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Summary of Proposed 30-Year Funding Plans

HPRS

- Increase the employee contribution rate from 10% to 11%, with the additional 1% for DROP participants being contributed to the HPRS rather than the participant's DROP account. (The HPRS employer contribution rate was increased from 25.5% to 26.5% effective July 1, 2009 pursuant to board action; H.B. 1 placed a cap on the HPRS employer contribution rate at 26.5%.)
- Decrease the COLA from 3% to 2% except for any retiree who is both age 65 or older AND receiving a benefit of \$22,000 or less per year (based on 185% of the federal poverty level), with board authority to establish a COLA not to exceed 3% when funds are available.
- Increase the COLA eligibility age from 53 years to 60 years.
- Increase the Final Average Salary calculation period from three years to five years for anyone retiring on or after January 1, 2015.
- Reduce the allocation to the health care fund by an amount (expected to be 1.0% of payroll) that is sufficient to bring the plan to a thirty-year or lower amortization period.

OP&F

- Increase the employee contribution rate from 10% to 12% (in 0.5% increments from 2010 to 2013).
- Increase the employer contribution rate for police from 19.5% to 24% (in increments of 0.5% in 2010 and 2% in 2011 and 2012) which is the current employer contribution rate for firefighters.
- Increase the employer contribution rate for police and firefighters effective January 1, 2013 by one percent to 25%.
- Increase the normal retirement age from 48 to 52 with 25 years of service for members hired on or after January 1, 2011.
- Delay the commencement of the COLA until age 55 for all members except beneficiaries (currently 12 months after effective date of retirement).
- Decrease interest rate credited to DROP accounts from 5% to 3% effective January 1, 2010.
- Increase the minimum period for DROP participation from three to five years (no penalty).

- Increase the Final Average Salary calculation period from three years to five years for members with less than 15 years of service.
- Tie health care premium subsidy to years of service for new retirees (3% per year of service, with a maximum 75% subsidy)
- Decrease the allocation to retiree health care benefits from 6.75% to 4.8% (1.95% difference reallocated to fund pension benefits).

SERS

- Increase the normal retirement age from 65 to 67 with ten years of service and from 55 to 57 with 30 years of service.
- Actuarially-determined reductions for early retirements commencing before age 67 or attainment of 30 years of service.

PERS

- Increase minimum earnable salary from \$250 to \$1,000 to earn a full month of service credit.
- Require full actuarial cost to be paid for purchased service credit.
- Actuarially-determined reduction factors for early retirement (currently reduction factors are fixed by statute)
- Eliminate minimum benefit calculation (\$86 per year of service)
- Actuarially-determined cost for inter-system transfers (Transfer amount pro-rated into years of service using PERS actuarial factors, with opportunity for member to accept pro-rated service or purchase the additional service.)
- Limit retroactive benefit payments to within 90 days of application (currently retroactive to date member first eligible for retirement.)
- Increase normal retirement from 65 to 67 with 5 years of service and from 30 to 32 years of service at any age.
- Increase early retirement age from 60 to 62 with 5 years of service and from 55 to 57 with 25 years of service, with reductions based upon actuarial determinations.
- Increase normal retirement for law enforcement officers and public safety officers from 48 to 55 with 25 years of service and from 62 to 65 with 15 years of service; early retirement at age 48 with 25 years of service or at age 54 with 15 years of service, with reductions based upon actuarial determinations. (alternative 1)
- Change the benefit formula to 2.2% for the first 35 years of service, plus 2.5% for years of service after 35.
- Change the benefit formula for law enforcement and public safety officers to 2.2% for the first 25 years of service, plus 2.1% thereafter.
- Change the COLA calculation to the lesser of the actual change in the CPI-W or 3%.
- Increase final average salary from three to five years.

STRS

- Increase the employee contribution rate from 10% to 12.5% beginning July 1, 2011 phased in by 0.5% per year.
- Increase the employer contribution rate from 14% to 16.5% beginning July 1, 2016 phased in by 0.5% per year.

- Increase final average salary from three to five years beginning August 1, 2015.
- Increase normal retirement from 30 to 35 years of service at any age; establish minimum retirement age 60 with 30 years of service or age 65 with 5 years of service beginning August 1, 2015.
- Actuarially-determined reductions for early retirement at age 55 with 30 years of service or age 60 with 5 years of service.
- Changes the benefit formula to 2.2% for the first 30 years of service, plus 2.5% for each year thereafter. The 35-year benefit formula incentive is eliminated. Members who have 30 years of service; who are age 55 with 25 years of service; or who are age 60 with 5 years of service as of July 1, 2015 receive the greater of the following: The benefit as of July 1, 2015 under the current formula; OR The benefit upon retirement under the new formula.
- Decreases the COLA from 3% to 2% for current retirees beginning July 1, 2011 and to 1.5% for members retiring on July 1, 2011 or thereafter.