OHIO LEGISLATIVE SERVICE COMMISSION

Bill Analysis

Amy J. Rinehart

H.B. 413

132nd General Assembly

(As Introduced)

Rep. Scherer

BILL SUMMARY

PERS cost-of-living adjustments

- Changes, beginning January 1, 2019, the annual cost-of-living adjustment (COLA) granted to most Public Employees Retirement System (PERS) retirement allowance, disability benefit, and survivor benefit recipients from 3% under current law to the percentage increase in the Consumer Price Index (CPI), not exceeding 2.5%.

- For recipients of age and service retirement allowances granted in calendar year 2010, 2011, or 2012, and not later than January 7, 2013, retains, through 2020, current law's annual 3% COLA; thereafter, changes the annual COLA to the percentage increase in the CPI, not exceeding 2.5%.

- Allows the PERS Board to increase the annual 2.5% COLA to a percentage not exceeding 3% if: (1) the percentage increase in the CPI equals or exceeds 3% for three consecutive years immediately preceding the year of the increase and (2) the ratio of the system's assets to its liabilities exceeds 100%.

- If in any year the retirement system's amortization period equals or exceeds 30 years, as determined by its annual actuarial valuation, suspends the COLA for any succeeding calendar year until the amortization period is less than 30 years.

- For a recipient receiving an allowance or benefit effective on or after January 1, 2019, increases to 24 months (from 12) the time that must pass before the recipient's first COLA is granted.

One-time increase

- Requires the Board, effective January 1, 2019, to make a one-time increase to recipients whose retirement, disability, and survivor benefits were effective on or before December 31, 1979.

Service credit for certain county developmental disabilities board employees

- Requires the PERS Board to grant a full year of service credit to a member employed as a nonteaching school employee of a county board of developmental disabilities if the member performs full-time services in the position for at least nine months of the year and is paid earnable salary in each month of that year.

CONTENT AND OPERATION

PERS cost-of-living adjustments

The bill makes several changes to the annual cost-of-living adjustment (COLA) granted to Public Employees Retirement System (PERS) retirement allowance, disability benefit, and survivor benefit recipients. It revises the COLA amount and eligibility. It also makes a one-time increase to certain allowance and benefit recipients.

COLA amounts

Amount under current law

Under current law, the annual PERS COLA is 3% through 2018. For recipients of retirement allowances, disability benefits, and survivor benefits granted before January 7, 2013 it continues to be 3% after 2018. For those whose allowance or benefit begins after January 7, 2013, beginning January 1, 2019, the COLA is the percentage increase in the Consumer Price Index (CPI), not exceeding 3%.

Amounts under the bill

Beginning January 1, 2019, the bill generally changes the annual COLA amount to the percentage increase in the CPI, not exceeding 2.5%. For recipients of age and service retirement allowances granted in calendar year 2010, 2011, or 2012, and not later than January 7, 2013, the bill maintains current law's annual COLA of 3% in calendar years 2019 and 2020. Thereafter, the annual COLA for these recipients is the percentage increase in the CPI, not exceeding 2.5%.[1]

[1] R.C. 145.323(A).

Future COLA adjustments

The bill permits the Board to increase the annual 2.5% COLA percentage to a percentage not exceeding 3%, if both of the following occur:

- The percentage increase in the CPI equals or exceeds 3% for three consecutive years immediately preceding the year of the increase;
- Based on the retirement system's most recent annual actuarial valuation, the ratio of the system's assets to its liabilities exceeds 100%.[2]

The bill also requires the Board to suspend the granting of COLAs based on the requirement of continuing law that PERS establish a period of not more than 30 years to amortize its unfunded actuarial accrued pension liabilities. Under the bill, if in any year the system's amortization period equals or exceeds 30 years, as determined by the system's annual actuarial valuation, no COLA will be granted in any succeeding calendar year until the amortization period is less than 30 years.[3]

Eligibility

The bill increases for certain recipients the time that must pass before the first COLA is granted. Currently a COLA is paid once an allowance or benefit has been paid for 12 months. Under the bill, a recipient who begins receiving an allowance or benefit on or after January 1, 2019, is eligible for a COLA after receiving the allowance or benefit for 24 months.[4]

One-time increase

The bill requires the PERS Board, effective January 1, 2019, to make a one-time increase to recipients whose retirement, disability, or survivor benefits were effective on or before December 31, 1979. According to PERS, the purpose of the increase is to account for high levels of inflation in the 1970s and to restore 85% of its purchasing power to a recipient's original benefit. This increase will be included in calculating future COLAs made to a recipient.[5]

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[2] R.C. 145.323(A)(2) and (D).

[3] R.C. 145.323(E); R.C. 145.22 and 145.221, not in the bill.

[4] R.C. 145.323(B).

[5] R.C. 145.323(A) and (C); Public Employees Retirement System, *COLA Update, Frequently Asked Questions*, https://www.opers.org/retirees/cola.shtml (accessed December 1, 2017).

The amount of the increase is determined by multiplying the benefit for which the recipient was eligible on December 31, 2018, including any previously granted COLAs, by the percentages specified in the table below, as determined by the calendar year in which the benefit was effective.[6] Amounts paid to a recipient under the PERS additional annuity program (under which a member makes additional deposits to PERS during employment and receives those amounts as an additional annuity during retirement) are excluded from the calculation.[7]

Calendar year effective	Percentage of increase
1969 and earlier	0.0%
1970	7.0%
1971	5.7%
1972	1.7%
1973	2.5%
1974	7.0%
1975	6.2%
1976	6.6%
1977	6.6%
1978	7.4%
1979	8.8%
1980	5.7%

Service credit for certain county developmental disabilities board employees

Under continuing law, a PERS member receives a full month of service credit for each month in which the member earns at least a specified amount of earnable salary, which is generally all salary, wages, and other earnings paid to a member, not including payments such as leave payments or maintenance allowances. For 2017, the earnable salary amount is $630 a month; in 2018, it will be $660. Partial credit is granted for months in which a member earns less than those amounts.[8]

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[6] R.C. 145.321(B).

[7] R.C. 145.321(A) and 145.323; R.C. 145.62, not in the bill.

[8] R.C. 145.01(R) and 145.016, not in the bill, and Public Employees Retirement System, *OPERS Service Credit and Contributing Months* https://www.opers.org/pubs-archive/leaflets/ISL-F.pdf (accessed December 4, 2017).

The bill makes an exception to the earnable salary required for full service credit. It requires the PERS Board to grant a full year of service credit to a PERS member if all of the following conditions are met:

(1) The member is employed by a county board of developmental disabilities;

(2) The member's employment would be covered by the School Employees Retirement System (SERS) if the member was employed by an SERS-covered employer, such as a public school district;

(3) The member performs full-time services in the position for at least nine months of the year and is paid earnable salary in each month of that year.[9]

Current law grants a full year of service credit to an SERS member who is employed by an SERS covered employer on a full-time basis for nine or more months of service within a year.[10]

HISTORY

ACTION	DATE
Introduced	11-09-17

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[9] R.C. 145.018.

[10] R.C. 3309.30, not in the bill.