October 22, 2010

Mr. William J. Estabrook
Executive Director
Ohio Police & Fire Pension Fund
140 East Town Street
Columbus, Ohio 43215-5164

Dear Mr. Estabrook:

Thank you for the letter and attachments dated October 21, 2010. We were glad to see you concede on many of the points we made in the DROP report regarding the excessive nature of the DROP program and the unfunded liability crises of the pension. Several of your numbered critiques were little more than opinion statements, so I will reserve the focus of this response to the crux of the issue.

First, as the report clearly noted, our conclusions are based on hypothetical examples taken from the collective bargaining agreements for both the Columbus and Cincinnati Police Departments. We had to use hypothetical examples because of the secretive nature of the DROP program and the refusal of the departments to provide us with any data. Contrary to the claims of the Ohio Police & Fire Pension Fund (OPFPF) (in your letter and on the radio), we had numerous exchanges with employees of the pension, the Fraternal Order of Police in both Columbus and Cincinnati, and the two police agencies.

OPFPF denies that the DROP program is secretive, but then conveniently hides behind the law that prevents the major Ohio newspapers and groups like the Buckeye Institute from getting the details needed to use real examples—a law the pension systems helped enact. Given the frustration you voice in being handcuffed by the law, we gladly will work with OPFPF to amend the law to allow the disclosure of data so that the newspapers, the Buckeye Institute, and, most critically, Ohio taxpayers can get access to information critical to achieving true transparency and accountability in the pension systems, especially as those pensions ask taxpayers to contribute even more money to the pensions. As your second chart showed, taxpayers, in stark contrast to the private sector average of 4-5% employer contributions to retirement plans, already pay more than two times as much into the pensions as employees do. Let us know whom to contact to work with on getting the secrecy law amended.

The thrust of the DROP report was that upper management employees (not the rank and file) who spent eight years in the DROP program would retire with lump sum payments of nearly $1 million and receive yearly pensions over $100,000. Together, these payments make public servants millionaires. The DROP program became law in 2002, and members could first sign-up on January 1, 2003. This means that the first group of employees who entered DROP will be hitting year eight in 2011. Thus, it does not surprise us that there are not any eight-year DROP participants in the system, which is why your misleading charts and data points are largely meaningless to the points raised in our report. I will be curious to see how the numbers change over the next five years as a growing number of participants hit the eight-year mark.

Please send us the chart that includes only retirees who hit the 25-year of service mark (whether in DROP or not) so we (and taxpayers) can see what that distribution looks like. I assume you'll not object to providing us such a chart, as it doesn't contain any personal data of members.

Contrary to the claims of OPFPF, the Buckeye Institute is not the first group to publicize the outrageous payments possible in the DROP program. Specifically, on February 14, 2010, Barry Horstman of the Cincinnati Enquirer wrote an article titled, "Pension packages top $1 million for Cincinnati police, fire chiefs." According to the article, Police Chief Thomas Streicher, Jr. and Fire Chief Robert Wright were going to receive "$1 million retirement and benefits packages."

Chief Streicher's package included an estimated $929,261 DROP payout, $235,000 unused personal time payout, and a $92,000 yearly pension. Chief Wright's package included an estimated $905,760 DROP payout, $106,000 in personal time payout, and an $89,000 yearly pension. Keep in mind, those payouts were for only seven years in DROP. An eighth year likely would have tipped both men over the $1 million mark and even closer to the $100,000 yearly pension figure.

Nonetheless, based on our math, both men retired as public service millionaires. Over the course of their retirements, those packages will balloon into multi-million pension packages.

The central claim of OPFPF that the average pension is just over $35,000 is misleading and changes the subject from DROP participants to the thousands of recipients who didn't work close to 25 years and to survivors, both of whom get dramatically reduced pension packages. Because many members don't spend their entire careers in government, but earn enough service credit to receive a minimal pension payment, that co-mingling grossly distorts the average for those members who hit the 25-year DROP eligibility mark.

The other public pensions do the same thing to mislead Ohioans into believing that the pensions of those who work for 30 years are not gold-plated. Because the pension formula is public, as our website demonstrates, tens of thousands of public sector workers will get pensions estimated to be well over $60,000 per year on average for the rest of their lives. Again, the math is pretty straightforward.

There is actually a very simple way for OPFPF to demonstrate just how wrong the Buckeye Institute is: cut the secrecy (that darned law…) and bureaucratic game of whack-a-mole (sending FOIA requests to thousands of agencies) and provide us with the highest three-year salary average for every member at the time they entered DROP. We can then run the numbers for all anonymous DROP participants based on the publicly-available pension formula, the 3% Cost-of-Living-Adjustment, the guaranteed 5% annual return, the pension pick-up, and the pension contributions they get to keep each year while in DROP and determine how many WILL (should they stay in the program for all eight years as they are allowed to do) get near the $1 million/$100,000 figures we arrived at in our report.

We don't need a single name, department, city, home address, or any other identifying information about the DROP participant, so your claim of privacy is baseless. If the actual data shows that our central claim about DROP making upper level public servants millionaires is wrong, we will gladly revise the report to show the corrected figures. On the other hand, if the actual data shows that we are correct, then we expect you to publicly acknowledge that fact.

We are quite confident that a majority of Ohioans agree that public sector workers—whether it is two or one thousand, even the brave men and women who put their lives on the line to protect us and for which we are grateful, should not be able to double-dip (meaning, receive two payments at the same time whether one of those payments is put in a secure market-besting interest earning account or not) and retire as millionaires. As government workers in Bell, California, can attest to, there is a limit to what taxpayers will tolerate.

At any rate, I look forward to receiving the revised chart and the actual data from OPFPF. If it will make the exchange occur sooner, I would be happy to pick up a CD with the actual data from you. Let me know how you would like to proceed.

Very truly yours,

Matt A. Mayer
President