



HOUSE OF REPRESENTATIVES
REPRESENTATIVE GARY SCHERER
HOUSE DISTRICT 92

Sponsor Testimony for House Bill 413
House Aging and Long Term Care Committee
December 6th, 2017

Chairman Arndt, Vice Chair Pelanda, Ranking Member Howse and members of the House Aging and Long Term Care Committee, thank you for allowing me to come before you today and present sponsor testimony on House Bill 413.

I am the sole sponsor of this legislation with no co-sponsors. I was asked to introduce this legislation at the request of Speaker Pro Tempore Kirk Schuring, who also serves as Chair of Ohio Retirement Study Council, to start this discussion. I equate introduction of this bill to how the biennium budget is introduced by the Finance Committee Chair. In other words, this is the proposal from the OPERS Board. Now the ball is in our court! I look forward to hearing future testimony regarding this bill, both proponent and opponent in this committee.

This legislation is intended to strengthen the financial status of the Ohio Public Employee Retirement System. Although financially strong today, OPERS continues to explore ways to ensure that the retirement system is able to weather economic downturns that are an inevitable part of the lifecycle of long-term institutional investors like OPERS.

In 2009, the system proposed significant pension design changes that impacted active public employees in response to demographic trends and increases in longevity. Those changes that were passed by the General Assembly as part of SB 343 in 2012 and took effect in 2013, have helped put the retirement system in a much stronger funded position for currently active public employees. But, unfunded liabilities still exist and pose a potential threat.

Today the system is looking at the last major lever available to improve its financial status, the cost-of-living adjustment (COLA) for current retirees.

To provide some historical context, the OPERS COLA for retirees has changed over time. It was established in 1970 at a fixed 1.5% and only provided if the consumer price index was at or above 1.5%. The COLA remained based on CPI until 2002. From 2002 until 2013 it was set at a fixed 3%. As part of the major pension bill, SB 343, COLA's for future retirees were once again tied to the CPI with a cap of 3%, while those already retired by January 1, 2013 were held harmless at the fixed 3%.

Now, HB 413 takes another step in modifying the COLA by doing the following:

- It would modify future COLA's for current OPERS retirees;
- The COLA would be determined by the percentage change in the Consumer Price Index (CPI), rather than a fixed percentage;
- The maximum COLA would be 2.5%, rather than 3%;
- This change is delayed in 2019 and 2020 for individuals who retired in 2010, 2011, 2012, or on January 1, 2013.

The bill also modifies future COLA increases for future OPERS retirees by extending the waiting period for the first COLA to two years, rather than one year.

Recognizing that some long-time retirees may have seen the purchasing power of their original benefit decline over time, the bill restores to 85% the purchasing power of certain OPERS retirees whose current purchasing power is less than 85%.

The bill provides that if OPERS' amortization period equals or exceeds 30 years based on the annual actuarial valuation, no COLA may be paid during the following calendar year.

However, to address concerns about when inflation is high, the bill stipulates that if the CPI exceeds 3% for three consecutive years and the system's funded ratio exceeds 100%, the OPERS Board may increase the maximum COLA to 3% for the following calendar year.

Finally, this legislation seeks to clarify another important pension issue for a certain subset of OPERS members who are employed by a County Board of Development Disabilities and are working in a school. The bill would allow that narrowly-defined group of OPERS members to receive one full year of service credit for 9 months of full time service if they are paid over a 12 month period.

Once again, Chairman Arndt and members of the House Aging and Long Term Care Committee, thank you for the opportunity to offer sponsor testimony on behalf of HB 413. I would be happy to try and answer any questions.