

**Committees:**

Chair, Primary & Secondary Education  
Higher Education  
Health Provider Services  
Public Health Policy  
Pensions

**Contact Information:**

Office: (614) 644-6034  
Email: Rep63@ohiohouse.gov

77 S. High St., Columbus,  
OH 43215

## **Representative Adam C. Bird Ohio House District 63**

### **Sponsor Testimony on House Bill 146 Before the House Committee on Pensions April 25, 2023**

Chairman Young, Vice Chair King, Ranking Member Lightbody and members of the House Pensions Committee, thank you for the opportunity to provide sponsor testimony on House Bill 146, establishing a contribution based benefit cap in the School Employee Retirement System (SERS).

Traditionally, the SERS benefit formula multiplies 2.2% of a member's Final Average Salary (FAS) by years of service to determine a pension amount. The member's FAS is the best 3 year average of compensation.

However, "pension spiking" may occur when a substantial increase to the FAS beyond what is expected from normal salary increases. This results in the pension system subsidizing the inflated pension and this underfunded pension affects the sustainability of the system.

In order to defend against "spiking", this bill would implement a Contribution Based Benefit Cap (CBBC) like the one that OPERS has had in place for the last 10 years. The CBBC method compares a member's traditional formula benefit to the member's CBBC benefit. The CBBC benefit is a single life annuity that is calculated by determining the actuarial equivalent of the member's employee contributions and then multiplying that amount by a factor determined by the Retirement Board. A member's pension is capped at the lower of the formula benefit or the CBBC method.

Furthermore, HB 146 delays the implementation until August 2024 to give the system time to communicate and educate members about the potential impact.

A similar bill was introduced last year (SB 347) and was recommended for approval by the Ohio Retirement Study Council. Also, SERS retire stakeholder organizations, SERO and POP5 sent letters of support for SB 347.

Chairman Young and members of the committee, thank you for the opportunity to testify on this important piece of legislation. I am happy to answer your questions.