**SB 151 Sponsor Testimony
SERS Cost of Living (COLA) Changes**

**Tuesday June 13, 2017**

Chairman Hottinger, Vice Chair Hackett, Ranking Minority Member Brown and members of the Insurance and Financial Institutions Committee:

Thank you for the opportunity to testify today on Senate Bill 151, which proposes important changes to the School Employees Retirement System’s (SERS) Cost of Living Adjustment (COLA).

Currently the COLA is set as an annual 3% increase in the benefit that is payable to a retired member or beneficiary of the School Employees Retirement System.

If current law is maintained, it is predicted the System will not be 70% funded until the year 2030, which could cause problems for SERS’ pension fund, and major changes to SERS’ health care.

The SERS Board knows it is critical to be able to continue to provide health care to retirees. As you know, health care is not guaranteed by the state. This is a discretionary benefit, but one many retirees count on in this time of health care uncertainty.

The changes proposed in SB 151 will allow SERS to shore up its health care fund, which the actuary estimates will be depleted in seven years or less.

In 2012, Governor Kasich signed SB 341, which addressed various aspects of pension reform. However, despite the many subjects this legislation covered, a number of key areas were unaffected, with one being the 3% COLA. This legislation is aimed at providing SERS the necessary flexibility to manage the COLA based on the financial health of the pension fund. This is achieved in two important provisions:

1. Beginning January 1, 2018, it makes the COLA permissive and changes the amount of the COLA to the increase, if any, in the Consumer Price Index, not exceeding 2.5%.
2. Authorizes the SERS Board, before granting an increase, to adjust the COLA if the Board's actuary determines that an adjustment does not materially impair the retirement system's fiscal integrity, or is necessary to preserve its fiscal integrity.

After two years of discussions, these adjustments were agreed upon solutions by both the Board and the majority of SERS’ member and retiree advocacy groups to address immediate financial challenges and long-term funding goals. With the COLA changes, the System is expected to reach 70% funded by 2018, and 90% funded by 2034. Ninety percent funded is an important benchmark to meet because, at that level, a larger portion of the employer contribution will again be able to go into health care. With these changes, the pension fund will be in a much better position to withstand another market downturn like that of 2008, protecting the long-term health of the System.

Thank you for your time today, and I am happy to answer any questions.