

**From:** Hanna, Wafaa  
**Sent:** Thursday, September 27, 2012 8:47 AM  
**To:** Baugh, Reginald F.; Porter, Marlene; Hill, Jennifer W; Weldy, David; Willey, James; Milz, Sheryl  
**Subject:** FW: STRS Ohio eUPDATE for employers - Governor Signs Pension Reform Bill

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**From:** eUPDATE [mailto:eUPDATE@strsoh.org]  
**Sent:** Thursday, September 27, 2012 8:40 AM  
**To:** Undisclosed recipients  
**Subject:** STRS Ohio eUPDATE for employers - Governor Signs Pension Reform Bill

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Sept. 27, 2012

## Governor Signs Pension Reform Bill

On Sept. 26, Governor Kasich signed STRS Ohio's pension reform bill into law. Substitute Senate Bill 342 was passed by the Ohio Legislature on Sept. 12, along with other pension reform bills to improve the financial condition of all five Ohio pension systems. STRS Ohio's bill will go into effect Jan. 7, 2013, but most of STRS Ohio's plan changes will take effect July 1, 2013, or later.

Below are key components and effective dates of the bill:

- **Interest paid for purchasing past leave of absence — Effective Feb. 1, 2013**, the cost to purchase a past leave of absence will include interest on both member and employer payments compounded annually beginning the first year following the year in which the absence or leave is terminated and ending the last day of the month in which the payment is made.

Note: This means the two-year interest-free period will be eliminated. Members on a current fiscal year (2012–2013) leave have until June 30, 2013, to purchase the leave interest-free. Members who took a leave within the last two years (2010–2011 and 2011–2012 fiscal years) have until Jan. 31, 2013, to purchase the leave interest-free.

- **Increase in member contributions — Beginning July 1, 2013**, member contributions will increase by 4%, phased in 1% per year beginning July 1, 2013, through July 1, 2016. Members will contribute 14% of their salary to STRS Ohio beginning July 1, 2016. Currently, members contribute 10%.

Note: Employers should begin working with their technology team to ensure these changes are implemented on July 1, 2013.

- **Changes to the cost-of-living adjustment (COLA) — Effective in fiscal year 2013**
- **Changes for new members after July 1, 2013** — Educators who begin membership with

STRS Ohio July 1, 2013, or later will have to work longer to be eligible for disability and survivor benefits.

- **Elimination of retirement incentive credit — Effective July 1, 2014**, the provision that allows employers to establish an STRS Ohio Retirement Incentive Plan will be eliminated.

Note: No Retirement Incentive Plan credit will be granted for retirement effective dates Aug. 1, 2014, or later.

- **Reemployment at retirement (secondary employment) — Effective July 1, 2014**, members who hold more than one position with STRS Ohio, OPERS or SERS and who plan to retire from their highest paying (primary) employer and continue to work in a secondary position with another employer may do so only if they have continuously held the secondary position for at least 12 consecutive months immediately prior to retirement.
- **Elimination of purchased service subsidies — Effective Jan. 1, 2014**, members will pay the full projected liability created by the purchase of service. This could result in costs two-to-four times higher than the current rates. For service credit certified with STRS Ohio by Dec. 31, 2013, members will have until June 30, 2014, to purchase the credit at current cost. *Members currently purchasing under a payroll deduction plan can continue to complete their payoff at their current rate.*
- **Change in final average salary (FAS) Years — Beginning Aug. 1, 2015**, FAS calculation is the average of the five highest years of earnings. Pension benefits are determined by a member's age, years of service and FAS.

Note: There are no planned changes to the *Deposit and Service Report* and the *Request for Additional Information* form as a result of the new calculation.

- **Change in benefit formula — Beginning Aug. 1, 2015**, the benefit formula is 2.2% for all years of service. The current 35-year enhanced benefit formula will be eliminated after July 1, 2015.
- **Change in eligibility for retirement — Beginning Aug. 1, 2015**, age and service requirements for retirement will increase. This change will be phased in. Effective, Aug. 1, 2026, a member must be age 60 and have 35 years of service for an unreduced benefit. Members may also retire at age 65 with a minimum of five years of service credit.

### Board Authority to Make Adjustments in the Future

The new law provides the Retirement Board with authority to make future adjustments to the member contribution rate, retirement age and service requirements, and the COLA depending on the retirement system's funding progress.

Further details on the impact to employers will be included in the October employer newsletter. If you have questions, contact the Employer Reporting Education team toll-free at 1-888-535-4050, or send an email to [report@strsoh.org](mailto:report@strsoh.org).

More specific information on the impact to members is available on the [member website](#). If members have questions, please have them contact the STRS Ohio Member Services Center toll-free at 1-888-227-7877.

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If you wish to ask a question or comment on a topic, please email [eupdate@strsoh.org](mailto:eupdate@strsoh.org) or call the Employer Reporting Department toll-free at 1-888-535-4050 during business hours.