

Financial Planning Association of Northeast Ohio

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Ohio Public Employee Retirement Systems STRS, OPERS, SERS, & Police and Fire

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Ohio Educators Planning Group

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Financial Planning Association of Northeast Ohio

Major Changes Impacting Retirement Decisions

Plan Design

Eligibility - Increases in age and service credit requirements.

Cost-of-living (COLA) changes

Health Care – Funding, costs and plans



Ohio Educators Planning Group

State Teachers Retirement System

STRS Ohio - Eligibility

The State Teachers Retirement System of Ohio (STRS Ohio) is a statewide pension plan for Ohio Educators that offers a range of benefits and services to nearly 500,000 active and inactive members and retirees.

Membership in the system includes public school teachers and administrators and college and university faculty. Since April 1998, certain college and university faculty may select STRS Ohio or an alternative retirement plan.

School Employees Retirement System of Ohio

SERS Ohio – Eligibility

Compulsory or Mandatory Membership:

All non-teaching employees of Ohio's public schools; including vocational, technical, and community schools; and community colleges; are required to be members unless the position permits exemption from membership, optional membership, or exclusion from membership.

This includes any person who:

- Is employed in a position for which the person is not required to have a certificate or license issued by the Ohio Department of Education (ODE)
- Performs a service common to the normal daily operation of an educational unit even though the person is employed and paid by one who has contracted with the school to perform the service

Ohio Public Employees Retirement System

OPERS - Eligibility

All employees who are paid in whole or in part by the state of Ohio, a county, municipality or any other political subdivision of the state or local government in Ohio, and who are not in a position covered by another state retirement system in Ohio or by the Cincinnati Retirement System, are enrolled in OPERS.

Membership for elected officials may be optional.

Ohio Police & Fire Pension Fund (OP&F)

Ohio Police and Fire - Eligibility

OP&F membership is mandatory under Ohio law for all full-time police officers employed by Ohio municipalities.

Full-time firefighters employed by Ohio townships, municipalities, joint fire districts or other political subdivisions must become OP&F members if their employment requires satisfactory completion of certain state-mandated firefighter training courses.

Probationary and provisional employees who have been appointed to full-time services are required to be members of OP&F.

Part-time and volunteer employees, however, are not eligible for OP&F membership.

State Teachers Retirement System

The Basics - Types of Plans

- STRS Ohio - Defined Benefit Plan
- STRS Ohio - Defined Contribution Plan
- STRS Ohio - Combined Plan

Source: STRS OHIO

State Teachers Retirement System

Types of Plans: STRS Ohio – Defined Benefit Plan

STRS Ohio - Defined Benefit Plan

STRS Ohio offers a Defined Benefit Plan, in which the amount of a member's retirement benefit is derived from a defined calculation that considers age, years of service credit and final average salary.

The retirement benefit is funded during employment so funds accumulate during the time the actual benefit liability is established.

State Teachers Retirement System

Types of Plans: STRS Ohio – Defined Contribution Plan

STRS Ohio - Defined Contribution Plan

STRS Ohio offers a Defined Contribution Plan to new members. New members may select this plan upon employment and have the option to remain in the plan or to select the Defined Benefit Plan or Combined Plan in their fifth year of membership.

Under the Defined Contribution Plan, a member's retirement income is based on contributions to the member's account, the performance of the investment choices selected by the member and the annuity rates at retirement.

Participating members may allocate contributions among various investment options managed by STRS Ohio.

State Teachers Retirement System

Types of Plans: STRS Ohio - Combined Plan

STRS Ohio – Combined Plan

STRS Ohio offers a Combined Plan to eligible new members. New members may select this plan upon employment and have the option to remain in the plan or to select the Defined Benefit Plan or Defined Contribution Plan in their fifth year of membership.

The STRS Ohio Combined Plan includes features of the Defined Benefit and the Defined Contribution Plans. From the member's contribution of 14% of annual salary, 12% goes into a defined contribution account.

However 2% of that contribution and the 14% employer contributions fund a defined benefit portion of the plan – invested by STRS Ohio investment professionals – to pay for service retirement, disability and survivor benefits.

State Teachers Retirement System

Major Changes

- Member Contributions
- Final Average Salary Calculations
- Benefit Formula
- COLA Adjustments
- Purchasing Prior Service Credit and other changes

State Teachers Retirement System

The Basics – Member Contributions

- Increase in Member Contributions Began on July 1, 2013.
- Member contributions were increased by 4%, phased in 1% per year beginning July 1, 2013, through July 1, 2016.
- Members now contribute 14% of their salary to STRS Ohio as of July 1, 2016.

State Teachers Retirement System

The Basics - Eligibility for Retirement

- Changes in Eligibility for Retirement began on Aug. 1, 2015.
- An unreduced benefit will increase to 35 years of service by Aug. 1, 2023.
- A minimum age 60 requirement will be added beginning Aug. 1, 2026.
- This change is currently being phased in.
- Members may also still retire at age 65 with a minimum of five years of qualifying service credit.

State Teachers Retirement System

The Basics – Final Average Salary

- Change in Final Average Salary (FAS) Years Began on Aug. 1, 2015.
- New 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.
- Retiring prior to full eligibility results in a **significant penalty** to their final percentage calculation.

State Teachers Retirement System

The Basics - **Benefit Formula**

- New formula is 2.2% for all years of service. Old formula was 2.1.
- Prior eligibility was based on minimum of 30 years of service regardless of age or 25 years of service and age 25 or 5 years and age 60.
- The current 35-year enhanced benefit formula will be eliminated after July 1, 2015. (up to 88% of final average salary).
- Teachers retiring with 35 years of service as of Aug. 1, 2015, or later will receive 77% ($35 \times 2.2\%$) of their final average salary as a pension.

State Teachers Retirement System

The Basics – Benefit Formula

- Beginning Aug. 1, 2026, members will need to reach age 60 to receive an unreduced benefit with at least 35 years of service.
- Members who were eligible to retire on July 1, 2015, will maintain retirement eligibility if they continue working, and the benefit will be the greater of:
 - (a) The benefit calculated upon retirement under the new benefit formula, or
 - (b) The benefit as of July 1, 2015, under the current formula.

State Teachers Retirement System

The Basics – Benefit Formula

Change in Eligibility for Retirement Beginning Aug. 1, 2015

Increases age and service requirements for retirement

Service credit requirements for retirement with an **unreduced benefit** will increase to 35 years of service by Aug. 1, 2023. A minimum age 60 requirement will be added beginning Aug. 1, 2026. This change will be phased in based on the timeline shown below. Members may also still retire at age 65 with a minimum of five years of qualifying service credit.

Unreduced Benefit for Retirement Between:	Minimum Age and Years of Service
Prior to 7/1/2015	Any age and 30 yrs.; or age 65 and 5 yrs.
8/1/2015 – 7/1/2017	Any age and 31 yrs.; or age 65 and 5 yrs.
8/1/2017 – 7/1/2019	Any age and 32 yrs.; or age 65 and 5 yrs.
8/1/2019 – 7/1/2021	Any age and 33 yrs.; or age 65 and 5 yrs.
8/1/2021 – 7/1/2023	Any age and 34 yrs.; or age 65 and 5 yrs.
8/1/2023 – 7/1/2026	Any age and 35 yrs.; or age 65 and 5 yrs.
8/1/2026	Age 60 and 35 yrs.; or age 65 and 5 yrs.

Source: STRS OHIO

State Teachers Retirement System

The Basics – Benefit Formula

The service credit requirements for an **actuarially reduced benefit*** will be phased in beginning Aug. 1, 2015, gradually increasing to 30 years of service by Aug. 1, 2023. This change will be phased in based on the timeline shown below. Members may also still retire at age 60 with a minimum of five years of qualifying service credit; however, the benefit would be actuarially reduced beginning Aug. 1, 2015. Benefits will be reduced to be actuarially neutral.

Actuarially Reduced Benefit* for Retirement Between:

Minimum Age and Years of Service

Now – 7/1/2015	Age 55 and 25 yrs.; or age 60 and 5 yrs.
8/1/2015 – 7/1/2017	Any age and 30 yrs.; or age 55 and 26 yrs.; or age 60 and 5 yrs.
8/1/2017 – 7/1/2019	Any age and 30 yrs.; or age 55 and 27 yrs.; or age 60 and 5 yrs.
8/1/2019 – 7/1/2021	Any age and 30 yrs.; or age 55 and 28 yrs.; or age 60 and 5 yrs.
8/1/2021 – 7/1/2023	Any age and 30 yrs.; or age 55 and 29 yrs.; or age 60 and 5 yrs.
8/1/2023	Any age and 30 years of service.; or age 60 and 5 yrs.

State Teachers Retirement System

Cost-of-living adjustment (COLA)

Ohio law gives the State Teachers Retirement Board the authority to grant a COLA to benefit recipients.

New benefit recipients are eligible to receive a COLA beginning on the fifth anniversary of their retirement date.

All cost-of-living increases granted on or after July 1, 2017, are currently set at 0%.

No later than the next actuarial experience review, anticipated to be completed in 2022, the Retirement Board will evaluate whether an upward adjustment to the cost-of-living increase is payable without materially impairing the fiscal integrity of the retirement system.

State Teachers Retirement System

The Basics - Additional Changes

- **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 under 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.
- **Reemployment at retirement** — Effective July 1, 2014, members who hold more than one position with STRS Ohio, OPERS or SERS and who plan to retire from one employer while continuing to work in the secondary position with another employer may do so only if they have continuously held that position for at least 12 consecutive months immediately prior to retirement.

State Teachers Retirement System

The Basics – Additional Changes

- **Elimination of retirement incentive credit** — Effective July 1, 2014, the provision that allows employers to establish a Retirement Incentive Plan will be eliminated for retirements after July 1, 2014.
- **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.
- **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.

State Teachers Retirement System

Major Changes

- Disability Insurance vs. Disability Allowance
- Health Care: Provider Limitations, Benefit Changes, Funding

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State Teachers Retirement System

STRS Disability Plan Changes Insurance vs. Allowance

Began Career	STRS Disability Retirement	STRS Average Benefit Amount*
<i>Before</i> 1992	Age 45	\$50,849/year
	Age 55	\$50,516/year
<i>After</i> 1992	Age 45	\$30,510/year
	Age 55	\$30,309/year

(* = average of members with service credit between 10 and 20 years) Source: STRS

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State Teachers Retirement System

Monthly Premiums for 2019

WITHOUT MEDICARE

You may be eligible for these plans if you are not yet eligible for Medicare.

ELIGIBILITY GROUP	Medical Mutual Basic (Indemnity or PPO) Aetna Basic (Indemnity or PPO)		AultCare PPO		Paramount Health Care (HMO)	
	TOTAL COST: \$957		TOTAL COST: \$890		TOTAL COST: \$946	
	Medical Mutual: Available in any location in Ohio Aetna: Available in any location except Ohio		Available in select northeastern Ohio area ZIP codes		Available in select northwestern Ohio and southern Michigan area ZIP codes	
BENEFIT RECIPIENT ELIGIBLE FOR SUBSIDY YEARS OF SERVICE	STRS OHIO PAYS	YOU PAY	STRS OHIO PAYS	YOU PAY	STRS OHIO PAYS	YOU PAY
30+	558	399	519	371	552	394
29	540	417	502	388	533	413
28	521	436	484	406	515	431
27	502	455	467	423	497	449
26	484	473	450	440	478	468
25	465	492	433	457	460	486
24	446	511	415	475	441	505
23	428	529	398	492	423	523
22	409	548	381	509	405	541
21	391	566	363	527	386	560
20	372	585	346	544	368	578
19	353	604	329	561	349	597
18	335	622	311	579	331	615
17	316	641	294	596	313	633
16	298	659	277	613	294	652
15	279	678	260	630	276	670
Benefit Recipient Not Eligible for Subsidy ¹	0	957	0	890	0	946
Spouse	0	957	0	890	0	946
Per Child	0	282	0	246	0	260
Disabled Adult Child	0	957	0	890	0	946

¹Members who retired before Jan. 1, 2004, with less than 15 years of service credit have access to the STRS Ohio Health Care Program but pay the full cost of their premium. Members who retire on or after Jan. 1, 2004, and before Aug. 1, 2023, must have at least 15 years of qualifying service credit to access coverage. Beginning Jan. 1, 2023, must have at least 20 years of qualifying service credit to access coverage. Beginning Jan. 1, 2019, the individual's permanent residence must be in one of the U.S. 50 states or U.S. territories to access coverage.

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State Teachers Retirement System

Monthly Premiums for 2019

WITH MEDICARE

You may be eligible for these plans if you are enrolled in Medicare.

ELIGIBILITY GROUP	Aetna Medicare Plan (Medicare Advantage PPO)		Medical Mutual Basic (Indemnity or PPO)		AultCare PPO		Paramount Elite HMO (Medicare Advantage)	
	TOTAL COST: \$342		TOTAL COST: \$300		TOTAL COST: \$473		TOTAL COST: \$359	
	Available in any location in the United States		Available in any location		Available in select northeastern Ohio area ZIP codes		Available in select northwestern Ohio and southern Michigan area ZIP codes	
BENEFIT RECIPIENT ELIGIBLE FOR SUBSIDY YEARS OF SERVICE	STRS OHIO PAYS	YOU PAY	STRS OHIO PAYS	YOU PAY	STRS OHIO PAYS	YOU PAY	STRS OHIO PAYS	YOU PAY
30+	215	127	189	111	215	258	215	144
29	208	134	183	117	208	265	208	151
28	201	141	176	124	201	272	201	158
27	194	148	170	130	194	279	194	165
26	187	155	164	136	187	286	187	172
25	180	162	158	142	180	293	180	179
24	172	170	151	149	172	301	172	187
23	165	177	145	155	165	308	165	194
22	158	184	139	161	158	315	158	201
21	151	191	132	168	151	322	151	208
20	144	198	126	174	144	329	144	215
19	136	206	120	180	136	337	136	223
18	129	213	113	187	129	344	129	230
17	122	220	107	193	122	351	122	237
16	115	227	101	199	115	358	115	244
15	108	234	95	205	108	365	108	251
Benefit Recipient Not Eligible for Subsidy ¹	0	342	0	300	0	473	0	359
Spouse	0	342	0	300	0	473	0	359
Per Child	0	342	0	300	0	473	0	359
Disabled Adult Child	0	342	0	300	0	473	0	359

¹Members who retired before Jan. 1, 2004, with less than 15 years of service credit have access to the STRS Ohio Health Care Program but pay the full cost of their premium. Members who retire on or after Jan. 1, 2004, and before Aug. 1, 2023, must have at least 15 years of qualifying service credit to access coverage. Beginning Jan. 1, 2019, the individual's permanent residence must be in one of the U.S. 50 states or U.S. territories to access coverage. Members who retire on or after Aug. 1, 2023, must have at least 20 years of qualifying service credit to access coverage.

For More Information

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