

Chairman Mathews, Vice Chair King, Ranking Member Lightbody and members of the House Pensions committee. I am speaking to you today regarding HB 310, which reforms the formula by which service credit years toward retirement can be purchased in STRS.

Under the current STRS guidelines for receiving an unreduced benefit, an individual must be employed in a qualified position for 34 years to retire with a full pension. This requirement changes to require 35 years of experience on or after August 1st, 2028. For individuals who may have entered the teaching profession late, STRS provides the option to purchase "service credit" meaning an individual can pay a dollar value, and in exchange be granted a year or years of service that count toward the 34-year retirement requirement. For example, this may allow an individual to retire at 32 years of experience if they pay STRS and purchase two more years of service. The goal of this is to replace the lost money STRS would have received had an individual continued to work until reaching the 34-year threshold. There are a few groups that qualify for this option, including those who have accrued time in OPERS or SERS, individuals who took a leave of absence, individuals who served in the Police, Fire or Highway Patrol, individuals who served on the school board, individuals who taught in another state or at a private or charter school, and military veterans. This bill would only alter the formula for military veterans and only for veterans in STRS.

While both STRS and DEW were unable to provide exact figures on the potential fiscal impact of this change, or how many military veterans are currently teachers or school administrators, it is our belief that this legislation will not have an exorbitant financial burden on STRS. Instead, it will provide our veterans with the option to retire at the same age as many of their colleagues. There is no problem with requiring veterans to pay STRS back what they would have paid should they have continued to work to the 34-year mark, and in fact this bill still requires veterans pay both the employee and the employer contribution. The issue arises in how STRS calculates what is owed to purchase years that count toward retirement. Right now, STRS requires they not only receive the 28% of the current salary, the 14% employee and 14% employer contribution, but that an "actuarial liability" is also assessed to that figure. The actuarial liability figure essentially factors in how much the principal investment, or employee/employer contribution, would have earned in STRS investment vehicles for the last 30+ years, resulting in a massive cost imposed on veterans.

If you look at your iPad, I have provided the chairman with an STRS service credit purchase calculation that was provided to a High School principal by STRS. You will hear from him during proponent testimony. This individual is 58 years old and earns \$100,000 yearly. As you can see, STRS has requested just under \$62,000 to purchase a single year to count toward the 34-year retirement requirement. At 58 years old, if this individual had decided to not be a Marine, and instead became a teacher right out of college at 22, he would have 36 years of service and be enjoying his second school year retired. Instead, he will have to work to 62 years old. Under the proposed legislation, this individual would be charged 28% of his introductory salary for service years. This comes out to 28% of \$25,000 or \$7,000 for one year and \$28,000 for 4 years which would allow immediate retirement. This offers a significant savings for veterans while still requiring a significant amount of money be paid to STRS. We are requiring our veterans, veterans who have dedicated their life to serving their country in the military and their community at their local school, to work to an older age than individuals who decided to go straight into teaching right out of college instead of serving their country.

It is fair to wonder why this individual did not purchase service credit earlier in his career, when the actuarial liability figure would have been lower. But until 2014, STRS required that an individual be 60 years of age to retire, meaning there was nothing to be gained by purchasing service credit years. By the time it did make sense to purchase in 2014, the actuarial figure had already ballooned to an unfeasible cost.

This bill seeks to correct this issue and allow our veterans to retire while they are still young enough to enjoy it. This bill also seeks to make sure the STRS still receives the money they would have received by requiring the veteran pay both the employee and employer contribution to STRS. The changes made are basing this calculation on the salary earned at the time the service was performed, or introductory salary if the military service was performed prior to becoming a teacher and prohibiting STRS from charging an actuarial liability or interest for service credit purchases to veterans only.

In most cases, veterans must serve 20 years in the military to qualify for Retired Pay. This means that for most teachers and administrators who are veterans, they rely solely on STRS to retire and have no option but to work until they meet the 34- or 35-year requirement or pay a massive cost to STRS.