study Council, have forced the OPERS Board to make some recommendations for changes to OPERS now.

Please find attached a short article that explains some of the changes the OPERS Board is considering and will likely recommend to the Ohio Retirement Study Council next week. Please note, the majority of the changes suggested must go through the legislative process. This means a bill will have to be introduced and that there will be hearings in the House and Senate.

I am requesting that you take the time to read the information provided. Should you have questions or concerns, or should you wish to share comments that I may in turn provide to OPERS staff and the OPERS Board, please let me know.

Sincerely,

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OPERS OUTLINES POSSIBLE APPROACH TO REACH FUNDING GOAL

The Ohio Public Employees Retirement System (OPERS) along with the other 4 public pension systems have been asked to present to the Ohio Retirement Study Council a strategy to address long-term funding of the systems, particularly in light of recent economic downturns and future anticipated strains on the systems. Those strategies are to be presented at the Council's next meeting September 9th.

At a workgroup meeting yesterday, OPERS staff shared information with stakeholders about ideas the OPERS Board has discussed, including the following possible plan design changes. The OPERS will continue to discuss and evaluate various options.

- **Age and Service Eligibility** - add two years to the current plan.
- **Benefit Formula** - maintain the current 2.2 percent x Final Average Salary (FAS) but increase the timeframe that the multiplier increases to 2.5 percent from 30 years of service to 35.
- **Final Average Salary (FAS)** - increase base FAS from the three highest years of earnings to the five highest years.
- **Cost of Living Adjustment (COLA)** - provide annual, non-compounding COLA based on the Consumer Price Index, capped at 3 percent. Currently a simple 3 percent increase is provided.
- **Contribution Rate** - no change in rates.

(All of these concepts are explained in the tables attached.)

It is important to stress that the OPERS Board has not taken formal action to endorse the above items, and these options simply are the Board's preference for the time being. The Board welcomes feedback from interested parties.

In addition, OPERS staff is hopeful the legislature will enact pension reform in 2010, as debate is expected the rest of this year. The Board anticipates a long transition period, and is considering not implementing the above changes until 2015, though new hires would come under the proposed changes as soon as the legislation is enacted. Though, these time frames are subject to legislative approval.

The OPERS Board also has been working on the following initiatives:

- **Purchase of Service Credit** - increase the cost of purchasing service credit to reflect its true cost (pending legislative action). This would impact nearly all forms of service credit purchased, except for military service. Hence, elected officials who purchase time as well as individuals who withdraw contributions from OPERS and later seek to repurchase such credit will pay more money.
The OPERS Board also will consider early next year whether to allow certain purchased service credit to apply to health care vesting. Finally, OPERS' proposal would not impact individuals who have entered into a service credit purchase program prior to the effective date of the changes.
- **Minimum Earnable Salary** - increase the minimum earnable salary required to earn full-time service credit from \$250 to \$1,000 month (pending legislative action). Partial service credit, on a pro-rated basis, would be provided to individuals earning less than \$1,000 a month. This change would impact certain township and village officials who are not highly compensated, as well as many gubernatorial appointments to state boards and commissions. You may recall several general assemblies ago OPERS proposed increasing the \$250 monthly threshold to \$400; however, that change did not garner enough support within the General Assembly.
- **Disability** - change aspects of the system's disability program (pending legislation). CCAO reported these earlier this year.
- **Membership Determination Statute of Limitations** - establish a 5 year period following employment per job in which an individual can challenge their membership in OPERS.

Again, the OPERS Board is very interested in receiving feedback on these proposals. If you have questions or concerns, please feel free to contact Heidi Fought, OTA Director of Governmental Affairs, at fought@ohiotownships.org or (614) 863-0045. She will compile all comments and questions and share with OPERS staff.