



Ohio Legislative Service Commission

Research Memorandum

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SENATE RETIREMENT REFORM BILLS

The following table compares the plan design provisions of recently introduced Senate bills that revise the laws governing the Public Employees Retirement System (PERS), State Teachers Retirement System (STRS), School Employees Retirement System (SERS), and Ohio Police and Fire Pension Fund (OP&F). "Plan design" refers to those provisions that directly affect contributions and benefits. For discussion of the other provisions of the bills, please see the LSC analyses.

	PERS S.B. 343	STRS S.B. 342	SERS S.B. 341	OP&F S.B. 340
Contributions	No change	Member contributions increased: Compensation earned not later than June 30, 2013, 10% (current rate); Compensation earned July 1, 2013 through June 30, 2014, 11%; Compensation earned July 1, 2014 through June 30, 2015, 12%; Compensation earned July 1, 2015 through June 30, 2016, 13%; Compensation earned on or after July 1, 2016, 14%.	No change	Member contributions increased: Salary earned in pay periods beginning no later than July 1, 2013, 10% (current rate); Salary earned in pay periods beginning on July 2, 2013, but no later than July 1, 2014, 10.75%; Salary earned in pay periods beginning on July 2, 2014, but no later than July 1, 2015, 11.5%; Salary earned in pay periods beginning July 2, 2015, 12.25%.

	PERS S.B. 343	STRS S.B. 342	SERS S.B. 341	OP&F S.B. 340
				On and after July 2, 2015, Board may increase rate if the Board's actuary determines an increase is necessary to meet funding requirements.
Retirement eligibility	<p>Regular PERS¹ – Unreduced benefit: Group A – No changes; Group B – At least 31 years of service credit and age 52; 32 years of service credit and any age; or five years of service credit and age 66; Group C – At least 32 years of service credit and age 55 or five years of service credit and age 67. Reduced benefit: Group A – No changes; Group B – 25 years of service credit and age 55 or five years of service credit and age 60; Group C – 25 years of service credit and age 57 or five years of service credit and age 62. PERS Law Enforcement</p>	<p>Unreduced benefit: At least 5 years of service credit and age 65 or meets one of the following requirements: --Before August 1, 2015, at least 30 years of service credit and any age; --On or after August 1, 2015, but before August 1, 2017, at least 31 years of service credit and any age; --On or after August 1, 2017, but before August 1, 2019, at least 32 years of service credit and any age; --On or after August 1, 2019, but before August 1, 2021, at least 33 years of service credit and any age;</p>	<p>Members who as of August 1, 2017, will have at least 25 years of service credit (or pay an amount equal to the additional liability to SERS) – no change to formula benefit, but eliminates "commuted service retirement" under which a member can retire with at least 25 years of service credit and age 55. All other members – Unreduced benefit: at least 30 years of service credit and age 57, or at least 10 years of service credit and age 67. Reduced benefit: At least 10 years of service credit and age 62; at least 25 years of service credit and age 60; or at least 30</p>	<p>Unreduced – (1) At least 25 years of service credit at age 48 for those who become members before July 1, 2013. Unreduced – (2) At least 25 years of service credit at age 52 for those who become members on or after July 2, 2013. Unreduced – (3) At least 15 years of service credit and age 62 remains unchanged. Reduced – at least 25 years of service credit and age 48.</p>

¹ For PERS, there are three eligibility groups. Members eligible to retire no later than five years after the bill's effective date are exempt from the changes to the benefit eligibility criteria (but not cost-of-living adjustment changes) and are referred to by PERS as "Group A." Members who on the bill's effective date have 20 years of service credit or will be eligible to retire under existing law's criteria not later than ten years after that date are "Group B." New members and existing members who are not in Group A or B are Group C.

	PERS S.B. 343	STRS S.B. 342	SERS S.B. 341	OP&F S.B. 340
	<p>(LE) & Public Safety (PS)² –</p> <p><u>Unreduced benefit:</u></p> <p>Group A – No changes;</p> <p>Group B –</p> <p>LE – 25 years of service credit and age 50;</p> <p>PS – 25 years of service credit and age 54;</p> <p>LE or PS – 15 years of service credit and age 64.</p> <p>Group C –</p> <p>LE – 25 years of service credit and age 52</p> <p>PS – 25 years of service credit and age 56;</p> <p>LE or PS – 15 years of service credit and age 64.</p> <p><u>Reduced benefit:</u></p> <p>Group A – no changes;</p> <p>Group B –</p> <p>LE – 25 years of service credit and age 48;</p> <p>PS – 25 years of service credit and age 48;</p> <p>Group C –</p> <p>LE - 25 years of service credit and age 48;</p> <p>PS – 25 years of service</p>	<p>--On or after August 1, 2021, but before August 1, 2023, at least 34 years of service credit and any age;</p> <p>--On or after August 1, 2023, but before August 1, 2026, at least 35 years of service credit and any age;</p> <p>--On or after August 1, 2026, at least 35 years of service credit and age 60.</p> <p><u>Reduced benefit:</u> at least 5 years of service credit and age 60 or meets one of the following requirements:</p> <p>--Before August 1, 2015, at least 25 years of service credit and age 55;</p> <p>--On or after August 1, 2015, but before August 1, 2017, at least 26 years of service credit and age 55 or at least 30 years of service credit and any age;</p> <p>--On or after August 1, 2017, but before August 1, 2019, at least 27 years of service credit and age</p>	<p>years of service credit and age 57.</p>	

² In addition to the eligibility provisions shown in the table, a PERS member with LE or PS credit may retire with 15 years of service but will receive a benefit calculated under a formula that results in a lesser benefit. For members in Groups A and B, the benefit is deferred until age 52. For those in Group C, it is deferred until age 56.

	PERS S.B. 343	STRS S.B. 342	SERS S.B. 341	OP&F S.B. 340
	credit and age 52.	<p>55 or at least 30 years of service credit and any age;</p> <p>--On or after August 1, 2019, but before August 1, 2021, at least 28 years of service credit and age 55 or at least 30 years of service credit and any age;</p> <p>--On or after August 1, 2021, but before August 1, 2023, at least 29 years of service credit and age 55 or at least 30 years of service credit and any age;</p> <p>--On or after August 1, 2023, at least 30 years of service credit and any age.</p>		
Benefit calculation	<p>Group A – No change.</p> <p>Group B – No change.</p> <p>Group C – 2.2% final average salary for the first 35 years of service plus 2.5% for each additional year.</p>	<p>No change for (1) those whose retirement effective date is before August 1, 2015, and (2) those who on July 1, 2015, meet eligibility requirements of current law.</p> <p>All others, 2.2% of final average salary for each year of service.</p>	No change	<p>No changes for <u>unreduced</u> pension.</p> <p><u>Reduced</u> pension – pension adjusted to be the actuarial equivalent of the pension at age 52.</p>

	PERS S.B. 343	STRS S.B. 342	SERS S.B. 341	OP&F S.B. 340
Final Average Salary³	Group A – No change. Group B – No change. Group C – Average of the highest 5 years of salary (rather than highest 3 years).	For benefits beginning on or after August 1, 2015, average of the highest 5 years of compensation (rather than highest 3 years).	No change	Members who have 15 or more years of service credit on July 2, 2013 – No change. Members who have less than 15 years of service credit on July 2, 2013 – average of the highest 5 years of salary (rather than highest 3 years).
Cost-of-living adjustment (COLA)	Until the sixth year after the bill's effective date, 3%. Thereafter, 3% for recipients of benefits beginning not later than the bill's effective date and the lesser of 3% or the increase in the Consumer Price Index for recipients of benefits beginning after that date.	Beginning August 1, 2013, COLA of 2%, except that no COLA will be granted from July 1, 2013, through June 30, 2014, to persons retiring prior to July 1, 2013, or until July 1, 2015, to persons retiring on or after July 1, 2013. For those receiving an allowance or benefit on or after August 1, 2013, increases to 5 years (instead of 1 year), the time that must pass before the first COLA is applied to an allowance or benefit, unless retirement is immediately preceded by a disability benefit.	No change	Those who have at least 15 years of service credit on July 2, 2013 – no change. All others – the lesser of 3% or the increase in the Consumer Price Index, if any. Except for recipients of disability benefits based on total disability, COLA provided only to recipients who have attained age 55.

³ For OP&F, the term is "average annual salary."

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Credit for part-time service	Over several years, increases to \$1,000 (from the current \$250) the amount a PERS member must earn in a month to receive full credit for that month and provides for future increases based on increases in the cost of living.	No change	No change	Not applicable
Purchase of service credit	Changes the cost of purchasing credit for certain service to an amount equal to 100% of the additional liability to PERS resulting from the additional credit.	Changes the cost of purchasing credit for certain service to an amount equal to 100% of the additional liability to STRS resulting from the additional credit.	Requires a state retirement system member who is purchasing service credit for an employer-approved leave of absence that occurred during SERS membership to pay SERS both the employee and employer contributions plus compound interest on both.	No change
Deferred retirement option plans (DROP)	Not applicable	Not applicable	Not applicable	To receive full accrual, member who elects DROP on or after July 2, 2013, must participate for 5 years (rather than 3 years). Member whose DROP participation begins on or after the bill's effective date does not receive COLAs in the accrual.
Disability benefits (see bill analyses for	Various changes, including changes to eligibility, disability determinations, and	Various changes, including changes to eligibility, disability determinations,	Various changes, including changes to eligibility, disability determinations and	Eliminates benefits for temporary partial disability or temporary disability caused by heart disease

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descriptions of the changes)	termination of benefits.	termination of benefits, and coverage under a combined plan.	termination of benefits.	or cardiovascular or respiratory disease of a chronic nature. Authorizes the Board to grant a benefit without certain pre-employment documentation.
Health care coverage	Gives the PERS Board discretion to establish by rule the number of years and types of service credit required to be eligible for health care coverage. Authorizes the Board to establish amount of Medicare B reimbursement. ⁴	No change – Permits, rather than requires, the STRS Board to reimburse Medicare Part B premiums and provides that reimbursement may be made only to recipients "enrolled in" (rather than "eligible for") Medicare Part B. Limits the monthly Medicare Part B premium reimbursement to an amount determined by the STRS Board not to exceed 90% of the basic premium, except that the reimbursement cannot exceed the amount actually paid for coverage. Permits, rather than	Revises authority to offer health care coverage to and authorizes the SERS Board to establish criteria for determining who is eligible for coverage. Authorizes SERS to establish the monthly reimbursement for Medicare Part B premiums as long as it is not less than \$45.50.	No change

⁴ The standard 2012 Medicare Part B monthly premium is \$99.90.

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		requires STRS to offer long-term care coverage.		
Inter-system transfers	In the case of a PERS, STRS, or SERS member with service credit in more than one of those retirement systems, provides that eligibility for a disability benefit is to be determined by the system in which the member has the most service credit, which is the system that calculates and pays the benefit.	Same	Same	Not applicable
	Specifies the amounts that must be paid by SERS or STRS if service credit from one or both of those systems is used in the calculation of a PERS disability or retirement benefit.	Same	Same	Not applicable
	Specifies that total employer contributions from OP&F and SHPRS are to be transferred to PERS for service credit used in the calculation of a PERS disability or retirement benefit (rather than the lesser of those contributions or amounts that would have been contributed under PERS).	Same	Same	Not applicable