



# SEIU 1199 Summary of OPERS Proposal

SEIU District 1199 does not currently have a position on the proposed change. This document is strictly for informational purposes only.

## OPERS SIGNS OF GROWING CRISIS:

- Funded Ratio has decreased from 96% in 2007 to 75% in 2008.
- Amortization for the pension fund (the number of years to pay off obligations) have increased from 14 in 2007 to 30 in 2008, and continue to head in the wrong direction.
- The current solvency of the health care benefit provided by the fund has decreased from 31 years (2007), to 10 years (2008).



## Proposed legislative changes to the Ohio Public Employees Retirement System

The Ohio Public Employee Retirement System (OPERS) has had a history of taking proactive steps to protect the pension fund for the long term. The key has been finding the right balance between making changes that negatively impact members the least and taking too little action that will jeopardize long term stability.

The recent stock market downturn and other demographic changes driven by the economy have had a dramatic impact on the pension fund (*see bulleted list to left*).

## Healthcare fund could run out by 2020

Without being able to make changes in the pension benefits, the OPERS board has had to adopt a schedule of decreasing healthcare funding down to 0% by 2015, which would mean the healthcare fund could run out within 10 years.

The fund is recommending making legislative changes that will achieve the following goals:

- Ensures that the benefit plan (after changes) is more economically sustainable and reflects the longer lives of members.
- Provides time for members to plan for retirement.
- Provides economic stability for the state of Ohio, public employers, retirees and members.
- Restore healthcare funding to a level of 4% / year and allows OPERS to continue to provide healthcare coverage beyond 2015.
- Ensure amortization period remains under 30 years through 2012 in order to give the investment market time to recover.
- Corrects some of the current inequities where a group of members receive benefits that are funded by all other members.

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## Current Pension System Benefits

- Unreduced retirement at 65 (with at least 5 years service) or any age with 30 years
- Reduced retirement at 60 (with at least 5 years service) or 55 (with 25 years' service)
- Benefit formula 2.2% for first 30 years of service, 2.5% thereafter.
- Annual Cost Of Living Adjustment (COLA) is set at 3%.
- Final Average Salary determined by three highest years.

## Proposed Reform Plan Major Elements

- Raises Unreduced retirement age to 67 (with at least 5 years service) Raises retirement at any age to 32 years of service
- Raises Reduced retirement at 62 (with at least 5 years service) or raises to 57 (with 25 years' service)
- Minimum age to retire is 55
- Benefit formula 2.2% for first 35 years of service, 2.5% thereafter
- COLA tied to Consumer Price Index (inflation) not to exceed 3%.
- Final Average Salary determined by five highest years.

## Other proposed legislative changes:

- Eliminate subsidization of Purchase Service credit
- Increase minimum earnable salary to \$1,000/month
- Establish a statute of limitations on membership determinations
- Grant Board authority to establish mitigating rate for Alternative Retirement Plans

The Board has also made changes to the disability program to limit eligibility and add exclusions.

The transition to this new plan will be important. The Board recommended the following three-group phase-in once legislation is passed. This will ensure adequate notice of the transition to members.

**Group A** – Must be eligible to retire within five years after the effective date of the legislation. *Grandfathered under current plan design except for COLA provision.*

**Group B** – Must be eligible to retire within 10 years after the effective date of the legislation. *Grandfathered under current plan design except for COLA provision. Those seeking an early retirement will have their pension reduced to reflect longer life expectancies.*

**Group C** – All others. *All elements of the new plan design apply.*

**Important Note:** Legislation on this issue has still not been introduced. It is likely that the time line for action will be drawn out given the dynamics of a political year. Still we want to keep our public employee members regularly informed about the latest proposals because there will come a time when legislative action will be necessary. So stay tuned for additional communication from the union as this issue develops.