OEA Legislative Watch

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Legislature Passes Pension Legislation

On Wednesday, September 12, 2012, the Ohio House passed a number of bills that make changes to the benefits offered by the state retirement systems. Each of the bills was based on the recommendations of the boards of the respective retirement systems with stakeholder support for each plan. The bills were passed on a bipartisan basis. Senate Bill 341, dealing with SERS, passed 93-0. Senate Bill 342, regarding changes to STRS, passed 92-1. Senate Bill 343 (OPERS) passed 93-0. Later in the day, the Senate, which had initially passed the bills in May, voted to concur with the changes made in the House. The changes made in the House were largely technical in nature. The bills will now head to Governor Kasich for his signature.

OEA supports the passage of SB 341, 342 and 343 and applauds the General Assembly for taking action this summer in a bipartisan manner. The benefits offered by the state retirement systems are vital to our members' economic security in retirement. The changes called for in this legislation are difficult but necessary in order to help secure the long-term stability of the pension benefits our members rely upon as well as access to meaningful health care coverage in retirement.

Below is a summary of the major provisions of the pension legislation passed by the legislature.

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: Increase in member contributions by 4% of pay phased in 1% a year beginning July 1, 2013 through July 1, 2016.

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 (FAS): 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%. The effective date of the bill is January 7, 2013.