Key talking points

- When salaries and other compensation of public and private workers are adjusted to compare similar positions and similar levels of employee education, government workers are not paid more than their private-sector counterparts.

  A July 2010 report titled "The Grand Bargain is Dead," produced by the Columbus-based Buckeye Institute, claims that higher compensation earned by Ohio state government workers is reason enough to implement haphazard, draconian measures that would gut public employee compensation and earned pension benefits in order to balance the upcoming state budget.

  Many aspects of the report are exaggerated falsehoods that are simply not true. Among them:

- ***Myth:*** "State government workers today are paid much more than their private-sector neighbors in 85 of 88 counties. … It is clear that no matter how you slice it that the total compensation package for state government workers far exceeds their private-sector neighbors…"

  Fact**:** ***A modest wage for hard-working Ohioans:*** Two well-researched reports prove that the Buckeye Institute's claim is not true.

  - "on average, state and local (government) workers are … older and substantially better educated than private-sector workers. … When state and local government employees are compared to private-sector workers with similar characteristics – particularly when workers are matched by age and education – state and local workers actually earn 4% less, on average, than their private-sector counterparts. … The wage penalty for working in the state-and-local sector is particularly large for higher-wage workers."
  John Schmitt, Senior Economist, Center for Economic and Policy Research, May 2010 study

  - private employees earn 11% more in wages and 5% more in total compensation than do public workers
  Study by Jeremy Keefe, associate professor, Rutgers University's School of Management and Labor Relations

- ***Myth:*** "Median state government workers in Ohio make 24.6 percent more than their peers."

  The report cites Bureau of Labor Statistics figures from 2003-08 to state the median wage for the private sector in Ohio in 2008 was $38,126, vs. $47,507 for government workers. No proof is given that similar jobs were compared. When such a comparison is made, government workers are proven to earn less.

  In fact, the report's lack of clear definitions and unattributed statistics offers a predicament for those readers who want to discover the facts. Citing newspaper reports and calling attention to one sensationalized example of an individual's pension earnings defies presentation of sound research findings.

Fact*: *Public employees perform comparable work for less pay: An April 2010 report by the National Institute on Retirement Security (NIRS) found that when compared to workers with “comparable earnings determinants”:

- *State employees typically earn 11% less; local workers earn 12% less.*
- *Over the last 20 years, the earnings for state and local employees have generally declined relative to comparable private-sector employees.*
- *State and local employees have lower total compensation than their private-sector counterparts. On average, total compensation is 6.8% lower for state employees and 7.4% lower for local workers, compared with comparable private-sector employees.*
- *Long-term patterns indicate that the average compensation of state and local employees is not excessive.*

Myth: *“*The average state worker will earn wages of $276,732 when he or she is 67, compared with wages of $84,125 for average private-sector workers.”

Fact*: *Public employees’ final average salaries reflect a moderate wage

The average final average salary in 2008-09 for new service retirees belonging to OPERS was $50,867. The average term of service credit was 25.6 years. That yielded an average annual pension benefit of $27,396.

The report also states that the median wage for Ohio state workers is $47,505, making the higher figure cited by the Buckeye Institute simply unattainable as an average ending salary.

- ***Myth*:** “The median state worker will receive a starting pension benefit of $99,174.”

  ***Fact*:** The median OPERS retiree receives a starting pension benefit of $18,000. In 2009 the average annual pension benefit for members with 30 years of service credit was $45,888, less than half of the amount cited by the Buckeye Institute. That’s a startling difference between an unattributed figure and the truth.

- ***Myth*:** “With a starting pension benefit of $99,174, and a simple COLA of 3%, the median state worker will receive a lifetime pension totaling more than $3.5 million.”

  ***Fact*:** It would take 26 years to achieve such a large benefit, exceeding actuarial estimates for life expectancy for the average OPERS pension recipient, who retires at age 57.3 (CAFR, p. 112). Further, the average pension recipient who retires at age 57.3 has only 21.7 years of service, making it nearly impossible to have a pension that large.

- ***Myth*:** “In terms of transparency, the pensions cannot continue to claim the right to privacy when the majority of funding received comes from taxpayers.”

  Fact*: *Prudent investment yields retirement security: The majority of funding (about two-thirds) of the OPERS pension plan comes from investment gains.

- ***Myth*:** “In listing the total lifetime cost of the median private-sector employees, the report fails to include Social Security, which is a benefit they will receive.”

Fact*: *Public pensioners don't burden Social Security: Public employees do not pay into Social Security. Without OPERS, many public employees would not have retirement income. Since 1935, OPERS has meant security and peace of mind for millions of Ohio's retired public workers and their families. Further, employees who work in both the private sector and the Ohio public sector throughout their careers have their Social Security benefit significantly reduced by the Government Pension Offset provision because they draw an Ohio public pension.

- ***Myth:*** "Draconian measures, such as slashing state workers' salaries, eliminating pension COLAs and forcing workers into defined-contribution plans, could balance the near-term state budget and are necessary to maintain the long-term sustainability of Ohio's public pension funds."

  Fact: *Promoting sensible and prudent change:* The OPERS Board of Trustees has recommended to the Ohio Retirement Study Council a series of sensible, prudent changes to the current benefit plan that will sustain it well into the future. It is one of several steps that OPERS is undertaking to evolve the pension product in response to changes in the environment.

  The key changes, which do not require increased taxpayer contributions, are:

  - Age & service eligibility:
    - Unreduced pension: 32 years of service with minimum age of 55 vs. 30 years at any age; or at age 67 with five years of service vs. age 65.
    - Reduced pension: age 57 with 25 years of service vs. age 55; or age 62 with five years of service vs. age 60.
  - Benefit formula: The increase of the final average salary multiplier from 2.2 percent to 2.5 percent would begin at 35 years of service rather than 30 years of service.
  - Final average salary: Five highest calendar years of earnings vs. three years.
  - Cost of living adjustment: Simple COLA equal to the change in the Consumer Price Index up to 3 percent, vs. flat 3 percent annual increase.

    Other goals in the alternative plan design include preserving the viability of the OPERS health-care plan, adjusting the benefit plan to accommodated longer life spans of retirees, assuring that select benefits become actuarially neutral, and phasing in changes over time.

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