



## *SCHOOL EMPLOYEES RETIREMENT SYSTEM OF OHIO*

300 E. BROAD ST., SUITE 100 • COLUMBUS, OHIO 43215-3746

614-222-5853 • Toll-Free 800-878-5853 • www.ohsers.org

# Pension Reform: Changes You Need to Know

## Pension Reform Passes

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On Sept. 12, 2012, the pension reform bill passed the House and Senate of the Ohio legislature. It contained two sets of changes for the School Employees Retirement System of Ohio (SERS). They included increases to age and service credit requirements for retirement eligibility, as well as Board-approved modifications to existing SERS statutes that had been awaiting legislative approval for several years.

The effective date of most provisions in the bill is Jan. 7, 2013.

All modifications also are effective Jan. 7, 2013.

An amendment to the bill giving the SERS Board authority to adjust future age and service changes based on the results of the required five-year actuarial experience study will be delayed for 180 days after Jan. 7, 2013. This will give the Ohio Retirement Study Council time to review all five retirement systems' board-authority provisions and make recommendations.

## Pension Reform Changes

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Pension reform increased the age and years of service credit to be eligible for retirement.

These changes include:

- A member must be age 67 with 10 years of service credit, or age 57 with 30 years of service credit, to retire with full benefits
- A member must be age 62 with 10 years of service credit, or age 60 with 25 years of service credit, to retire early with actuarially-reduced benefits

The changes will not affect members who have 25 years of service credit before Aug. 1, 2017.

## What Did Not Change

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Pension reform had no effect on several key areas. There were no changes in:

- Employer or employee contributions – employee contributions remain at 10%; employer contributions remain at 14%
- Cost of Living Adjustment (COLA) – the COLA remains at 3%
- Final Average Salary (FAS) – the FAS remains at the average of your three highest fiscal years of earnings

## Effective Dates

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The pension reform changes to age and service credit requirements are effective Jan. 7, 2013, but will be implemented on Aug. 1, 2017.

To protect the benefits of longtime members, SERS included a grandfather provision and a buy-up option that will allow members to retire under the previous age and service credit requirements.

## Grandfather Provision and Buy-up Option

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- **Grandfather Provision** – Longtime members, those who reach 25 years of service on or before Aug. 1, 2017, will be eligible to retire under the previous age and service credit eligibility requirements.
- **Buy-up Option** – Members who will have fewer than 25 years of service credit as of Aug. 1, 2017, will have the opportunity to retire under previous retirement eligibility requirements if they pay the actuarial difference between the benefit they would have received under the new requirements and the benefit they may receive under the previous requirements. Members who want to buy-up must complete their payment on or before Aug. 1, 2017.

## Modifications

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Several modifications to existing SERS statutes were included in pension reform. These include:

- An employee must be age 57 to participate in an early retirement incentive.
- An employee is required to pay both the employee and employer contributions plus interest to purchase Leave of Absence credit. Service credit may be purchased for multiple leaves of absence. The total years purchased cannot exceed five years, and the maximum amount of service that may be purchased for a period of leave is two years.
- Future survivor benefits for children will be paid up to the age of 19 with no requirement that the child be attending school. This does not apply to children currently receiving a survivor benefit.
- The Board has authority to determine the amount of Medicare Part B reimbursement with the current \$45.50 monthly reimbursement rate as the floor.
- Health care eligibility restrictions were removed from state law. This allows the SERS Board to make adjustments to keep the SERS health care fund in solid financial condition.

## Disability Modifications

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Several modifications to existing SERS statutes included in pension reform may affect some disability recipients and applicants.

Current and future disability recipients who return to contributing service after their disability terminates will be limited to two years of free disability-period service credit. However, they will be allowed to purchase service credit for the remaining period of disability.

Future disability applicants and recipients may be affected by the following modifications:

- Clarifying that a member is not eligible to apply for a SERS disability benefit if the person is receiving a disability benefit from another Ohio retirement system.
- Prohibiting application if a condition resulted from the commission of a felony or occurred after SERS-covered employment ended.
- Requiring a disability recipient to apply for Social Security if he or she is eligible.
- Changing the effective date of disability from the later of the last day of compensation or the date the member was first incapacitated, to the date the most recent application was filed.
- Suspending or terminating a disability benefit if a member does not obtain medical treatment and/or vocational rehabilitation recommended by the Board physician or other consultant.
- Changing the standard for terminating disability – after three or five years on SERS' disability, disability recipients who are capable of performing a job other than their previous job could be terminated from disability if they are capable of performing the duties of a job with pay at or above 75% of the annual compensation of their previous school job that can reasonably be found and for which they are qualified.