



Ohio Public Employees Retirement System

May 12, 2009

Dear Member of the Ohio General Assembly,

You may have read the recent article and subsequent editorial in the Columbus Dispatch describing the financial status of Ohio's public pension systems and their long-term ability to meet future obligations. Current economic conditions and the state's budget challenges have made long-term financial stability top-of-mind with virtually everyone.

Although the Ohio Public Employee Retirement System (OPERS) and its financial condition were not specifically mentioned as the basis for the article, the newspaper did raise some issues for private as well as public retirement plans and suggested making some changes in benefit design and eligibility to ensure the funds' long-term solvency. Against that backdrop, I want to reassure you that OPERS is solvent, we are operating within the 30-year financing window required by Ohio law and have never missed a pension payment in our 74-year history.

Since 1935, OPERS has provided security and peace of mind for Ohio's retired public workers and their families. We remain well-positioned to meet our future obligations by doing exactly what the Dispatch and others suggest. Through careful planning, incremental changes to the benefits and health care coverage over time, and timely reaction to market conditions by the OPERS Board of Trustees, we have been able to weather market volatility and take steps to reduce costs to ensure long-term solvency. For example:

- The OPERS investment portfolio is positioned to grow over the long-term through diversification and a disciplined investment strategy. Prior to 2008, OPERS reported five consecutive years of strong investment returns. The OPERS fund earned returns of 25.3 percent in 2003, 12.5 percent in 2004, 9 percent in 2005, 14.7 percent in 2006 and 8.9 percent in 2007.
- Legislation will be reintroduced in the Ohio legislature to increase the cost of purchasing service credit to reflect its true cost. Currently, most of the cost to purchase service credit is subsidized by the system, not the member.
- Since 1974, OPERS has set aside a portion of employer contributions specifically to fund health care services for retirees. And since 2007, retirees with fewer years of service credit pay a larger share of health care costs than retirees with more years. In addition, we have recently taken steps to reduce health care costs by changing the eligibility of health care coverage for member spouses under the age of 55.

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In conclusion, let me reassure you that OPERS is well positioned to continue fulfilling its mission of providing secure retirement benefits to Ohio's public employment retirees. Our board has and will continue to make changes consistent with its fiduciary responsibility. We will also work with the General Assembly, in addition to our board, to make the statutory changes necessary to ensure the long-term viability of the system.

I look forward to working with you on these issues, and I invite you to contact me if you have any questions about OPERS.

Sincerely,

A handwritten signature in black ink that reads "Chris DeRose".

Chris DeRose
Chief Executive Officer