



# Does the Ohio Public Employee Retirement System Meet Defined Contribution Plan Design Gold Standards?

Gold Standard	PERS DC Plan
<b>Defined Plan Objectives</b> <i>Ensures plan objectives are defined in writing as part of a comprehensive benefits policy statement.</i>	Some
<b>Communication and Education</b> <i>Ensures members are educated on the available choices and have all relevant information to make competent retirement choices.</i>	Yes
<b>Auto Enrollment</b> <i>Enrolls new employees into the DC Plan by default.</i>	No
<b>Adequate Contributions</b> <i>Replaces approximately 80% of a worker's final salary.</i>	No
<b>Retirement Specific Portfolio Design</b> <i>Offers "one-touch" investment options for employees who are not sophisticated investors and do not want to avail themselves of in-plan investment advice.</i>	Some
<b>Benefit Portability</b> <i>Safeguards the ability to recruit highly mobile 21<sup>st</sup>-century employees.</i>	Some
<b>Offer Distribution Options</b> <i>Provides members with a variety of asset distribution methods while limiting borrowing.</i>	Yes
<b>Disability Coverage</b> <i>Offers a separate disability insurance benefit from a quality insurer.</i>	No

## PENSION INTEGRITY PROJECT CONTACTS

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<b>Objective</b>	<b>Gold Standard</b>	<b>PERS DC Plan</b>
<b>Defined Plan Objectives</b>	Defines objectives in writing as part of a comprehensive “benefits policy statement” or at least within a “retirement plan policy statement.”	<i>The Ohio PERS Member Directed Plan (MDP) partially meets the best practice standard that clear statements be made articulating the benefit objectives and purposes for the plan regarding retirement security and employee recruitment and retention. While retirement benefit security is indirectly addressed in the authorizing statutes, board policies, and the program design, there is no formal and clear statement that the MDP is intended to deliver lifetime retirement income to members and beneficiaries.</i>
<b>Communication and Education</b>	Educates members on the available choices and relevant information needed to make competent retirement decisions.	<i>The Ohio PERS MDP provides comprehensive participant education and communication materials and services covering all aspects of initial plan choice, accumulation period tracking and planning, investment management, and distributions during retirement. The extremely low 3% selection rate of the MDP raises a concern that members are not fully availing themselves of the plan selection resources being offered. Generally, a higher percentage of younger and shorter-service employees would be expected to earn a higher total benefit under the MDP than the Traditional Plan.</i>
<b>Auto Enrollment</b>	Defaults members into a defined contribution retirement option if no other option is selected upon hire.	<i>Requiring all new members to enroll into either of the two retirement offerings is consistent with best practices but having the pension option as the default—the automatic choice for those that do not make an active choice within the required timeframe—nudges most new hires into a plan that does not best fit most of their needs. As it would better suit the mobile nature of the modern workforce, the DC plan (MDP) should be the default for new hires.</i>
<b>Adequate Contributions</b>	Replaces approximately 80% of a worker’s final salary.	<i>Participants have a gross employer contribution amount of 14% of pay and a member contribution amount of 10% of pay. However, only 7.5% of the employer contribution is actually credited to the MDB investment account. 4% is allocated to the Retirement Medical Account and the rest is allocated to administrative expenses or the “mitigating” amount to help pay off unfunded liabilities in the Traditional Plan. The total contribution rate of 17.5% specific to retirement benefits is below the best practice standard for non-Social Security employees of between 18%-25% of covered compensation.</i>
<b>Retirement Specific Portfolio Design</b>	Offers “one-touch” investment options for employees who are not sophisticated investors and do not want to avail themselves of in-plan investment advice.	<i>Portfolio options in the MDP provide an appropriate range of investment choices covering the risk and return spectrum. Offerings include pre-built target date accounts for those who prefer to not manage their own asset allocation. Consideration should be given to providing investment advice or guidance for the Standalone Fund menu. The Self-Directed Brokerage Account (SDBA) is not considered a best practice for a core defined contribution plan.</i>
<b>Benefit Portability</b>	Safeguards the ability to recruit highly mobile 21st-century employees.	<i>The portability feature is strongly emphasized in the employee communication material and contrasted with the more stringent Traditional Pension vesting and refund rules. Accumulations attributable to employee contributions are immediately vested. Accumulations attributable to employer contributions are not fully vested for five years. Full and immediate vesting of employer contributions would be preferred to meet the needs of today’s more mobile workforce.</i>
<b>Offer Distribution Options</b>	Provides members with a variety of asset distribution methods while limiting borrowing.	<i>MDP distribution offerings meet best practices by including both standard lump sum and periodic payment options and, importantly, lifetime annuity options.</i>
<b>Disability Coverage</b>	Offers a separate disability insurance benefit from a quality insurer.	<i>DC members are not eligible for any disability benefit under PERS. The absence of a disability benefit is an important missing feature protecting participants in the MDP. One option is to allocate a portion of contributions for this purpose in the same manner as exists under the now closed Combined Plan.</i>

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