

OEA Retirement Systems Update **Report to the OEA Board of Directors: May 2012**

Please distribute to other OEA members

Pension Legislation Expected to Move in Ohio Senate

On Tuesday, May 8, 2012, a number of pension bills were introduced in the Ohio Senate and began hearings in the Senate Insurance, Commerce and Labor Committee. The bills were jointly sponsored by Senate President Tom Niehaus (R-New Richmond) and Senate Minority Leader Eric Kearney (D-Cincinnati). The legislation is drafted based on the most recent plans passed by the STRS, SERS and OPERS Boards. These plans were designed in order to improve the long-term solvency of the pension systems. The bills are expected to move quickly through the Ohio Senate. However, the Ohio House has indicated they will not act on pension legislation until after a study commissioned by the Ohio Retirement Study Council. That study is not anticipated to be completed until July which may move final action on this legislation until after the November election.

Below is a brief synopsis of the major provisions of the plans adopted by each retirement system:

STRS (Senate Bill 342)

Retirement Eligibility: Retirement with full benefits at age 65 with at least 5 years of service is maintained. Otherwise, beginning in 2015, the years of service needed to retire with full benefits gradually increases from 30 years to 35 years. After 2026, a member would need to have 35 years of service and be at least 60 years old for full benefits.

For early retirements, members could retire at age 60 with 5 years of service or with 30 years of service at any age. However, members who choose to retire early would have their benefits actuarially reduced.

Contributions: The Board-adopted plan calls for gradually increasing employee contributions from 10% to 14% of pay.

Cost-of-Living Allowance (COLA): The bill would lower the COLA rate for current retirees from 3% to 2% and have a freeze on increases for FY 2014. For future retirees (beginning August 2013), the COLA rate would also be 2%, but the first increase would come after 60 months of retirement.

Benefit Formula and Final Average Salary: Beginning in 2015, the formula would be 2.2% for each year of service and final average salary would be calculated on five years of salary rather than three. Those who are eligible to retire by July 1, 2015 but elect to continue working could receive no less of a base benefit than current law allows.

SERS (Senate Bill 341)

The SERS plan does not call for changes in contribution rates, COLA, formula or final average salary. The current fiscal condition of SERS does not warrant such changes. This is important due to the low wages of many educational support personnel and the low monthly pensions of the average SERS retiree.

Retirement Eligibility: Beginning August 1 2017, retirement eligibility with full benefits would be 10 years of service at age 67 or 30 years of service at age 57. A member could retire early with 10 years of service at age 62 or 25 years of service at age 60. Early retirements would be subject to an actuarial reduction of benefits. Members who would have at least 25 years of service by 2017 are grandfathered from these changes.

OPERS (Senate Bill 343)

The changes proposed are designed in order to continue contributions toward a meaningful health care benefit for current and future OPERS retirees. The OPERS plan divides employees into three groups. Those who are within five years of retirement (Group A) or between five and ten years from retirement (Group B) are grandfathered from some of the proposed changes.

Retirement Eligibility: For Group B, eligibility for full benefits increases to 31 years of service and age 52, 32 years of service at any age, or five years of service at age 66. For Group C, eligibility for full benefits increases to 32 years of service at age 55 or five years of service at age 67. For both groups, early retirements result in actuarially reduced benefits. Group A is grandfathered into current eligibility requirements.

Formula and FAS: For Group C only, the formula would be 2.2% for the first 35 years and 2.5% for each year thereafter with FAS calculated on the five highest years of salary (up from 3).

Cost-of-Living Allowance (COLA): The COLA would remain 3% for current retirees. For those retiring after the bill's effective date (Groups A, B and C) the COLA would be the increase in the Consumer Price Index (CPI) capped at 3%.

OPERS Preparing Changes in Health Care Coverage

The changes called for in the OPERS Board-approved plan are designed in order to allow a continued contribution to the OPERS health care program. In the absence of enactment of those changes, the OPERS Board has voted to decrease funding to the plan to zero by the end of 2013 from the current rate of 4 percent. Such a reduction would result in drastic cuts *to the health care program for current and future retirees.*

According to OPERS, passage of the legislation will not eliminate the need to make significant changes to the health care program. The OPERS Board is focusing on providing a health care program for career employees. In order to explain the anticipated changes and gather feedback, OPERS is planning sessions around the state to be held in May through July. OPERS will publish dates, times and locations when the dates are set.

SERS Announces Staff Changes

SERS has named Farouki Majeed as Director of Investments. Majeed comes to SERS from the California Public Employees' Retirement System where he was a senior investment officer. He will begin his new duties in July. Additionally, SERS has hired Anne Jewel as the Director of Health Care Services. She began with SERS in April and has previous experience as an Assistant Director in the Ohio Department of Insurance and as a health care consultant in the private sector.