



State Representative Rick Carfagna

Sponsor Testimony- House Bill 242

June 7, 2017

Chairman Arndt, Vice Chair Pelanda, and Ranking Member Howse, I present to you today, for your consideration, House Bill 242, which makes important changes to the Cost-of-Living Adjustment (COLA) statute for the School Employees Retirement System of Ohio (SERS).

This legislation will provide SERS the flexibility to manage its COLA based on the financial health of the pension fund. This bill changes the system's COLA from a fixed 3% annual increase to a COLA based on the Consumer Price Index (CPI-W) with a cap of 2.5% and a floor of 0%. Additionally, SERS will have the authority to adjust the COLA above or below CPI-W; however any adjustment above or below CPI-W could only be enacted if the system's actuary determines it would not materially impair the fiscal integrity of the system or is necessary to preserve the fiscal integrity of the system.

Over the last two years, the Board and staff of SERS worked to identify solutions to address immediate financial challenges and long-term funding goals. During this process, they solicited input from advocacy groups that represent SERS' active and retired membership. These meetings produced valuable dialogue, and as a result, several of these groups have provided letters of support or understanding for the proposed COLA changes.

SERS kept the membership and school employers well informed of the Board's actions as new information became available. Updates were provided in quarterly newsletters, in monthly Board meeting highlights, in handouts, on the SERS website, at member and retiree meetings, and on Facebook and Twitter accounts.

Finally, it is important to note that the Ohio Retirement Study Council has reviewed and approved this legislation with some recommendations that SERS is working to address. All of the other Ohio pension systems have amended their COLA statutes in the last several years, with provisions similar to what SERS is proposing.

Thank you for the opportunity to provide sponsor testimony on House Bill 242. I would be happy to answer any questions you may have at this time.