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H.B. 601
134th General Assembly

Bill Analysis

Version: As Introduced

Primary Sponsors: Reps. Lightbody and A. Miller

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SUMMARY

- Increases, incrementally over an eight-year period, the maximum contribution amounts that the State Teachers Retirement System (STRS) or School Employees Retirement System board may require employers to make to the applicable retirement system.
- Requires the STRS Board, beginning July 1, 2023, to apply the annual cost of living adjustment (COLA) that each eligible retirement or other benefit recipient receives under the STRS defined benefit plan to at least the first \$30,000 of a recipient's benefit amount.
- Prohibits the STRS Board from reducing the COLA below 1% for the first \$30,000 of an eligible recipient's benefit amount (continuing law gives the Board discretion to adjust the COLA under certain circumstances).
- Eliminates a requirement, set to take effect August 1, 2026, that an STRS member be at least age 60 to be eligible for an unreduced retirement benefit, thus making a member of any age eligible on and after August 1, 2023, if the member has at least 35 years of service (currently, a member of any age must have at least 34 years of service).

DETAILED ANALYSIS

School employer contributions to state retirement systems

The bill increases the maximum contribution amounts that the State Teachers Retirement System (STRS) or School Employees Retirement System (SERS) board may require employers to make to the applicable retirement system. Employers covered by STRS or SERS generally include public educational institutions in Ohio, such as boards of education, school districts, vocational and technical schools, community schools, colleges, and universities. Employees generally are in STRS or SERS depending on whether they must hold an Ohio

Department of Education license or registration in K-12 schools or are faculty members at a public college or university.¹

The required employer contribution is an amount equal to a percentage of each employee's salary. Current law permits the STRS and SERS boards to set the employer contribution rate up to 14%, which both boards have done.² The bill does not change the amount employees must contribute to STRS or SERS.

The bill phases in the maximum employer contribution rate increases over an eight-year period based on employee salaries earned in pay periods beginning July 1, 2023, through July 1, 2030. The table below shows the maximum employer contribution rate for each time period under the bill.

| STRS and SERS employer contribution rate increases under the bill³ | |
|--------------------------------------------------------------------------------------|-----------------------------------|
| Time period | Employer contribution rate |
| Before July 1, 2023 | 14.0% |
| Between July 1, 2023, and June 30, 2024 | 14.5% |
| Between July 1, 2024, and June 30, 2025 | 15.0% |
| Between July 1, 2025, and June 30, 2026 | 15.5% |
| Between July 1, 2026, and June 30, 2027 | 16.0% |
| Between July 1, 2027, and June 30, 2028 | 16.5% |
| Between July 1, 2028, and June 30, 2029 | 17.0% |
| Between July 1, 2029, and June 30, 2030 | 17.5% |
| Beginning on and after July 1, 2030 | 18.0% |

¹ R.C. 3307.01 and 3309.01, not in the bill.

² R.C. 3307.28 and 3309.49. See [STRS Employer Contribution Rates](#), which may be accessed by conducting a keyword "contribution rates" search on the STRS website, strsoh.org, and see [SERS Contributions](#), which may be accessed by conducting a keyword "contributions" search on the SERS website, ohsers.org.

³ R.C. 3307.28 and 3309.49.

Retirement and other benefits from STRS or SERS are funded through employer and employee contributions and earnings from investments of those contributions.⁴

State Teachers Retirement System

Cost of living adjustments

The bill modifies the cost of living adjustment (COLA) each eligible retirement or other benefit recipient under the STRS defined benefit plan receives. Subject to the STRS Board's authority to adjust the COLA discussed below, current law sets at 2% all COLA increases granted on and after August 1, 2013. The bill limits this 2% increase to COLAs granted on and before June 30, 2023. Beginning on and after July 1, 2023, the bill applies this 2% COLA increase to only the first \$30,000 of an eligible recipient's base benefit amount.⁵

COLA adjustment authority

Under continuing law, the STRS Board may adjust the COLA if the Board's actuary determines the adjustment is necessary to preserve the system's fiscal integrity. However, the bill limits this authority by prohibiting the Board from reducing the COLA below 1% for the first \$30,000 of a recipient's base benefit amount. The bill does not prevent the Board from providing a COLA increase on any portion of a retirement or other benefit that exceeds the first \$30,000 of a benefit.⁶

Pursuant to the Board's current law authority to adjust the COLA amount, the Board in April 2017 voted to reduce the COLA from 2% to 0%. Thus, subject to one exception, all COLAs granted on and after July 1, 2017, are set at 0%.⁷ The exception is that, at its March 2022 meeting, the Board voted to approve a one-time 3% COLA increase effective July 1, 2022, for eligible benefit recipients.⁸

Federal Internal Revenue Code limit

The bill also authorizes the STRS Board to adjust the COLA to comply with the retirement or other benefit limit that is determined annually under the federal Internal Revenue Code (IRC). Under continuing law, the STRS Board cannot grant a retirement or other

⁴ See the [Ohio Retirement Study Council \(ORSC\) Homepage](https://www.orsc.org/), which can be accessed by visiting the ORSC website: [orsc.org](https://www.orsc.org/).

⁵ R.C. 3307.67(A)(1).

⁶ R.C. 3307.67(E).

⁷ See page 16 of [Understanding Your STRS Benefits \(PDF\)](#), which can be accessed by conducting a keyword "understanding your STRS benefits" search on the STRS website, [strsoh.org](https://www.strsoh.org/), and see [Letter from STRS to ORSC re: COLA 2017 \(PDF\)](#), which can be accessed by conducting a keyword "COLA" search on the ORSC website, [orsc.org](https://www.orsc.org/).

⁸ See [March Board News](#), which can be accessed by conducting a keyword "March board news" search on the STRS website: [strsoh.org](https://www.strsoh.org/).

benefit that exceeds the IRC limit. The bill removes the Board’s ability to adjust the limit in accordance with rules the Board adopts.⁹

Retirement eligibility

The bill eliminates a minimum age requirement set to take effect August 1, 2026, for an STRS member to be eligible to retire with an unreduced retirement benefit. Separately, the Board, pursuant to its continuing authority to modify retirement eligibility requirements discussed below, eliminated that minimum age requirement at its March 2022 meeting.

Under the STRS defined benefit plan, retirement benefits are calculated according to a formula that generally considers the member’s age, years of service, and earnings.¹⁰ Under current law, beginning on and after August 1, 2026, an STRS member is eligible to retire with an unreduced retirement benefit if the member is at least age 60 and has at least 35 years of service credit. The bill eliminates that age requirement – thus, under the bill, a member of any age can retire on or after August 1, 2023, with an unreduced retirement benefit if the member has at least 35 years of service credit. Currently, a member of any age can retire before August 1, 2023, with an unreduced retirement benefit if the member has at least 34 years of service credit.

Continuing law authorizes the STRS Board to adjust the retirement eligibility requirements if the Board’s actuary, in its annual actuarial valuation or other evaluation conducted under continuing law, determines an adjustment does not materially impair, or is necessary to preserve, the system’s fiscal integrity.¹¹ Pursuant to this authority, the Board at its March 2022 meeting voted to eliminate the age 60 requirement set to take effect August 1, 2026, for an STRS member to be eligible to retire with an unreduced retirement benefit. Thus, a member of any age can retire on or after August 1, 2023, with an unreduced retirement benefit if the member has at least 35 years of service credit.¹²

HISTORY

| Action | Date |
|------------|----------|
| Introduced | 03-21-22 |

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⁹ R.C. 3307.67(A)(2), by reference to 26 United States Code 415.

¹⁰ See page 4 of [Understanding Your STRS Benefits \(PDF\)](#), which can be accessed by conducting a keyword “understanding your STRS benefits” search on the STRS website: strsoh.org.

¹¹ R.C. 3307.58(B).

¹² See [Retirement Eligibility Change Announced](#), which can be accessed by conducting a keyword “retirement eligibility change announced” search on the STRS website: strsoh.org.