OHIO LEGISLATIVE SERVICE COMMISSION

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Fiscal Note & Local Impact Statement

Bill: S.B. 151 of the 132nd G.A. **Status:** As Introduced

Sponsor: Sen. Hite **Local Impact Statement Procedure Required:** No

Subject: To permit, rather than require, the School Employees Retirement System to grant annual cost-of-living adjustments to retirement, disability, and survivor benefit recipients and to reduce the maximum amount of the adjustment

State & Local Fiscal Highlights

- No direct fiscal effect on the state or on political subdivisions.

Detailed Fiscal Analysis

Current law requires the Board of the School Employees Retirement System (SERS) to provide annual 3% cost-of-living adjustments (COLAs) to pensions and benefits recipients, subject to certain restrictions. The bill allows, instead of requires, the Board to make such annual COLAs. The bill provides that if an increase is granted, the increase must be the percentage increase in the consumer price index for urban wage earners and clerical workers U.S. city average (CPI-W), as determined by the U.S. Bureau of Labor Statistics,[1] but not to exceed 2.5%. The bill provides that no increase be granted for a period in which the CPI-W did not increase.

Fiscal effect

The bill does not have any direct fiscal effect on the state or on local governments. Employer contributions to SERS to provide benefits for active workers are generally 14% of pay for each worker, a percentage that the bill does not change.

However, the bill would decrease future COLAs, which would reduce SERS's expenditures to pay future pensions and benefits. Decreases in expenditures would compound over the years, reducing pressure on the system to increase the rates of employer contributions to the system to cover necessary expenditures related to paying pensions and benefits. Thus there is a possible indirect reduction in future expenditures for school districts, and possibly some other political subdivisions, that employ SERS members.

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[1] Calculation of the percentage increase is based on the 12-month period ending on June 30 of the immediately preceding calendar year.