

THE NEWSLETTER

Issued by PUBLIC EMPLOYEE RETIREES, INC.

Second Quarter 2012

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INSIGHT FROM THE ADMINISTRATOR

by William I. Winegarner



The Health Care Benefit Dilemma

Since the fall of 1999, I have attended every OPERS Health Care Committee meeting, and almost every board meeting. During this time, I have observed the efforts of these men and women trying to protect pensions and still save the health care benefits for current and future retirees.

In order to properly discuss pension requirements and health care benefits, one needs to have a full understanding of the topic: its background, challenges, and players.

In the beginning (1933 and before Social Security) the Ohio General Assembly established a pension program for its public employees. The rules for its operation were established in the Ohio Revised Code Chapter 145. The most significant part of that chapter was the section that kept the investment decisions out of the hands of the legislature by establishing an operating board of elected and appointed members that was charged with the fiduciary responsibility of stewarding the funds for the sole benefit of the members.

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Legislative Report

by John Gilchrist



Whose money is it anyway? This is a question our executive director continually asks in relation to the moneys in OPERS. The question is asked because more and more legislators, newspaper editorials, and members of the public talk about the funds as belonging to taxpayers.

Does it belong to the taxpayers, or is it earned income being held in trust for the members? It came from taxpayers, but it was given to employees in exchange for services they provided. The question then becomes, can it be taken when a public servant commits certain types of criminal offenses. This leads the question to a piece of legislation currently pending before the Ohio General Assembly.

H. B. No. 323 would add extortion and perjury to the type of felonies that would result in the forfeiture of retirement benefits and the termination of disability benefits. This proposal was apparently proposed in response to the ongoing public corruption criminal investigation in Cuyahoga County. The proposal would also clarify that the forfeiture provisions also apply to retirants contributing to a public retirement system due to re-employment by a public employer.

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Public Employee Retirees, Inc.
659 Park Meadow Road • Ste F

Westerville, Ohio 43081 • (614) 891-6868 • (800) 247-7374 • Fax: (614) 891-8887

Email: office@operi.org • Web site: www.operi.org

Partners in Retirement

A Message From the Chairman by Beverly Sycks



These past two months have been anxious ones for our members. We have been hearing rumors about the loss of our health care insurance. Our chapters have been

working on improving their legislative action networks and waiting for the word from our administrator on what to say and when. Mr. Winegarner, our administrator, and Mr. Gilchrist, our legislative council, have been working with the legislative team at OPERS and with individual members of the legislature. We need to motivate both houses of the legislature to action prior to the end of June in order to reduce the drawdown of the health care funds and the eventual loss of even more benefits.

We want to thank Senate President Niehaus and Senator Faber, the chairman of the Ohio Retirement Study Council, for responding to our concerns and taking positive steps to move the pension legislation forward. We now need House Speaker Batchelder, and Representative Watchmann to do the same.

Now, more than at any other time, we need our members to be involved in their local chapters and on the chapter's legislative action teams.

We are doing our best to keep you informed with factual information. Even though the OPERS board is considering a lot of alternatives, no final decisions have been made as of this writing. So please be patient, PERI is on the job to protect your interest.

The challenges began when the pension system started to accumulate funds. Outsiders eyed the ever increasing pot of gold as a means to promote a political agenda or reward political favors. Everyone had a doctrine and a philosophy on how and with whom the money should be invested.

In 1948, Hobart Scott, a member of the state auditor's office saw this and began to organize retirees to speak up against any and all outside influence on the OPERS board's investment decisions. [You can review the constant legislative actions required to protect our pension system, by visiting the legislative history pages on our website www.operi.org.]

The challenges continue: large corporations and stock brokerages want to destroy defined benefit pension systems in America, anti-government associations blast the benefits provided by the pension systems, politicians want to use the investments to influence and reward, newspaper editors pander to each of these groups in an effort to stir up controversy, and politicians react by introducing ill-conceived legislation or refusing to stand up for the successful and valuable asset they created for their workers and the taxpayers of Ohio.

The players fall into four basic categories: the un-involved retirees, the PERI retirees, the politicians, and the retirement system board.

The un-involved retirees are those who sit on the sideline claiming, "it's mine, I earned it, and they owe it to me." The PERI retirees are those who feel the same way, but also realize that every asset one has accumulated requires

maintenance. The politicians are those whose every decision, or timely lack thereof, has a major impact on the continued stability and financial impact the pension system provides to its members and the Ohio economy. The members of the retirement system's board of trustees are those who are charged with the responsibility of investing and distributing the pension fund's assets under the rules established by the General Assembly.

The retirement system's board is made up of 11 members: 5 elected by current workers, 2 elected by retirees, 1 statutory member (Director of Administrative Services), 1 appointed by the State Treasurer, 1 appointed by the General Assembly, and 1 appointed by the Governor. There is only one member of the board whose pension and benefits are not or will not be affected by a board decision. [If they extend the required years of service, or reduce the health care allowance, they are extending or reducing theirs as well.]

The Board's first statutory requirement is to maintain a 30 year funding requirement for pensions. If there are surplus funds they may provide a health care benefit. For example, if one receives \$1,000 per year in pension, the system must maintain 30 year's worth, or \$30,000, on that person's behalf. If they have \$31,000, they may allocate \$1,000 for health care. There are two operative words here: If and may. If they have the funds, they may allocate.

The first health care benefit began in the 70's at \$500 per year and moved quickly to a \$25,000 policy. From there it jumped to free health care for every retiree, plus coverage for spous-

INSIGHT FROM THE ADMINISTRATOR

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es, children, and survivors.

In 1999, it became abundantly clear that this level of funding could not continue, so OPERS began health care preservation planning. Version 1 of the plan began a slow but measured increase in premiums, co-pays and deductibles. Version 2 increased those amounts, made adjustments to premiums being tied to years of service, and dropped coverages for spouses under 55. When the stock market began tumbling in 2008, an alternate pension design plan was given to the Ohio Retirement Study Council in 2009 that would have altered the amounts required to fund pensions, thus allowing more money to be allocated for health care benefits.

Legislation started and then came to a stop. Why? It depends on who you ask. Legislators say it's because they need more information to do it right. PERI says it is because some members of the legislature purposely want to hurt the pension funds to the point where they can garner enough support to convert the systems to defined contributions. The retirement system says it has no idea, but that the legislative procrastination is destroying their ability to fund health care.

Whatever the reason, here is the reality confronting the OPERS board. There is currently 11 billion dollars in the fund. The cost of health care last year was 1.6 billion. If health care costs would remain the same, the fund would be gone in 6 years and 10 months. The board, being unwilling to let this happen, started to work on health care prevention plan version 3 in 2010.

Every alternative was open for review: Total elimination of any health care benefit, spouse coverage, child coverage, survivor coverage, Medicare members only, non-Medicare members only, no grandfathering, a percentage of coverage based on service years, only dollars in a retiree medical account, and many others. Every decision with which the board was faced resulted in a drastic reduction of benefits that could be absorbed by some, but would be devastating to others.

So what would you decide if you were on the board and charged with the responsibility of stewarding the funds for active and retired members alike? Hopefully, the same as the current board: take into account all members, retain as much benefit as possible for the actual worker, and reduce those

benefits to a level that will allow a health care benefit for future workers as well as those currently retired. I have had a few members calling very indignantly demanding to know what PERI is doing or going to do to stop any reduction in our health care benefit. My answer is simple. There is nothing we can directly do. The retirement system is not a taxing authority. They have no way of getting additional funds. The retirement system can only provide health care if they have the funds to do so. The legislature will not ask the taxpayers to contribute more so state workers can have more. Taxpayers already don't like or understand why we are getting as much as we do now.

What PERI can do is: continue keeping the pressure on the legislature to act now. Immediate action will alleviate some of the pressure on the retirement system's allocation of funds. We are going to continue representing our members at the health care committee meetings to insure they will have the best benefits possible. And, we are going to keep our members informed when answers are available.



Please remember to inform us if you move

You can write, call, or email us

PERI

659 Park Meadow Road • Ste F • Westerville, Ohio 43081

(614) 891-6868 • (800) 247-7374

email: office@operi.org

Legislative Report

Continued from page 1

Back in 2008 the legislature enacted a law which currently provides that individuals holding an office of honor, trust, or profit who are sentenced for certain felony offenses committed while serving in that position will forfeit the portion of any state retirement benefit that is based on employer contribution. The felonies include bribery, obstructing justice, and theft in office. More specifically, at the time of sentencing, the court in addition to any other penalty it may impose, generally must order the forfeiture of the retirement or disability benefit other than payment of the person's accumulated contributions. Those who serve in a position of honor, trust, or profit include elected officials, certain individuals serving on boards or commissions, key state and local policy-making officials, prosecutors, peace officers, and highway patrol troopers.

Last year the Ohio General Assembly amended this law, again in response to the ongoing public corruption criminal investigation in Cuyahoga County; it addresses a disability issue related to the investigation. Apparently an individual pleaded guilty to public corruption in federal court and then filed for disability benefits. The disability apparently relates to the anxiety of being caught and prosecuted for the public corruption. We testified in support of the proposal and stated that PERI is supportive because we believe that an individual who commits one of the enumerated felony offenses while serving in a position of honor, trust, or profit should not be allowed to receive a disability benefit if the disabling condition arose out of the commission of the offense. For example, the disability results because of the anxiety and depression resulting from being caught and prosecuted for the crime. Under

this law change, the offenses must have been committed after the effective date of the act and the offender was granted a disability benefit prior to disposition of the criminal action. Under this act, the court, prior to sentencing the individual, is to hold a hearing to determine whether the offender's disabling condition arose out of the commission of the offense. If the court determines that it was, the court is to order the retirement system to terminate the disability benefit and the system is authorized to recover any disability benefit paid prior to the termination. The act also expanded the definition of "position of honor, trust, or profit" to include positions in which, in the course of public employment, an employee has control over the expenditure of public funds of one hundred thousand dollars or more annually.

Again, H. B. No. 323, if passed, would add extortion and perjury to the type of felonies that would result in the forfeiture of retirement benefits and the termination of disability benefits.

Should PERI support this piece of legislation? Before answering, perhaps more background would be beneficial: (a) remember, those who commit any of the various enumerated offenses are subject to fine, punishment, or prison under the criminal code; (b) for most, the retirement funds may be the most significant asset of an individual or family. When a benefit is forfeited, innocent family members who may rely on the benefit become victims; (c) in general, except for restitution for theft in office, certain sex offenses, marital property settlements, and the forfeiture provisions discussed in the earlier paragraphs; moneys in OPERS are not subject to execution, garnishment, attachment or the operation of bankruptcy; and, (d) as it relates to the private sector, we are not aware of any situation where the commission of any of

the enumerated offenses would result in the loss of the employer contribution side of a social security benefit.

In the recent past we have opposed some very significant legislative proposals on the grounds that the money in the systems is no longer public funds. In 2007 we opposed a legislative proposal (H. B. No.151) that would have required the five systems to divest certain investments in companies doing business in Iran (the legislation did not pass, but the systems came to an agreement with legislative leadership to voluntarily undertake divestiture actions which still continue). We testified in opposition to the legislative proposal contending that moneys held by the retirement systems are not taxpayer's money. We asserted that OPERS is a quasi-public entity that serves as a fiduciary of the moneys in the fund; but the money itself is not taxpayer money anymore. Public employees, who were paid with tax dollars, earned it, but once earned and deposited into the retirement system, it became private funds, held in trust on their behalf. Since the funds are not public money, we contended that it should not be used by the legislature in an attempt to influence foreign policy as it related to Iran and Sudan.

In 2004 we opposed another piece of legislation that contained so-called "Buy-Ohio" provisions that would have required the five retirement systems to use Ohio brokers for 70% of their equity and fixed-income trades. Under another provision, if a retirement system desired to contract with an investment manager to manage fund assets, not less than 50% of the assets contracted out would have to be with Ohio investment managers. We argued that these provisions would have been very costly for the systems and that every dollar unnecessarily spent on



The Ohio Public Employees Retirement System is pleased to partner with PERI and provide news and updates concerning the OPERS health care plan within your PERI Newsletter. If you have questions or need further information, please contact OPERS at 1-800-222-7377.

Your support is critical - Pension legislation needed in 2012

We need your help. More than two years ago, OPERS proposed modifications to the pension plan which would help us maintain pension fund solvency as required by law. These recommendations have not yet been passed by the Ohio General Assembly. Delays in the legislative process have caused OPERS to forfeit more than \$700 million in potential savings—that's nearly \$1 million per day. In addition, the passage of pension legislation is critical for OPERS to continue offering access to health care coverage to current and future retirees.

Your support is critical to prevent further delay; we are asking you to show your support of OPERS' recommended changes and help us preserve your benefits.

The Ohio Senate has expressed an interest in passing pension legislation soon. The Ohio House of Representatives has indicated its intent to wait for the outcome of the review currently under way by the Ohio Retirement Study Council (ORSC). We are encouraged by the activities of both bodies.

OPERS is required by law to meet our pension obligations, and the Board's proposed pension changes will allow us to continue to do so. We are not required by law to provide retiree health care coverage. If our proposed pension changes are not adopted in 2012, employer contributions to the health care fund will stop in 2014 and OPERS will likely need to reduce health care expenditures by two-thirds of the current level.

What we are asking you to do

OPERS needs legislative action in 2012, and we would like you to remind your elected officials why this issue is so important to you and your retirement system. Here's what you can do:

- Go online to www.opers.org and, in a just a few clicks, send an electronic letter of support to your legislators.
- While on our site, please also sign the online petition.
- If you would prefer to send a personal letter, we have a letter of support on our website for your convenience.

OPERS will deliver all letters and the online petition to your legislators to show support for legislative action in 2012.

Changes to the OPERS health care plan are needed

Passage of pension legislation this year will allow OPERS to continue providing a retiree health care plan to career employees. But, even with pension change legislation passed in 2012, the OPERS Board will still need to make changes to the current health care plan in order to preserve the program.

Currently, OPERS faces many challenges to offering our current level of retiree health care coverage.

- OPERS is required by law to fund and provide pensions benefits, but not to provide health care coverage. Only after we have met our pension obligations can we use some of the employer's contributions to fund health care coverage. We cannot use the employee's contribution to fund health care.
- Baby Boomers are retiring – leading to an anticipated 40 percent increase in retirees in the next 10 years.
- Retirees are living longer and participating in our health care plan for more years.

OPERS will communicate any news regarding these changes as soon as possible. Please visit the special health care coverage section on www.opers.org for the latest information. Also, be sure that OPERS has your current e-mail address on file. You can do this by accessing your account on the OPERS web site.

2012 District Annual Meetings

District 1: June 18 at 10:00 am

Eagles Lodge in Maumee
2301 Detroit Ave
Contact Jack Wymer at (419) 893-6142

District 2: May 17 at 10:30 am

Eagles Lodge in Lima
Speakers: Healthcare Providers
Contact Merrill Asher at (937) 492-4484

District 3: May 14 at 11:00 am

Community Service Bldg in Urbana
Speakers: OPERS Health Care
Contact Jim Douglass at (937) 533-0843

District 4: April 30 at 10:00 am

Owensville Methodist Church in Owensville
Speakers: Humana, Express Scripts
Contact Franklin Thomas at (513) 858-3573

District 5: April 26 at 10:00 am

St Paul's Lutheran Church in Bucyrus
Speakers: Debbie McCarthy (OPERS), Humana, Express Scripts, Medical Mutual
Contact Marty Deppner at (740) 599-6306

District 6: June 7 at 12:00 noon

Delaware Senior Citizen's Center
Speakers: Representative Kris Jordan, Julie Reneau (OPERS), Shane Olson (Humana)
Contact Boots Sheets at (740) 524-4684

District 7: July 31 at 10:00 am

Holzer Medical Center in Jackson
Contact Carolyn Waddle at (740) 533-9376

District 8: June 5 - 9:30 am-3:00 pm

VFW in Zanesville
Contact Lin Avendaño at (740) 450-2847

District 9: June 11 at 10:30 am

Freeport Masonic Lodge on US Route 22 in Londonderry
Speakers: Shane Olson (Humana)
Contact Marlene Bond at (740) 658-3673

District 10: May 17 at 9:00 am

Ramada Inn of Elyria in Lorain County
Speakers: Humana and Medical Mutual
Contact Tom George at (440) 734-8177

District 11: June 6 at 10:00 am

Georgetown Inn in Youngstown
Speakers: Bobbie O'Neil (OPERS), Humana, Express Scripts, Medical Mutual
Contact John Haught at (440) 352-7134

Email Legislative Alert

For those members who are not chapter members, we have a program called "Email Legislative Alert" [Note: Chapter members receive their information through the chapter.]

If you send an email to office@operi.org, Subject: "Legislative Alert", giving us your member number or street address, we will put your name on a list of members who are willing to contact their local legislators.

We only send important update information or material information that will enable you to make an informative call, or write an informative letter, to your legislators.

It is your responsibility to ensure that our email address, office@operi.org, is on your Internet Service Provider's (ISP) approved sender list. If your email bounces back to us, your email address will be deleted from our files. If you are an Insight.com customer, you will need to be doubly sure we are on their approved list.

Chapter Round-up



PERI Chapter 31, Henry County
Shown above from left to right are Vice President Jim Hershberger, Treasurer Betty Huddle, Secretary Bill Rohrs, President Rupert Schweinhagen and Legislative Officer Willie Hesterman.



PERI Chapter 62, Lawrence County
Newly elected officers, left to right, are Vice President Loretta Filkins, President Bernadette Kinney, and Treasurer Bill Pemberton.

Visit our web site
www.operi.org

PERI Legislative
Action History

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District & Chapter
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Legislative Report

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Ohio brokers and managers would be one less dollar available for benefits. In addition, we opposed the provisions asserting that the money in the funds is not taxpayers' money, instead, moneys held in trust. To require the moneys to be used for purposes other than for the benefit of members could jeopardize

the retirement systems' federal tax-exempt status as qualified trusts.

In closing, we do not condone the criminal activities of those who serve in a position of honor, trust, and profit and who commit any of the enumerated offenses. They will be punished pursuant to the criminal code. However, if moneys in the fund are not public dollars should commission of any of these

offenses also result in the forfeiture of a retirement benefit? To be consistent in our position, we think not.

We do believe; however, that a disability benefit should be denied to those who commit an offense and then attempt to collect a disability benefit for a disabling condition that arose out of the commission of the offense.

The Chapter Membership Advantage

By joining a local PERI chapter and attending the meetings, you will experience the following advantages:

Contacts: A place to meet:

- Ohio Senators and Representatives.
- Experts from various OPERS departments.
- Health care service provider representatives.
- Your PERI District Representative.

First hand information: A place where you can receive a more in-depth explanation than can be achieved in a newsletter, on topics such as:

- Pending Legislation.
- Health care benefits.
- Outside influences that will impact the operation and long-term financial health of our pension system.

Time savings: Learn from fellow retirees how they were able to solve their problems with OPERS service providers.

Socialization: All work and no play, makes for a very dull day.

Even though preparation for effective legislative action takes time, and can occasionally be dull; it is, however, the key to legislative success. So while we are preparing, we take the time to do a few nice things and to enjoy each other's fellowship.

You may find information on your Local Chapter and when they meet on our website www.operi.org Click on "Contact Your Chapter," then click on your county name. If you don't have a computer, call the District Representative for your county. Their names are listed on the back page of this Newsletter.

As a PERI Chapter member you will receive:

Quicker updates: Chapters receive copies of the Legislative Counsel's monthly report plus instant messages concerning time critical legislative action requirements.

An avenue for input: When you hear anything that pertains to OPERS, you have a meeting place where you can bring it to everyone's attention.

An opportunities to discuss: When any issue is brought to the floor, you have an equal opportunity to express your opinion.

An opportunity to exchange ideas: When other retirees learn of senior services or money saving programs and share them at the meeting, you will also be able to receive the same service or save the same money.

An opportunity to participate in a coordinated legislative effort: In a Chapter setting, you not only learn about legislative issues, but you also become a part of an organized legislative action plan to educating legislators on the bills that will help or harm our pension system, and improve or ruin the benefits OPERS is able to provide for us.

***Eventually it comes down to this:
Preparation***

Most of the time there is no urgency in dealing with legislation; however, when a bill is up for a hearing, or on the floor for a vote, there is no time to waste.

In order to succeed in having a vote go your way, you have to know the facts, know your legislators, know whom to contact, know when to contact them, and know what to say.

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659-F Park Meadow Road Westerville, Ohio 43081-2879

(614) 891-6868 • (800) 247-7374 • Fax (614) 891-8887

Email: office@operi.org • Web site: www.operi.org

2011-2012 PERI Board of Trustees



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(740) 622-2076

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Administrative Secretary



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Retired from:
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Civil Engineer



Bev Calvert, Vice-Chair
(740) 373-4917

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ODOT,
Equal Employment Coordinator



Marty Deppner, District 5
(740) 599-6306

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Mental Health Administrator



Phil Roberts, 1st Vice-Chair
(740) 379-2200

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Office, Civil Engineer



Merlin "Boots" Sheets, District 6
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Brown Township, Trustee



Dot Silver, 2nd Vice-Chair
(419) 394-4527

Retired from:
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Unit Manager



Carolyn Waddle, District 7
(740) 533-9376

Retired from:
River Valley Health System,
Department Supervisor



Marlene Bond, Treasurer
(740) 658-3673

Retired from:
Londonderry Twnp (Guernsey
County), Township Trustee



Lin Avendano, District 8
(740) 450-2847

Retired from:
State of Ohio Job
Services Director



Jack Wymer, District 1
(419) 893-6142

Retired from:
Toledo Mental Health Center,
Director of Admissions



District 9 position vacant



Merrill Asher, District 2
(937) 492-4484

Retired from:
Sidney, Ohio, City Council & Vice
Mayor; Shelby County Board of Election



Thomas George District 10
(440) 734-8177

Retired from:
Lakewood, Ohio,
City Councilman & Mayor



Jim Douglass, District 3
(937) 533-0843

Retired from:
Preble County General Health
District, Administrator



John Haught, District 11
(440) 352-7134

Retired from:
Lake County Metroparks,
Administrative Sergeant

PERI Staff / Advisors

William Winegarner
Administrator

Laurie Frithiof
Administrative Secretary

Nancy Heath
Bookkeeper / Newsletter Layout

John Gilchrist
Legislative Counsel

District 1 Counties:

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Ottawa, Sandusky, Williams, Wood

District 2 Counties:

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Paulding, Putnam, Shelby, Van Wert

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Logan, Miami, Montgomery, Preble

District 4 Counties:

Adams, Brown, Butler, Clermont,
Clinton, Hamilton, Highland, Warren

District 5 Counties:

Crawford, Hancock, Knox, Marion,
Morrow, Richland, Seneca, Wyandot

District 6 Counties:

Delaware, Fairfield, Fayette, Franklin,
Licking, Madison, Pickaway, Union

District 7 Counties:

Gallia, Jackson, Lawrence, Meigs,
Pike, Ross, Scioto, Vinton

District 8 Counties:

Athens, Hocking, Monroe, Morgan,
Muskingum, Noble, Perry, Washington

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Harrison, Holmes, Jefferson, Tuscarawas

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Ashland, Cuyahoga, Erie, Huron,
Lorain, Medina, Summit, Wayne

District 11 Counties:

Ashtabula, Columbiana, Geauga, Lake,
Mahoning, Portage, Stark, Trumbull