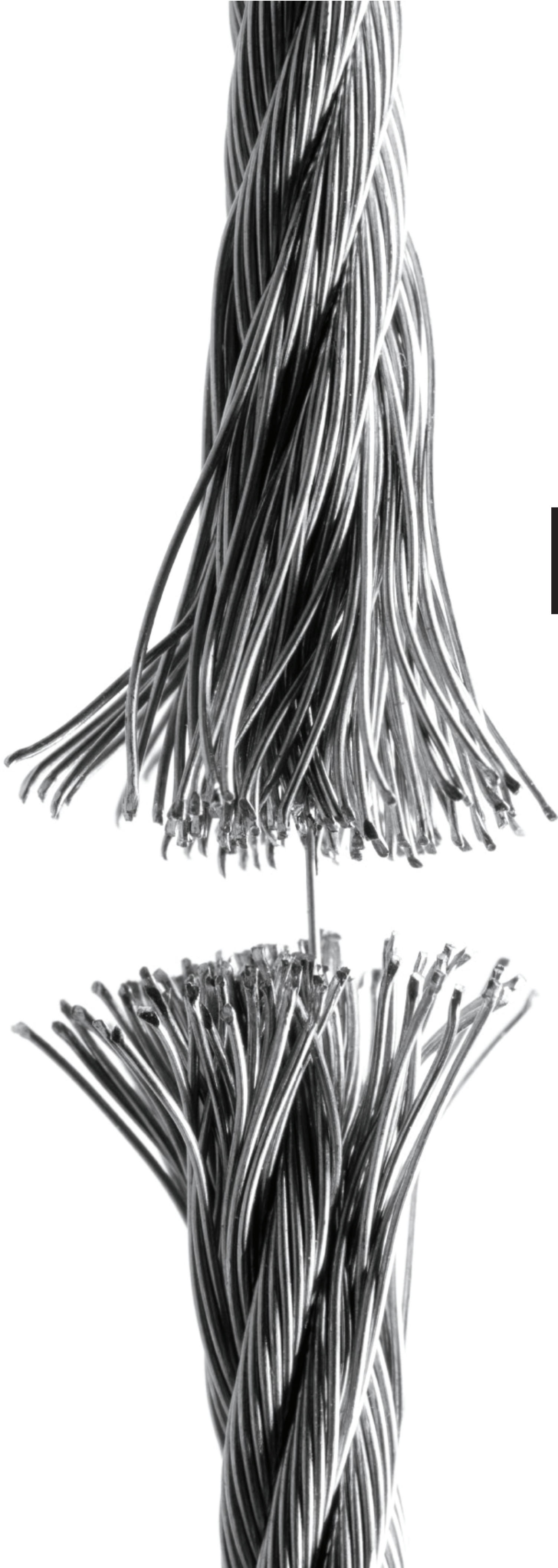

THE BUCKEYE INSTITUTE
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# HANGING BY A THREAD

## Big Payouts and Promises Leave Ohio Pension Plans on the Brink of Collapse—or a Massive Bailout

*By* ADAM SCHWIEBERT

December 2011

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# Why This Report Matters to You

**$66 BILLION** *Total Unfunded Ohio Government Pension Liabilities*

**$5,726** *Tax on Every Ohioan to Eliminate Unfunded Liabilities*

A deep fiscal hole is engulfing Ohio taxpayers. No one disputes that a fulfilling and financially stable retirement is something that every Ohioan should be able to enjoy. Ohioans in the public and private sectors alike should expect a level of retirement that allows them to comfortably live their remaining years without fear of financial hardship. But guaranteeing that public employees receive a level of retirement far beyond that of private-sector employees, especially when financed by taxpayers, is unfair and has proven fiscally unsustainable.

If every Ohioan received a pension similar to the Ohio Public Employee Retirement System (OPERS) career pension of $39,780, it would cost current workers over **$123 billion per year,** which equates to 25 percent of Ohio's Gross Domestic Product ($483 billion). On a per capita basis, it would cost working Ohioans $26,851 per year to fund the pensions of retired Ohioans. Such a cost would crush Ohio's economy. If changes are not made to public pensions, the required tax hikes to bail them out would be equally crushing.

Ohio's five public-pension systems are tasked with providing retirement benefits to Ohio's public employees at a reasonable cost to taxpayers. But as time has shown, Ohio's pension systems have produced retirement benefit levels that frequently exceed those of private-sector Ohioans.[1] And to finance these generous benefits, Ohio's pension funds have run up unthinkable amounts of unfunded liabilities for which, in the end, taxpayers are legally responsible.

It is no secret that public-pension reform is inevitable; several of Ohio's pension funds have already begged for reforms in an effort to clean up their balance sheets. The question that remains

1 Matt Mayer et al., "The Grand Bargain is Dead: The Compensation of State Government Workers Far Exceeds Their Private-Sector Neighbors," The Buckeye Institute for Public Policy Solutions, July 2010, at *http://www.buckeyeinstitute.org/uploads/files/The%20Grand%20Bargain%20Is%20Dead(1).pdf.*

is: What shape will this reform take?

Ohio lawmakers can follow two divergent paths. One path includes minor adjustments to the pension systems, such as increasing service-length requirements, retirement age, and Final Average Salary calculations. While these measures will strengthen the pension funds temporarily, they will do nothing to fundamentally change the structure of the defined-benefit system. Unfunded liabilities will still exist and taxpayers will still be left on the hook. This is the "kick-the-can-down-the-road" approach.

The other path is to move toward defined-contribution-style retirement systems. Like those found in the private sector, defined-contribution retirement systems place less risk on the backs of taxpayers while allowing for significant cost savings. Of course that means government workers will have to take on some risk, but the status quo requires them to bear no risk, as taxpayers assume the entire risk of those unfunded liabilities.

If no comprehensive reforms are made, it is inevitable that sooner or later Ohio's public employees will not be able to enjoy the quality of retirement that they have been promised without substantial tax increases. We believe that the status quo is simply unsustainable and that transitioning to a mandatory defined-contribution retirement system is the best solution to place Ohio on a strong fiscal footing, free from the crushing burden of unfunded liabilities and onerous taxes.

# Executive Summary

Ohio's public pension funds are failing in a big way. Unfunded liabilities are piling up at an alarming rate. Investment returns over the past decade have fallen short. Public employees are nervous that they will be unable to enjoy the level of retirement that they have been promised and taxpayers are anxious about the prospects of pension bailouts. The only certainty remaining is the necessity of reform.

Combined unfunded liabilities from Ohio's five pension systems have reached over $66 billion in 2010. That is $5,725.82 owed by every Ohioan. It is 118 percent of Ohio's biennial budget. Whatever way one looks at it, $66 billion is a massive liability hanging over the heads of Ohio taxpayers.

Combined, Ohio's pension funds are only 67 percent funded, leaving only 67 cents of assets to pay for every one dollar of liabilities. The prospect of shrinking these liabilities is bleak. Left unchanged, three out of the five pension plans will never be able to pay off their accrued liabilities—they will only continue to sink deeper into debt.

A host of factors have brought Ohio's pension plans to the brink of fiscal collapse: the growing numbers of retirees, increased retiree life expectancy, runaway increases in benefit levels, and weak investment returns.

Several funds have seen double digit increases in the size of their retiree pension pools over the past decade. Larger retirement rolls mean greater total pension payouts for each of the funds, exacerbating the existing funding challenges. Compounding this problem is increased retiree longevity. Today's retirees are living longer than ever before, drawing guaranteed pensions for decades after they end their service.

Monthly pension benefits for career employees have also increased over the past decade anywhere from 12 percent to over 40 percent. These increases have contributed to lifetime public-employee retirement packages in excess of $1 million.

Weak investment returns over the past decade have done substantial damage to the overall health of each pension system. For each of the pensions, the rolling five-year and ten-year return rates fail to meet their investment return objectives. As in-

***Ohio's pension funds are at the brink of collapse.*** *Currently, they are now only 67 percent funded, and left unchanged,* ***three out of the five public pension plans will never be able to pay their liabilities.***

vestment returns fall short, the pension funds lose ground to liabilities.

A discussion on investment returns also begs the question of setting realistic assumptions on the rate of return on assets. Like many state pension funds, Ohio's pension systems assume a return rate of 8 percent or greater. But pension experts are now questioning the attainability and the inherent risk involved with such a high target rate. Such an investment strategy mandates that state pension funds invest more heavily in higher-risk equities at the expense of fixed-income assets.

Using information pulled directly from each of Ohio's public-pension systems' most recent Comprehensive Annual Financial Report (CAFR), we make the case that Ohio's public-pension funds are failing both their retirees and the taxpayers who fund them. While kick-the-can-down-the-road reforms will serve as a stopgap measure, temporarily strengthening the pension funds for the short term, a lack of true comprehensive reform, namely, the introduction of a mandatory defined-contribution system, will nearly guarantee a future taxpayer bailout.

# Assessing Five Ohio Public-Sector Retirement Programs

### *Program 1: Ohio Public Employees Retirement System (OPERS)*

OPERS, with nearly 954,000 members, is Ohio's largest public-employee retirement system. Supposedly the best funded of Ohio's public retirement systems, the data from their 2010 CAFR shows areas of weakness that every public retiree and taxpayer should be aware of.

The bottom line on OPERS is that for every $1.00 it owes to retirees' pensions, it possesses only 75 cents in assets.[2] This 75 cents per dollar ratio translates into an $18.9 billion unfunded actuarial accrued liability, or a $1,638.28 tax on every Ohioan.[3] The news is even worse for OPERS's Health Care Fund, which has only 34 cents for every dollar that it owes, translating into a $20.6 billion unfunded liability.[4]

Many experts agree, including the U.S. Government Accountability Office, that pension funds should maintain at least an 80 percent funding level to be considered healthy.[5] Taxpayers, on the other hand, expect even better. Until OPERS is 100 percent funded, the burden to bailout funding shortages ultimately hangs over our heads.

A better method of measuring the health of the retirement system, according to OPERS, is to compare the ratio of unfunded actuarial accrued liabilities (UAAL) to active employee payroll—the smaller the number, the stronger the pension system. Using this measure, the results have become increasingly alarming. Over the past two years, UAAL as a percentage of active-member payroll has ballooned from 21 percent to 154 percent.[6] Obviously, this dramatic increase demonstrates a considerable weakening of the system.

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2 Ohio Public Employees Retirement System, "2010 Comprehensive Annual Financial Report," at *https://www.opers.org/investments/cafr.shtml* (October 7, 2011).

3 *Ibid.*, p. 25.

4 *Ibid.*, p. 65.

5 U.S. Government Accountability Office, *State and Local Government Retiree Benefits: Current Status of Benefit Structure, Protections, and Fiscal Outlook for Funding Future Costs*, Report to the Committee on Finance, U.S. Senate, September 2007, at *http://www.gao.gov/products/GAO-07-1156* (October 13, 2011).

6 Ohio Public Employees Retirement System, "2010 Comprehensive Annual Financial Report."

*Table 1.* **OPERS Actuarial Valuation Data**

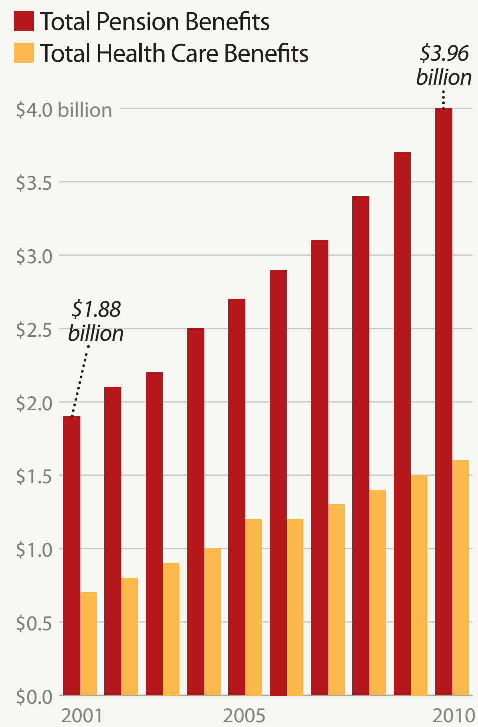
| | Active Membership | Active-Member Average Pay | Retiree Membership |
|---|---|---|---|
| 2004 | 350,835 | $32,246 | 149,296 |
| 2005 | 353,708 | $32,890 | 153,935 |
| 2006 | 356,430 | $33,586 | 159,039 |
| 2007 | 357,743 | $34,514 | 163,505 |
| 2008 | 349,969 | $35,849 | 169,000 |
| 2009 | 341,777 | $35,953 | 174,637 |

A driving force that is straining OPERS is the growing number of retirees. As seen in Table 1, the number of retirees drawing benefits has surged nearly 17 percent in just five years, growing from 149,296 to 174,637.[7] At the same time, the number of active, contributing members shrank from 350,835 in 2004 to 341,777 in 2009, representing a drop of 2.6 percent. As the avalanche of new retirees grows, the pension system is forced to contribute more toward retiree benefits, creating even greater demand for limited funds.

From 2008 to 2010, the total amount paid to pension benefits grew by over $527 million, or 16.9 percent.[8] The annual allowance for retirees grew dramatically as well. From 2005 to 2010, total allowances surged from $2,621,820,175 to $3,824,710,874—a 45 percent increase over the course of just five years.[9]

Chart 1 visually displays the growth in pension costs. From 2001 to 2010, pension payouts to retirees skyrocketed from $1,880,704,941 to $3,961,217,461—an unthinkable 111 percent increase.[10]

*Chart 1.* **OPERS' Benefits by Type**




Time and again the data show that the growing number of retirees continues to pressure the funding capabilities of OPERS. But another powerful factor drives OPERS ever closer to fiscal collapse: the continually increasing Final Average Salary (FAS) of retirees. As FAS continues

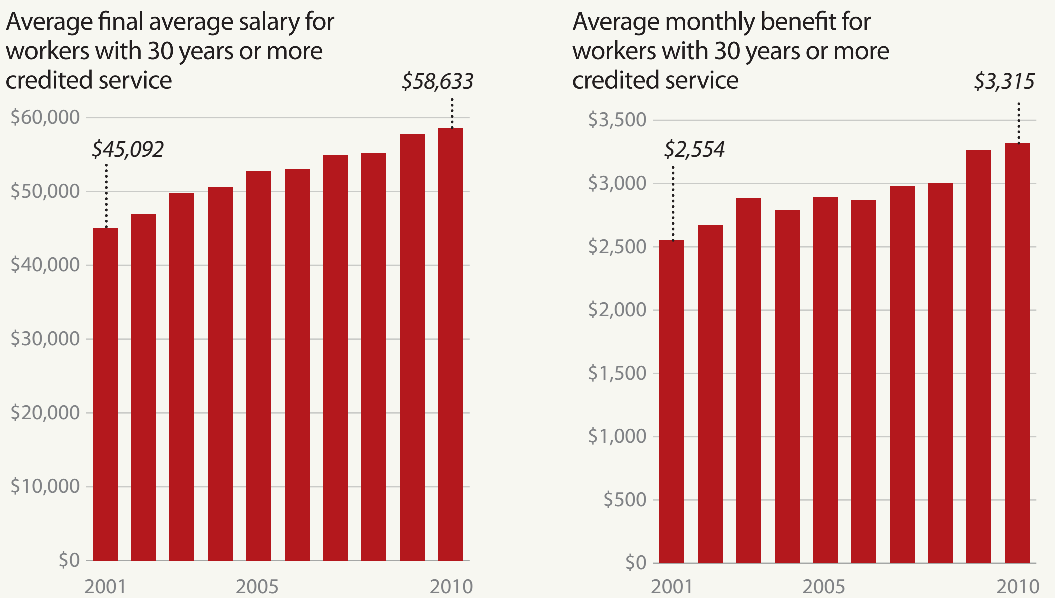
7 *Ibid.*, p. 113.

8 *Ibid.*, p. 32.

9 *Ibid.*, p. 114.

10 *Ibid.*, pp. 122–123.

*Chart 2.* **OPERS–Salaries and Benefits for Career Public Employees**




to increase, average monthly retirement benefits rise accordingly.

As Chart 2 demonstrates, in 2001 the FAS of a retiree with 30-plus years of service—a career public employee—averaged $45,092. By 2010, that number had grown to $58,633, a 30 percent increase.[11] If this growth trend continues, in just 20 years, the average FAS for state employees will be nearly $100,000. And the growth will only continue. For example, from 2003 to 2010, the number of state government workers who were paid $100,000 or more jumped from 288 to 1,859, a 545 percent increase.

Meanwhile, as FAS increased steadily, so too has the percentage of newly retired employees who had accumulated 30-plus years of service. In 2001, 36 percent of retirees had contributed 30 or more years of service. By 2010, this number had grown to over 41 percent of retirees.[12] As the retiree pool continues to concentrate with workers who have accumulated 30-plus years of service, OPERS is forced to pay out larger and larger monthly benefits due to its unsustainable retirement formula.

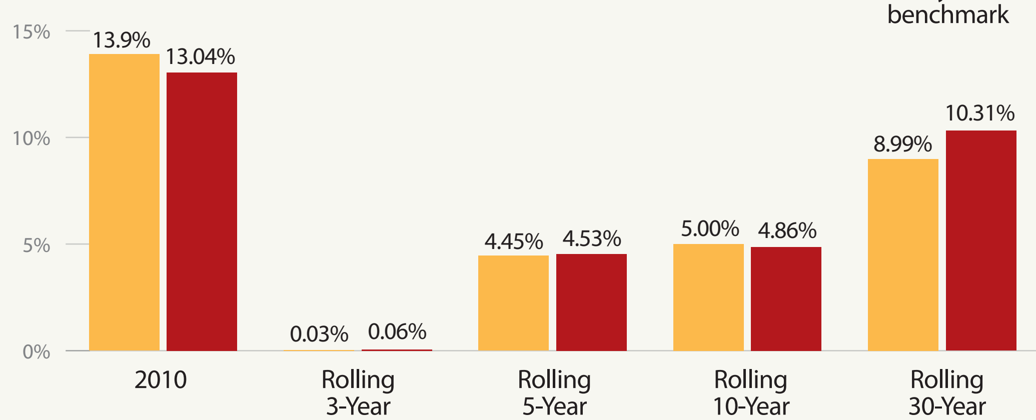
The end result of the combination of an increasing FAS and a retirement pool concentrated with career employees is skyrocketing monthly benefits. As Chart 2 also indicates, the average monthly benefit for those with 30-plus years of service increased 30 percent between 2001 and 2010, surging from $2,554 per month to $3,315 per month. According to the Ohio Department of Taxation's (ODoT) 2009 income tax data, this average annual income of roughly $40,000 would place OPERS retirees in the top 43 percent of all Ohio income earners—as retirees![13]

11 *Ibid.*, p. 137.

12 *Ibid.*

13 Ohio Department of Taxation, "2009 Income Tax Returns by Income Class," at *http://tax.ohio.gov/divisions/tax_analysis/tax_data_series/individual_income/y1/y1cy09.stm* (November 9, 2011).

*Chart 3.* **Annual Rates of Return on Investments**




OPERS will argue that the average annual benefit paid to retirees is just over $22,000. But what OPERS and other government pension funds omit is that the average yearly benefit also includes disability and survivor claimants, as well as pensioners with as little as five years of service. This tactic masks the true cost of providing unsustainable pension benefits to career public employees.

Compounding OPERS's fiscal situation is another undeniable issue—retirees are now living longer than they ever have before.[14] It is becoming a frequent occurrence for retirees to spend more years in retirement than they spent contributing toward it.

To counter the wave of new retirees with their generous benefit packages, OPERS invests its assets, including taxpayer contributions, in order to generate returns and pay benefits. In a typical year, OPERS looks to generate 65 to 75 percent of its revenue from investment income.[15] But as the past decade has shown, relying on stock market returns carries significant risk. While OPERS relies on a yearly 8 percent return on its investments, over the past decade OPERS has achieved an average return of only 5 percent.[16]

While OPERS maintains that their 30-year return rate of 8.99 percent exceeds their 8.00 percent threshold, this must be viewed in context. From the early 1980s to 2001, the U.S. stock market witnessed unprecedented investment returns. However, time has shown that this growth was largely the product of bubble stock markets, not true growth based on a firm economic foundation. Today's market is different. With greater volatility and weak economic growth worldwide, investment return assumptions must accurately reflect the new economic reality.

Actuaries generally recommend an assumed rate of return less than 8 percent. For example, the Employee Retirement Income Security Act recommends that private-sector-pension managers assume a safer 6.1 percent return on assets in private-pension plans.[17]

14 Ohio Public Employees Retirement System, "2010 Comprehensive Annual Financial Report."

15 *Ibid.*, p. 27.

16 *Ibid.*, p. 81.

17 United States Department of Labor, "The Employee Retirement Income Security Act," 2010, at *http://www.dol.gov/compliance/laws/comp-erisa.htm* (October 13, 2011).

*Table 2.* **STRS' Required Schedule of Pension Plan Funding Progress**

For years ending June 30, 2005–2010, with dollar amounts in thousands

| | Actuarial Accrued Liability (AAL)* | Valuation Asssets* | Unfunded Actuarial Accrued Liability (UAAL)* | Ratio of Assets to AAL | Covered Payroll** | UAAL as % of Covered Payroll |
|---|---|---|---|---|---|---|
| 2005 | $73,817,114 | $53,765,570 | $20,051,544 | 72.8% | $9,775,159 | 205% |
| 2006 | $77,371,024 | $58,008,050 | $19,362,974 | 75.0% | $9,974,061 | 194% |
| 2007 | $81,126,642 | $66,671,511 | $14,455,131 | 82.2% | $10,199,505 | 142% |
| 2008 | $87,432,348 | $59,198,008 | $28,234,340 | 67.7% | $10,460,473 | 270% |
| 2009 | $91,440,955 | $54,902,859 | $36,538,096 | 60.0% | $10,800,817 | 338% |
| 2010 | $94,720,669 | $55,946,259 | $38,774,410 | 59.1% | $11,057,260 | 351% |

* The amounts reported in this schedule do not include assets or liabilities for post-employment health care coverage.

** Covered payroll includes salaries for alternative retirement plan participants and defined contribution plan participants. For 2010 and 2009, alternative retirement plan participant payroll totaled $459,582 and $428,642, respectively. For 2010 and 2009, defined contribution plan payroll totaled $256,166 and $250,034, respectively.

To achieve an annual 8 percent rate of return, OPERS is forced to invest heavily in higher-risk, higher-return equities at the expense of safer fixed-income assets. In 2010, 75 percent of OPERS's investments were targeted toward equity investments and real estate while only 25 percent remained in fixed assets such as bonds.[18]

This type of investment strategy inevitably leads to greater volatility. While gains are stronger under such a strategy, risk grows accordingly. While no one can guarantee future investment returns, it can be certain that OPERS is putting taxpayer investments at greater risk by heavily leveraging its assets in equities in pursuit of the strong investment returns needed to cover its growing expenses.

The bottom line on OPERS is that its underlying operating strategy is broken. Adjusting retirement eligibility, FAS, and benefit levels will alleviate strain temporarily, but the process of guaranteeing lifetime pensions at unsustainable levels and at significant risk to taxpayer investment remains unworkable. While some praise OPERS as Ohio's strongest public-retirement system, its own data shows that it is simply the least worst plan that Ohio has to offer.

### *Program 2: State Teachers Retirement System of Ohio (STRS)*

The State Teachers Retirement System of Ohio, with 470,000 members and $58 billion in assets, is Ohio's second-largest public-retirement system. It is also by far the worst funded.

According to its 2010 CAFR and as seen in Table 2, STRS currently has only 59 cents for every dollar that it owes.[19] That translates into a $38.7 billion liability, or a $3,354.57 tax on every Ohioan. Borrowing OPERS's recommendation of using UAAL as a percentage of covered payroll as an indicator of overall pension health,

18 Ohio Public Employees Retirement System, "2010 Comprehensive Annual Financial Report."

19 State Teachers Retirement System of Ohio, "2010 Comprehensive Annual Financial Report," at *https://www.strsoh.org/about/CAFR10.html* (October 12, 2011).

*Table 3.* **STRS' Required Schedule of Health Care Funding Progress**

For years beginning January 1, 2007–2010, with dollar amounts in thousands

| | Actuarial Accrued Liability (AAL)* | Valuation Asssets* | Unfunded Actuarial Accrued Liability (UAAL)* | Ratio of Assets to AAL | Covered Payroll** | UAAL as % of Covered Payroll |
|---|---|---|---|---|---|---|
| 2007 | $3,821,687 | $13,599,374 | $9,777,687 | 28.1% | $9,665,780 | 101.2% |
| 2008 | $4,037,843 | $12,170,949 | $8,133,106 | 33.2% | $9,834,501 | 82.7% |
| 2009 | $2,693,699 | $13,413,723 | $10,720,024 | 20.1% | $10,053,041 | 106.6% |
| 2010 | $2,967,540 | $11,355,003 | $8,387,463 | 26.1% | $10,347,383 | 81.1% |

the results are even more alarming for STRS. As Table 2 indicates, in 2010, UAAL as a percentage of covered payroll reached an unthinkable 351 percent—over twice as high as OPERS's figure.[20]

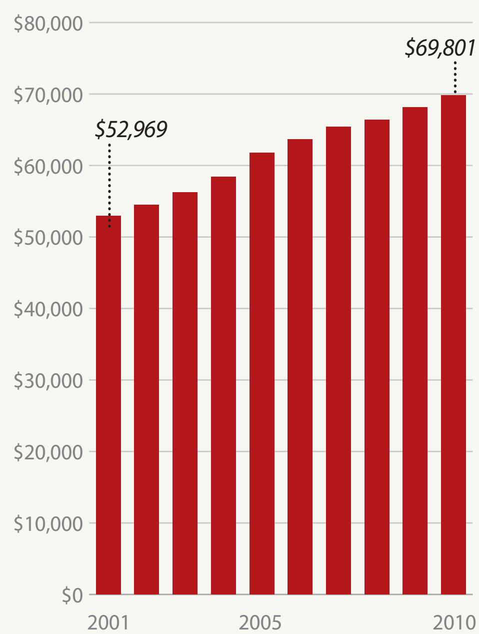
To put this into perspective, the Illinois State Employee Retirement System is widely considered to be the worst-funded retirement system in the United States.[21] According to Illinois SERS's 2010 CAFR, its UAAL as a percentage of covered payroll reached 445 percent.[22] As the data indicates, STRS is quickly gaining on Illinois. Even in the relatively strong years of 2005-2007, STRS never manages to drop below 140 percent of UAAL as a percent of covered payroll.

The story is much the same for STRS's Post-Employment Health Care Fund. As shown in Table 3, with only 26 cents for every dollar in liabilities, an $8.3 billion dollar unfunded liability is left in the laps of taxpayers.[23]

The key drivers of increased costs for STRS are the same as OPERS: more retirees who are living longer and retiring with higher final average salaries.

*Chart 4.* **STRS– Salaries for All Workers**

Average final average salaries




20 *Ibid.*, p. 31.

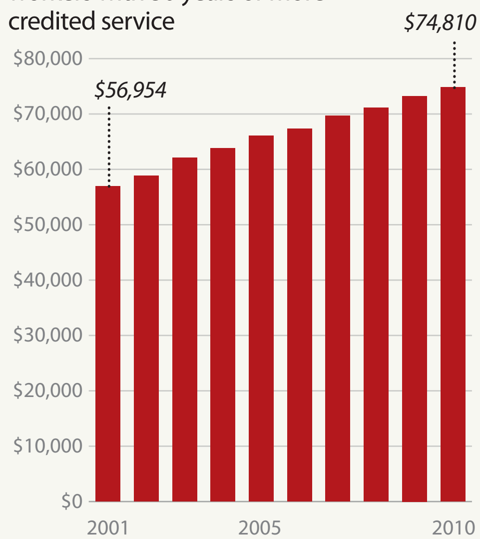
21 The Pew Center on the States, "Pew Rates Illinois Among Worst States for Managing Bills Coming Due for Retiree Benefits," February 17, 2010, at *http://www.pewcenteronthestates.org/news_room_detail.aspx?id=57341* (September 16, 2011).

22 State Employees' Retirement System of Illinois, "Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2010," at *http://www.state.il.us/SRS/SERS/annreports_sers.htm* (October 10, 2011).

23 State Teachers Retirement System of Ohio, "2010 Comprehensive Annual Financial Report."

*Chart 5.* **STRS–Salaries for Career Public Employees**

Average final average salary for workers with 30 years or more credited service




Like OPERS, STRS has seen the number of beneficiaries greatly expand over the past decade. Between 2001 and 2010, the number of retirees increased by over 30,000 individuals—a 30 percent increase.[24] At the same time, the number of active contributors has remained relatively static.

As Chart 4 shows, the average FAS for all STRS retirees grew by nearly 32 percent from 2001 to 2010—increasing from $52,969 to $69,801. Left unchecked, this growth rate will push the average FAS above $100,000 in just 13 years.

The real driver of pension growth is found in those retirees with 30-plus years of experience. As those with 30-plus years of experience make up roughly 73 percent of retirees each year, increases in FAS for this group have the greatest effect on total pension payouts.

As Chart 5 indicates, FAS for retirees with 30-plus years of experience has grown by over 31 percent between 2001 and 2010.[25] This significant increase has contributed to the over 40 percent increase in average monthly benefits ($3,330 to $4,680) over the past decade for retirees with 30-plus years of experience.[26] According to ODoT's 2009 income tax data, this average annual benefit of roughly $56,000 would place retired career teachers in the top 30 percent of all Ohioans in terms of income.[27]

The results of the growing retiree pool are evident in the growth of taxpayer contributions to teacher retirement. From 2001 to 2010, taxpayer contributions to teacher pensions grew from $770,274,000 to $1,374,327,000—an unthinkable 76 percent increase.[28] These large contributions are needed just to keep pace with the growth in pension payouts.

To make up for low funding levels and increasing benefits, STRS, like many other pension funds, has relied almost exclusively on investment returns to shore up its fiscal footing. But while STRS's long-term investment return goal is set at 8 percent, recent returns have fallen far short. The average return over the past five years has totaled a paltry 2.92 percent.[29] While STRS will tout its investment returns over the past 30 years, many of these gains were made under bubble stock markets that do not reflect the economics of today.

24 *Ibid.*, p. 56.

25 *Ibid.*, p. 69.

26 *Ibid.*

27 Ohio Department of Taxation, "2009 Income Tax Returns by Income Class," at *http://tax.ohio.gov/divisions/tax_analysis/tax_data_series/individual_income/y1/y1cy09.stm* (November 9, 2011).

28 State Teachers Retirement System of Ohio, "2010 Comprehensive Annual Financial Report."

29 *Ibid.*, p. 49.

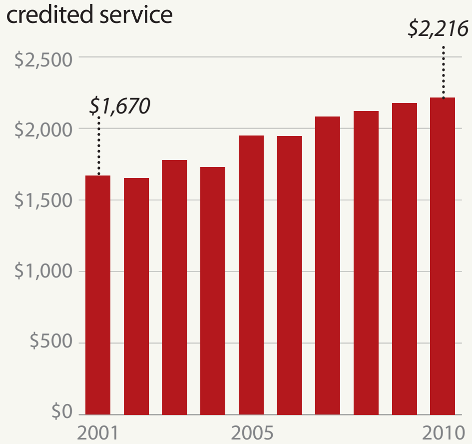
Like OPERS, STRS's investment portfolio is weighted heavily toward higher-risk equities and real estate. Only 20 percent of STRS's portfolio is targeted to fixed-income investments.[30] This again begs the question of the soundness of STRS's investment strategy. While strong investment returns strengthen the STRS's bottom line, these investments must be done so while understanding that taxpayer dollars are on the line. By reducing the assumed rate of return, STRS could pursue safer investment strategies that would better protect public dollars and promote greater stability.

STRS understands the dire fiscal situation that it is in. When its own Executive Director is quoted saying, "If no changes are made, we will eventually be unable to pay benefits," it is obvious that changes are needed.[31] Unfortunately, the change that STRS has in mind is a taxpayer bailout. Along with adjustments in retirement age, FAS calculation, and other modifications, STRS stated in its own CAFR that it expects taxpayers to contribute 2.5 percent more of each public employee's salary to its pension fund.[32] That is not a solution—that is passing the buck to taxpayers to help mop up a problem that they did not create. Even if STRS tries to enact reforms without raising contribution rates on taxpayers, remember that their original plan all along has been to raise taxes, and if given their way, we all would be bailing out the failing system.

Until STRS moves toward a mandatory defined-contribution system for its members, its recommendations for fiscal improvement fail to address the fiscal realities at hand. Even if STRS received all of its wishes and all of its recommendations were implemented, it would still be unable to pay off its liabilities in the statutorily required 30-year window.[33]

*Chart 6.* **SERS–Pension Payouts for Career Public Employees**

Average monthly payout for workers with 30 years or more credited service




STRS has already run up a $38 billion tab and is begging for reform. Taxpayers and teachers deserve better. Any reform short of implementing a defined-contribution system will not permanently break the cycle that has lead STRS to its current state.

### *Program 3: School Employees Retirement System of Ohio (SERS)*

With over 126,000 active and 66,000 retired members, SERS is Ohio's third-largest public-employee retirement system. As a defined-benefit-type system, it has not been spared from the same fiscal challenges that have gripped its sister pension funds.

At the close of fiscal year 2010, SERS possessed unfunded liabilities of $4.1 billion, leaving a $355.39 bill hanging over the head of every

30 *Ibid.*, p. 40.

31 Steve Wartenberg, "Pension Plans Outline Reforms," Columbus Dispatch, September 10, 2009, at *http://www.dispatch.com/content/stories/local/2009/09/10/PENSION_MEETINGS.ART_ART_09-10-09_A1_OPF1BFJ.html* (September 4, 2011).

32 State Teachers Retirement System of Ohio, "2010 Comprehensive Annual Financial Report."

33 *Ibid.*, p. 9.

Ohioan.[34] SERS is only 72.6 percent funded, meaning that only 73 cents exist for every dollar in liabilities.[35] SERS's Health Care Fund for retirees is in a similarly weak state, with a $2 billion unfunded liability and a 13.7 percent funded percentage. UAAL as a percentage of active payroll, the other reliable measure of pension health, currently stands at 143.1 percent for SERS's pension fund—a level that should raise significant concern.[36]

The causes of SERS's financial weakness are evident. While a turbulent stock market in 2008 led to significant investment losses, the real driver of long-term weakness is the growth in employee benefits.

Over the past five years, the number of retirees on SERS's pension rolls has remained relatively static. But like the state's other pension systems, it is the unbridled growth in retiree benefit levels that is putting pressure on SERS's balance sheets.

Average pension payouts have increased substantially over the past decade. In particular, as shown in Chart 6, pension payouts of those retirees with 30-plus years of experience (the largest segment of the total retiree population) has grown by nearly 33 percent between 2001 and 2010, surging from $1,670 per month to $2,216 per month.[37]

Compounding the ever-increasing benefit issue is the increasing life span of retirees. As of September 2009, SERS had 55 retirees on its rolls receiving benefits at over 100 years of age.[38] It is highly conceivable that these retirees could have retired 40 or 50 years earlier and have been receiving benefits that have grown 3 percent annually every year since their retirement decades ago. Ohio's defined-benefit systems are simply not reflecting modern life spans, which ultimately lead to million-dollar retirements.

The combination of a growing retiree base, bloated benefit packages, and increased retiree longevity has caused total pension and health care payouts to skyrocket over the past decade. From 2001 to 2010, total payouts for pension and health care benefits grew from $569 million to over $970 million, a 70 percent increase.[39]

Of course, to finance the dramatic increases in pension and health care payouts, total taxpayer contributions have grown tremendously as well. From 2001 to 2010, taxpayer contributions for combined retiree pension and health care expenses grew from $326,990,103, to $438,343,699—a 34 percent increase.[40]

Compounding SERS's fiscal challenges is its weak returns on its investment. Like many public-pension funds, SERS assumes an 8 percent return on investment. This investment return assumption is used to calculate a number of critical measurements, one being the amortization window of existing unfunded liabilities. When investment returns are not met consistently, liabilities pile up and the fund weakens further.

SERS's long-term investment returns hardly inspire confidence. While SERS posted a 12.3 percent return in 2010, both the five-year and ten-year return rates are at only 2.4 percent.[41] Short-term market viability is to be expected,

34 The School Employees Retirement System of Ohio, "2010 Comprehensive Annual Financial Report," at *http://www.ohsers.org/financial-reports-1* (October 14, 2011).

35 *Ibid.*, p. 7.

36 *Ibid.*, p. 137.

37 *Ibid.*, p. 135.

38 Wartenberg, "Pension Plans Outline Reforms."

39 School Employees Retirement System of Ohio, "2010 Comprehensive Annual Financial Report."

40 Ibid., p. 74.

41 Ibid., p. 43.

and SERS prepares for market fluctuations by employing actuarial smoothing techniques to mitigate drastic gains or losses. But weak long-term investment returns pose a more substantial threat for which SERS cannot account. As more members enter the retirement rolls with higher benefit payouts, consistently strong investment returns will be necessary to make up for funding shortages. Compared to the strong investment returns throughout the 1980s and 1990s, that task will be more difficult in today's more volatile stock market.

In pursuit of its unrealistic annual 8 percent return rate, SERS has adopted an investment strategy that is rather high-risk, high-reward. Seventy-five percent of SERS's assets are invested in high-risk equities and real estate while only 25 percent of assets are invested in fixed-income investments.[42] Setting such a high assumed rate of return mandates such an investment strategy. While an 8 percent assumed return rate helps to close the amortization window of unfunded liabilities and hide other losses, it only exposes taxpayer dollars to greater market risk.

The story on SERS is the same as Ohio's other struggling pension funds. The current system of guaranteed, ever-increasing benefit payouts has proven fiscally unsustainable and comes at significant risk for taxpayer investment. To break the endless cycle of stopgap fixes to alleviate the latest pension crisis, a transition to a defined-contribution system is a necessity for any type of reform.

### *Program 4: Ohio Police & Fire Pension Fund (OP&F)*

OP&F serves most of Ohio's 57,000 active and retired police officers and firefighters. Like Ohio's other defined-benefit pension funds, similar areas of concern exist, only furthering the need for immediate, comprehensive reform.

According to its most recent actuarial valuation, OP&F currently possesses just 73 cents for every dollar that it owes in liabilities, leaving the fund only 72.8 percent funded.[43] This deficit places a $4.0 billion burden on the backs of Ohio taxpayers, as they are the true last resort to fund pension shortfalls. If forced to pay off all of OP&F's liabilities today, every Ohioan could expect a tax of $349.93. The weakness is even more apparent by looking at OP&F's UAAL as a percentage of active-member payroll, which currently stands at 213 percent.[44]

With these funding numbers, the outlook for the future funding percentages appears bleak. With its current funding plan in place, OP&F's amortization period for its unfunded liabilities is stuck at infinity.[45] Left unchanged, OP&F will never pay off its liabilities and eventual fiscal collapse is likely.

The outlook for OP&F's Retiree Health Care Trust is not any better. OP&F possesses just under 18 cents for ever dollar it owes in health care liabilities, creating a total unfunded liability of nearly $2.7 billion.[46] The UAAL as a percentage of active-member payroll has ballooned to 140 percent.

The reasons for OP&F's struggles should not come as a surprise. The ever-increasing final average salary (FAS) for retirees has driven up retirement benefit levels at an unsustainable rate. Even as the number of active members and retirees has remained relatively stable over the past ten years, the ever-increasing benefit payouts, paired with a volatile stock market, has dealt a powerful blow to OP&F's long-term viability.

42 Ibid., p. 42.

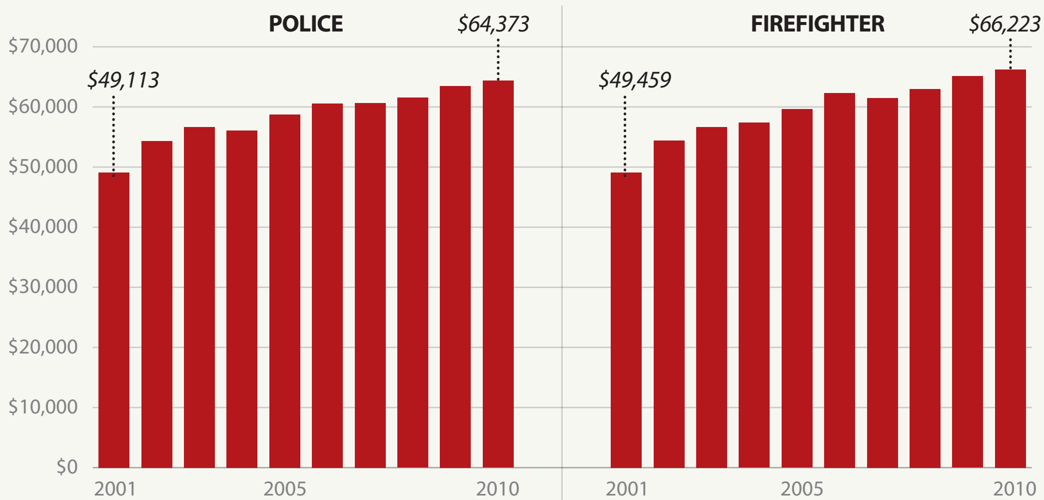
43 Ohio Police & Fire Pension Fund, "2010 Comprehensive Annual Financial Report," at *http://www.op-f.org/downloads/default.asp?cat=reports* (October 17, 2011).

44 *Ibid.*, p. 16.

45 *Ibid.*, p. 15.

46 *Ibid.*

*Chart 7.* **OP&F–Police and Firefighter Average Annual Salary**




As shown on Chart 7, FAS for police and firefighters has increased 31 percent and 34 percent, respectively, over the past ten years, increasing from just over $49,000 in 2001 to around $65,000 today.[47] At the current growth rate, FAS for police and fire retirees will exceed $100,000 in just 16 and 14 years, respectively.

These increases have led total annual payroll to increase from $1.407 billion in 2001 to $1.895 billion in 2010.[48] As FAS grows, so too do pension payouts. From 2001 to 2010, pension payouts surged from $493 million to $972 million, a 97 percent increase.[49] Using the current retirement formula, a police or fire retiree who retires today with 25 years of service and FAS of $65,000 will receive a yearly retirement benefit of roughly $39,000. This level of income, according to the ODoT's 2009 income tax data, places the average OP&F retirees in the top 43 percent of all Ohioans.[50]

To pay for the steep increases in benefits, taxpayer contributions have increased by 41 percent over the same time frame, growing from $203 million in 2001 to $286 million in 2010.[51]

Like all defined-benefit systems, it is the stock market that is called upon for fiscal rescue. Every year, OP&F relies on an 8.25 percent return on its assets—making it the highest assumed return rate of Ohio's five pension systems.[52] As to be expected in the wake of the recent recession, investment returns have been volatile. Over the past five years, OP&F has experienced only a 5.24 percent investment return on its assets—a figure well below the expected 8.25 percent.[53] As such,

47 *Ibid.*, p. 64.

48 *Ibid.*

49 *Ibid.*, p. 72.

50 Ohio Department of Taxation, "2009 Income Tax Returns by Income Class," at *http://tax.ohio.gov/divisions/tax_analysis/tax_data_series/individual_income/y1/y1cy09.stm* (November 9, 2011).

51 Ohio Police & Fire Pension Fund, "2010 Comprehensive Annual Financial Report."

52 *Ibid.*, p. 15.

53 *Ibid.*, p. 41.

unfunded liabilities have exploded in the wake of such weak returns.

OP&F has also pursued an aggressive investment strategy of heavily investing its assets in higher-risk equities at the expense of fixed-income assets. For 2010, OP&F invested only 21 percent of its assets into fixed-income investments, with the remainder being invested in high-risk equities.[54] This is done largely to achieve the necessary 8.25 percent return rate.

This investment strategy is inherent with risk, and OP&F knows it. In its long-term asset valuation policy, which serves as a guide for future investment strategies, OP&F calls for fixed income assets to make up over 31 percent of its investment portfolio. As its CAFR states, this transition "creates a more risk-balanced portfolio by reducing the Total Portfolio's risk contribution from equities and significantly increasing the risk contribution from fixed income and alternatives."[55] As OP&F admits, it must transition away from higher-risk investments in order to best protect taxpayer investments. Lowering the assumed return rate would help make that possible.

As OP&F is well aware, its pension fund is not in good shape. Its own Executive Director, William Estabrook, stated in 2009, "There is no way any fund can invest itself out of this dilemma we're in. For us to be whole, we'd have to average a 24 percent return (on our investment) for the next four years, and that's not going to happen."[56]

He is right—it has not. In 2010, OP&F only earned a 15.8 percent return. The only way for OP&F to survive long-term is to undergo sweeping reform.

Unfortunately, OP&F's idea of reform is to have taxpayers pick up the tab. As part of OP&F's 2009 restructuring plan, taxpayer contributions would gradually increase until they reached a level of 25 percent for both police and fire—a dramatic increase from the current 19.5 percent for police and 24 percent for fire.[57] Even if OP&F can concoct a reform plan without tax increases on private-sector Ohioans, it cannot be forgotten that if given their way, OP&F would gladly see taxpayers bail out the fund rather than make the hard choices on true pension reform.

With the outcome of the 2010 midterm elections, the original tax-increasing plan was put on hold. But a broken pension system still remains. Nibbling around the edges of pension reform will likely not be enough to correct OP&F's structural deficiencies.

The numbers do not lie. OP&F, like its sister pension systems, faces significant structural weaknesses. As the FAS grows, OP&F will be forced to distribute even greater payouts to keep up with the growth in pension benefits. OP&F has made it known that they wish for taxpayers to pick up the bill for growth in retiree pensions. A better way is to take the prudent step of transitioning to a defined-contribution system where taxpayers' investments are better protected and retirees can be more certain about their retirement security.

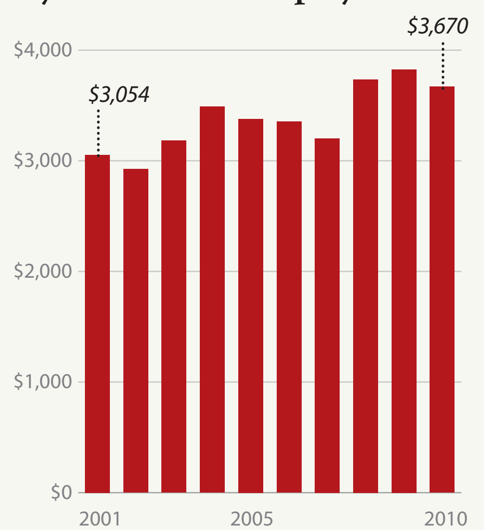
### *Program 5: Ohio Highway Patrol Retirement System (HPRS)*

HPRS, Ohio's retirement system for state troopers, currently serves over 1,500 active members and over 1,300 retirees, making it Ohio's smallest public-retirement system.[58] The story on HPRS is much the same as the other state-pension plans: a broken defined-benefit system with ballooning unfunded liabilities, runaway employee-pension packages, and the looming threat of a taxpayer bailout.

At the time of its most recent actuarial valuation, HPRS possessed only 66 cents for every dollar in liabilities, translating into a $319 million

54 *Ibid.*, p. 40.
55 *Ibid.*, p. 47.
56 Wartenberg, "Pension Plans Outline Reforms."
57 *Ibid.*
58 Highway Patrol Retirement System, "2010 Comprehensive Annual Financial Report," at *https://www.ohprs.org/ohprs/* (October 4, 2011).

*Chart 8.* **HPRS–Average Benefit Payments for All Employees**




dollar unfunded liability.[59] To pay the pension liability off in its entirety, every Ohioan would have to contribute $27.72 to HPRS. Measured in terms of unfunded liabilities as a percentage of active payroll, HPRS skyrockets to 337 percent, only behind STRS in terms of overall pension weakness. Left unchanged, HPRS will never be able to pay off it liabilities.[60]

HPRS's health care fund, referred to as Other Post-Employment Benefits (OPEB), is in a similarly weak state. At only 35 percent funded, OPEB has left an additional $186 million hole for taxpayers to fill in.[61] UAAL as a percentage of active-member payroll has also soared to nearly 200 percent.

Fueling the growth in unfunded liabilities is the same set of factors that Ohio's other pension funds have faced: increased retiree longevity, continual growth in benefits, and a turbulent stock market.

HPRS's retirement rolls have remained relatively static from 2004 to 2009, with an average of 1,300 retirees drawing pension benefits. But the increased longevity of these retirees has placed additional strain on the pension system. Under the current guidelines, a highway patrolman can collect a full pension after 25 years of service at only 48 years of age. It is highly conceivable that an HPRS retiree could collect pension benefits for 30 to 40 years. This length of time, paired with a 3 percent annual cost of living adjustment (beginning at age 53) shows how unsustainable and out-of-step with the private sector HPRS's pension plan has become.

The increasing FAS of retirees has fueled dramatic increases in pension payouts. The average FAS for a highway patrol retiree grew by 21 percent over the past ten years.[62] Assuming this trend continues, the current average FAS of $67,584 will grow to over $100,000 in 20 years.

The average monthly benefit paid out by HPRS has grown by over 20 percent, increasing from $3,054 per month to $3,670 per month over the course of ten years.[63] This benefit level provides the average HPRS retiree with a $44,000 yearly income in their first year of retirement. This places the average HPRS retiree in the top 43 percent of Ohio income earners, according to ODoT's 2009 income tax data.[64]

This growing level of compensation, paired with retirees drawing benefits for 30 or more years, has led to significant growth in pension

59 *Ibid.*, p. 26.
60 *Ibid.*, p. 9.
61 *Ibid.*, p. 26.
62 *Ibid.*, p. 73.
63 *Ibid.*
64 Ohio Department of Taxation, "2009 Income Tax Returns by Income Class," at *http://tax.ohio.gov/divisions/tax_analysis/tax_data_series/individual_income/y1/y1cy09.stm* (November 9, 2011).

payouts over the past decade. In 2001, total pension payouts totaled just over $29 million. By 2010, that number had increased to over $52 million—a 78 percent increase.[65]

As to be expected, the funding for these dramatic increases in pension and health care payouts has come largely from taxpayers. Taxpayer contributions to HPRS have grown by over 52 percent, increasing from $13.9 million in 2001 to over $21.2 million in 2010.[66]

The final driver of HPRS's growing unfunded liabilities is weak investment returns. Every year, HPRS relies on an 8 percent return on investment from its assets.[67] If this threshold is not met, unfunded liabilities grow. In the aftermath of the 2008 recession, investment returns have been volatile, with large early losses but strong returns in recent years. But even despite strong returns in 2010, the five-year average investment return for HPRS is only 4.3 percent, well below the assumed 8 percent.[68] The ability of HPRS to reach its 8 percent return rate is in doubt as the bubble stock markets that provided strong returns over the past 30 years have long disappeared.

Additionally, greater attention must be paid to where HPRS is investing its assets. In 2010, HPRS's investment targeted only 20 percent of its investment portfolio into fixed-income assets.[69] HPRS is taking greater risk by investing a significant portion of its assets in higher-return equities in order to achieve greater overall returns. This type of investment strategy is only building up the next bubble. Taxpayers have already witnessed HPRS lose tens of millions of their dollars during the last recession. The last thing they want to see is HPRS put their money in even greater risk in the pursuit of unachievable rates of return.

HPRS is not immune to the many challenges that defined-benefit-pension plans face. Rising benefit rates, increased retiree longevity, and market volatility have driven HPRS to a dangerously weak fiscal situation. By now, the path forward should be clear. Making minor adjustments within the framework of the defined-benefit system will not fundamentally change the trajectory of HPRS. It will take real reform, which includes a mandatory defined-contribution element, in order to break the back of unfunded liabilities. Ohioans cannot afford anything less.

## Solutions

Any solution begins with the understanding of what does not work. The defined-benefit-pension system has failed Ohio taxpayers miserably, as no system resulting in $66 billion in unfunded liabilities can be considered a success. In providing gold-plated pension packages to Ohio's career government workers, Ohio's five pension funds have placed tens of billions of dollars in unfunded liabilities on the backs of Ohio taxpayers. Any true solution to the problem must come from outside the defined-benefit framework.

***Option 1: Move government workers from a defined-benefit to a defined-contribution system.***

A transition from defined-benefit to defined-contribution systems will effectively end the practice of unfunded liabilities while saving taxpayers money and establishing more equitable benefit levels between the public and private sectors. Michigan began its own switch to defined-contribution plans in 1997. Such a transition would mandate that all new government workers enroll in a defined-contribution plan in which taxpayers contribute an amount equal to 10.2 percent of employee salary. This 10.2 percent contribu-

65 Highway Patrol Retirement System, "2010 Comprehensive Annual Financial Report."

66 *Ibid.*, p. 70.

67 *Ibid.*, p. 45.

68 *Ibid.*, p. 10.

69 *Ibid.*, p. 42.

tion reflects an amount equivalent to the private sector standard of a 6.2 percent Social Security contribution and a 4.0 percent 401(k) match. A transition of this type would save taxpayers $3.3 billion over the course of the next 30 years.[70]

For existing government workers, access to their pensions should match that of Social Security. Pension eligibility should begin at 62 for workers with 25 years of service, 65 for those with 15-24, and 67 for those with 1-14. This would better reflect life expectancy and establish greater equality with the private sector. Obviously, just like private-sector workers, government workers could stop working for the government whenever they wanted, but would not have access to their pensions until the ages noted above. This option—a second career—is one taken by private-sector workers, especially those in physically laborious jobs (similar to law enforcement and the fire service), fairly routinely.

A sliding scale should be employed to draw down the dependency of existing government workers on their defined-benefit plans. For those within five years of retirement, the pension formula should be adjusted to reflect a five-year FAS. For those government workers over five years away from retirement, a more progressive rate would be used to more fully transition to the defined-contribution plan while allowing government workers the time to plan for any projected benefit adjustments. The end of the progressive rate would be a career-based FAS for workers with only a few years of government service under their belts. Other pay-spiking components would be prohibited, such as including overtime in the FAS calculation.

Following the transition process, it is still likely that a sizeable unfunded liability will remain. Additional sources of revenue may still be needed to close this liability once and for all, but it is certain that the remaining gap will be far smaller than the current $66 billion hole. Taxpayers would then finally be free from the burden of a bailout, which would likely be worth any lesser amount needed to pay off the remaining liability.

***Option 2: Establish a mandatory defined-benefit/defined-contribution hybrid.***

A hybrid pension system is one that incorporates elements of both defined-benefit and defined-contribution systems. Under this system, pension payments would be capped at the Social Security maximum benefit level while any additional benefit would be paid out of a 401(k) established for each employee. A sliding scale system would be employed to determine what level of contributions would be paid toward the pension fund and individual 401(k).

For example, the determination on how much the defined benefit would be could be tied to Social Security. This would mean that government workers making roughly the same amount as private-sector workers would receive a similarly sized defined benefit as the private-sector workers receive from Social Security. The most highly paid government worker, like his peer in the private sector, would only be able to receive a defined benefit equal to the highest amount paid out in the Social Security system.

After determining how much of the 10.2 percent taxpayer contribution would be needed to fund such a foundational retirement system, the remainder, in addition to their own contributions, would flow into a defined-contribution system modeled after the Thrift Savings Plan (TSP) used by federal workers. TSP contains limited investment options, thereby reducing the risk that government workers would make poor investment decisions.

Such a hybrid system would provide a

70 Mary McCleary, "The Impact of Shifting Ohio State Workers from Defined Benefit Plans to Defined Contribution Plans," The Buckeye Institute for Public Policy Solutions, at *http://www.buckeyeinstitute.org/uploads/files/Pension_Reform_(Defined_Benefit_to_Defined_Contribution).pdf* (November 15, 2011).

minimum guaranteed level of retirement benefits through the pension fund while simultaneously severely restricting out-of-control pension growth and minimizing the liabilities of taxpayers. Such a system would also provide government workers with a nest egg that could serve as an inheritance to their children and grandchildren at their death.

Legislation establishing a mandatory hybrid system similar to the type outlined above has recently been enacted with overwhelming bi-partisan support in Rhode Island. Additionally, Democratic Governor Jerry Brown of California has recently proposed a mandatory hybrid plan to address his state's public pension crisis. These two states represent part of a greater national movement away from defined-benefit pension plans in order to establish greater equality and restore fiscal responsibility.

### *Conclusion*

Ohio's five defined-benefit public-pension systems are broken. What began as a method of providing decent retirement benefits for public employees has evolved into a fiscal nightmare of red ink, runaway liabilities, and for many government workers, pension packages well north of $1,000,000. Ohio's public employees and taxpayers deserve public-retirement systems that provide fair benefit levels to retirees at reasonable cost to taxpayers. Neither of those two principles is being fulfilled. Gold-plated pension packages and billions in unfunded liabilities is not what Ohioans bargained for.

Reforming these broken systems is both necessary and inevitable. The potential solutions must match the severity of the problem. As we have seen, the fiscal hole that public pensions have dumped Ohio in is deep: $66 billion in unfunded liabilities, three pension systems with infinite amortization periods, double-digit percentage increases in taxpayer contributions over the past decade, and desperate calls for taxpayer bailouts. It makes little sense to make reforms within the framework of the defined-benefit system which brought us here.

Defined-contribution systems provide a cost-effective means to provide for adequate retirement benefits that more equitably distribute risk between the public and private sectors. If legislators are serious about saving taxpayers' dollars while shoring up Ohio's pension funds, defined-contribution systems must have a place on the reform agenda.

Ohio is hurting. Meaningful, comprehensive public-pension reform is one step in bringing prosperity back to Ohio. It is time to remove the $66 billion anchor weighing down Ohio's balance sheets and aggressively reform the broken systems that have created it.

# Appendix Tables

## *Appendix Table 1.* Unfunded Liabilities per Pension Fund

| Pension Fund | Unfunded Liabilities | Unfunded Liabilities per Capita |
|---|---|---|
| OPERS | $18,900,000,000 | $1,638.28 |
| STRS | $38,700,000,000 | $3,354.57 |
| SERS | $4,100,000,000 | $355.39 |
| OP&F | $4,037,000,000 | $349.93 |
| HPRS | $319,000,000 | $27.65 |
| **Total** | **$66,056,000,000** | **$5,725.82** |

## *Appendix Table 2.* Funding per Pension Fund

| Pension Fund | Total Assets | Total Liabilities | Funded % | UAAL as % of Payroll |
|---|---|---|---|---|
| OPERS | $57,519,000,000 | $76,407,000,000 | 75.0% | 154.0% |
| STRS | $55,946,259,000 | $94,720,669,000 | 59.1% | 351.0% |
| SERS | $10,794,000,000 | $14,831,000,000 | 72.6% | 143.1% |
| OP&F | $10,787,000,000 | $14,855,000,000 | 72.8% | 213.0% |
| HPRS | $620,356,505 | $940,084,346 | 66.0% | 337.0% |
| **Totals** | **$135,666,615,505** | **$201,753,753,346** | **67.2%** | **232.5%** |

### *Appendix Table 3.* Pension Fund Amortization Window

| Pension Fund | Amortization Window |
|---|---|
| OPERS | 30 Years |
| STRS | Infinity |
| SERS | 29 Years |
| OP&F | Infinity |
| HPRS | Infinity |

### *Appendix Table 4.* Monthly Pension Payout for Career Employee

| Pension Fund | Average 2001 Payout | Average 2010 Payout | % Change |
|---|---|---|---|
| OPERS | $2,554 | $3,315 | +29.80% |
| STRS | $3,330 | $4,680 | +40.54% |
| SERS | $1,670 | $2,216 | +32.69% |
| OP&F | $2,450 | $3,250 | +32.65% |
| HPRS | $3,100 | $3,571 | +15.19% |

### *Appendix Table 5.* Taxpayer Contribution to Pension and Health Care Funds

| Pension Fund | 2001 Contribution | 2010 Contribution | % Change |
|---|---|---|---|
| OPERS | $1,428,392,987 | $1,726,396,677 | +20.86% |
| STRS | $1,167,830,000 | $1,477,742,000 | +26.54% |
| SERS | $326,990,103 | $438,343,699 | +34.05% |
| OP&F | $312,000,000 | $415,000,000 | +33.01% |
| HPRS | $17,423,000 | $24,440,000 | +40.27% |
| **Total** | **$3,252,636,090** | **$4,081,922,376** | **+24.50%** |

### *Appendix Table 6.* Pension-Fund Investment Returns

| Pension Fund | Assumed Rate of Return | 2010 Return Rate | 3-Year Rolling Return | 5-Year Rolling Return | 10-Year Rolling Return |
|---|---|---|---|---|---|
| OPERS | 8.00 | 13.90 | 0.03 | 4.45 | 5.00 |
| STRS | 8.00 | 13.54 | –5.60 | 2.92 | 3.00 |
| SERS | 8.00 | 12.30 | –6.00 | 2.40 | 2.40 |
| OP&F | 8.25 | 15.83 | 0.20 | 5.24 | n/a |
| HPRS | 8.00 | 13.80 | 0.00 | 4.30 | n/a |

# About the Author

**Adam Schwiebert** is the William and Helen Diehl Fellow at The Buckeye Institute for Public Policy Solutions. Created in 2011, the William and Helen Diehl Fellowship Program provides a recent college graduate the opportunity to conduct fiscal policy research as a full-time analyst at The Buckeye Institute. Schwiebert is the first Diehl Fellow to be selected. Prior to joining The Buckeye Institute, Schwiebert served as an Administrative Aide in the office of State Senator Keith Faber. In addition to his experience in Ohio state politics, Schwiebert also completed internships at The Heritage Foundation and in the office of U.S. Congressman Bob Latta.

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*by Adam Schwiebert*

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