



# Ohio Legislative Service Commission

## Bill Analysis

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### **S.B. 341\***

129th General Assembly  
(As Introduced)

This comparison of current law and S.B. 341 has two parts. The first part consists of brief descriptions of changes to the School Employees Retirement System (SERS) under the bill. The second part is a table that compares significant changes in SERS plan features, including retirement eligibility and benefit formulas, disability benefits, and service credit purchases.

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## **SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS)**

### **BILL SUMMARY**

#### **Benefit eligibility and formulas**

- Maintains current age and service eligibility requirements for members of the School Employees Retirement System (SERS) who as of August 1, 2017, will have at least 25 years of total service credit (R.C. 3309.34).
- Permits an SERS member who does not have 25 years of service credit as of August 17, 2017 to retire under current age and service eligibility criteria if, not later than that date, the member pays an amount equal to the additional liability to SERS resulting from the member's retirement under the current criteria (R.C. 3309.34).
- For members other than those described above:
  - Specifies retirement eligibility requirements, including a requirement that the member be at least age 57 with at least 30 years of service (R.C. 3309.34).
  - Reduces the retirement benefit of a member who retires with less than 30 years of service if the member is under age 67, instead of under age 65, and requires the SERS Board to direct its actuary to consider every five years, rather than

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\* This analysis was prepared before the introduction appeared in the Senate Journal. Note that the list of co-sponsors and the legislative history may be incomplete.

every ten years, the actuarial equivalents used to determine the reduction (R.C. 3309.36).

- In each five-year period, rather than at least once every ten years, requires the SERS Board to direct its actuary to evaluate retirement eligibility requirements (R.C. 3309.34).
- Eliminates the commuted service calculation, which is an alternative to the final average salary method of calculating a retirement allowance (R.C. 3309.38).

An SERS member whose membership began before May 14, 2008, is eligible to retire under current law at age 60 with five years of service credit or at any age with 30 years of service credit. The member may retire under an alternative benefit formula (commuted service retirement) at age 55 with at least 25 years of service credit.<sup>1</sup> The bill eliminates commuted service retirement, but otherwise retains the current eligibility requirements for members who as of August 1, 2017, have at least 25 years of service credit. In addition, it permits a member who does not have 25 years of service credit by that date to retire under the existing criteria if the member pays SERS an amount equal to the additional liability to SERS resulting from the member's retirement under the current criteria.

The current retirement eligibility criteria for SERS members whose membership began on or after May 14, 2008, are as follows: age 62 with at least 10 years of service credit; age 60 with at least 25 years of service credit; or age 55 with at least 30 years of service credit. The bill extends these criteria to members who on August 1, 2017, have less than 25 years of service credit, except that it makes the minimum age for retirement with at least 30 years of service credit age 57. The Board, in consultation with its actuary, is to adopt rules to implement the bill's retirement eligibility provisions.

Although current law permits retirement at age 60 for those whose SERS membership began before May 14, 2008, the retirement allowance is reduced if the member retires before age 65 or with less than 30 years of service. The bill retains this provision for those who have 25 years of service as of August 1, 2017, or make the payment to SERS described above. For all others, the retirement allowance will be reduced if the member retires with less than 30 years of service before age 67.

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<sup>1</sup> A retirement allowance for commuted service retirement consists of an annuity with a reserve equal to the member's accumulated contributions and a pension of an equal amount.

## Disability

- Changes the effective date of SERS disability benefits to the later of (1) the date the most recent application for a disability benefit was filed (instead of the date the member was first incapacitated by the disabling condition) or (2) the last day for which compensation was paid (R.C. 3309.39).
- Clarifies that a SERS member is ineligible to apply for a disability benefit if the member is receiving a disability benefit under any other Ohio retirement system (R.C. 3309.39).
- Requires an SERS disability benefit recipient to obtain any vocational rehabilitation recommended by the SERS Board and submit reports regarding the rehabilitation. Provides that if the recipient fails to obtain rehabilitation or submit a report, the disability benefit is to be suspended and is to be terminated if the failure to obtain rehabilitation or submit the report continues for a year (R.C. 3309.39).
- For an SERS member whose disability benefit effective date is after the bill takes effect, reduces to three years (from five) the number of years the member is considered to be on a leave of absence, except that the period may be up to five years if the SERS Board has recommended medical treatment or vocational rehabilitation and the member is receiving treatment or rehabilitation acceptable to SERS (R.C. 3309.41).
- Changes the standard for determining whether the disability benefit of a recipient whose benefit is granted after the bill's effective date should be terminated so that once the leave of absence ends the benefit will end if the SERS Board determines that the recipient is capable of performing a job described in statute, instead of the recipient's former job (R.C. 3309.41).
- Prohibits an SERS member from applying for a disability benefit if the disability was caused by a felony committed by the member (R.C. 3309.39).
- Permits the SERS Board to consider a disability benefit application only if the disabling condition began before the member's contributing service terminated and since becoming a member, instead of only since becoming a member (R.C. 3309.39).
- Requires a disability benefit recipient who is eligible for Social Security disability insurance (SSDI) payments to apply for it (R.C. 3309.392).
- Limits to two years the free retirement service credit an SERS member who returns to SERS covered employment after receiving a disability benefit may receive and

permits the member to purchase credit for the remaining period of the disability benefit (R.C. 3309.41).

### **Service 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 (R.C. 3309.474).
- Limits the SERS service credit that may be purchased for an employer-approved leave of absence to two years for each period of leave and provides that not more than a total of five years can be purchased (R.C. 3309.474).

### **Coordination**

- 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 (R.C. 3309.35).

### **Health care**

- Revises the authority of SERS to offer health care coverage to retirees and dependents and authorizes the SERS Board to establish criteria for determining who is eligible for coverage (R.C. 3309.69).
- States explicitly that the law does not require SERS to establish, maintain, offer, or continue any health care program, provide any level of coverage, or provide access to a health care program (R.C. 3309.69).
- Authorizes SERS to establish the monthly reimbursement for Medicare Part B premiums as long as it is not less than \$45.50 (R.C. 3309.69). (The standard 2012 Medicare Part B monthly premium is \$99.90.)

### **Survivor benefits**

- Provides that, on and after the bill's effective date, for a child to be qualified for a survivor's benefit, the child must be under age 19 instead of under age 18 or regardless of age, incompetent prior to a SERS member's death and prior to attaining age 19 (R.C. 3309.45).
- Provides that if a beneficiary of an SERS member is deceased or is not located within 180 days the beneficiary ceases to qualify for any SERS survivor or death benefit and

the person next in order of precedence qualifies as a beneficiary (R.C. 3309.44 and 3309.50).

## **SERS Board**

- Provides that the office of an SERS Board member, instead of the office of an employee member or a retirant member of the SERS Board, who is convicted of or pleads guilty to specified offenses is deemed vacant. Specifies that a person who is convicted of or pleads guilty to the specified offenses is ineligible for election or appointment, instead of just for election, to the SERS Board. (R.C. 3309.061.)
- Makes the SERS Board campaign finance reporting amounts consistent with general election reporting amounts (R.C. 3309.072).
- Requires each individual, partnership, or other entity that makes an independent expenditure in connection with a candidate's efforts to be elected to the SERS Board to file with the Secretary of State a statement detailing the expenditures (R.C. 3309.072).
- Provides for reimbursement to the public employer for compensation paid to a board member who is an employee or a re-employed retirant member of the SERS Board for time spent in service to the Board (R.C. 3309.10).
- Requires that all members of the SERS Board, instead of only newly elected members and individuals appointed to fill vacancies, complete the orientation program component of the Retirement Board Member Education Program (R.C. 3309.051).
- Requires the SERS Board to require a person it contracts with for the investment or management of funds to comply with the global investment performance standards established by the Chartered Financial Analyst Institute, or a successor organization, when reporting on the performance of investments (R.C. 3309.15).

## **Employer penalties**

- Revises the SERS employer penalty for failure to transmit contributions withheld from employees to \$100 per day (rather than 6% per annum of the amount due) (R.C. 3309.571).
- Establishes the following new penalties for SERS employers: (1) \$100 per day for failure to timely transmit any amounts due the Employer's Trust Fund, (2) \$100 per day (not to exceed \$1,500 total) for failure to timely transmit payroll information, and (3) \$50 per record (not to exceed \$300 total) for each month of failure to transmit

a detailed statement on an employee's prior service and personal information (R.C. 3309.571).

- Provides that the new penalties may be collected in the same manner as collection of amounts an employer has failed to pay the Employer's Trust Fund, including deducting penalties from state payments to the employer (R.C. 3309.51).

## **Records**

- Authorizes the SERS Board to maintain records of the retirement system in either printed or electronic format (R.C. 3309.22).
- Includes the e-mail address of an SERS member in the member's personal history record, which is excluded from public inspection (R.C. 3309.22).
- Requires that, on written request, medical reports and recommendations required by SERS be made available to the individual concerned (R.C. 3309.22).

## **Campaign finance**

- Establishes a time limit of two years for filing complaints with the Ohio Elections Commission for SERS campaign finance violations, except that if the alleged violation involves fraud, concealment, or misrepresentation and was not discovered during that two-year period, a complaint may be filed within one year after discovery of the alleged violation (R.C. 3309.074).

## **Technical changes and clarifications**

- Corrects cross-references to Revised Code sections.
- Provides that the employer (rather than employee) is to file a statement on each employee's previous service and personal information (R.C. 3309.28).
- Removes an obsolete provision regarding an annual fee charged to an SERS member's account (R.C. 3309.47).

## School Employees Retirement System (SERS)

	Current law	S.B. 341
Contributions <i>(R.C. 3309.47 and 3309.49)</i>	Member contributes 10% of salary.  Employer contributes an amount equal to 14% of member salaries.	No change.  No change.
Retirement eligibility <i>(R.C. 3309.34 and 3309.36)</i>	Unreduced service retirement granted with 5 years of service credit and age 60 or a total of 30 years of service credit.  Reduced service retirement granted with 25 years of service credit at age 55.	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) - current age and service credit requirements, including reduction of the retirement allowance unless the member is age 65 or has at least 30 years of service credit.  All other members - age 62 with at least 10 years of service credit; age 60 with at least 25 years of service credit; or age 57 with at least 30 years of service credit, but the benefit is reduced unless the member is age 67 or has at least 30 years of service credit.
Benefit calculation <i>(R.C. 3309.36)</i>	2.2% final average salary (FAS) for each of the first 30 years of service plus 2.5% for each additional year of service. <sup>2</sup>	No change.
Final average salary (FAS) <i>(R.C. 3309.01)</i>	Calculated by averaging the highest three years of contributing service.	No change.
Cost-of-living adjustment (COLA) <i>(R.C. 3309.374)</i>	An annual cost-of-living adjustment (COLA) of 3% is granted to any allowance provided by the system.	No change.
Disability <i>(R.C. 3309.39, 3309.392, and 3309.41)</i>	No provision.  A disability recipient is considered to be on a leave of absence for five years.	Benefit that would be granted on or after the bill's effective date forfeited if the disability was caused by a felony.  For the recipient of a benefit effective on or after the bill's effective date, (1) reduces the leave of absence to three years

<sup>2</sup> The allowance cannot exceed 100% of the member's FAS.



	Current law	S.B. 341
	No provision.	<p>unless the recipient is receiving recommended medical treatment or vocational rehabilitation and (2) provides that once the leave of absence expires, eligibility for a disability benefit ceases if the recipient is capable of performing a job that meets certain criteria.</p> <p>Requires a disability benefit recipient who is eligible for Social Security disability insurance (SSDI) to apply for it.</p>

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## HISTORY

ACTION

DATE

Introduced

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