



# Members Brief

An informational brief prepared by the LSC staff for members and staff of the Ohio General Assembly

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## Ohio’s State Retirement Systems

There are five state retirement systems in Ohio: the Public Employees Retirement System, State Teachers Retirement System, School Employees Retirement System, Ohio Police & Fire Pension Fund, and State Highway Patrol Retirement System. Each system is created in and governed by the Ohio Revised Code and administered by a governing board within the authority statutorily granted to the board. Additional oversight of the systems is provided by the Ohio Retirement Study Council. Collectively, the systems cover approximately 670,000 active and 1,155,000 inactive members, as well as almost 500,000 retired members and their beneficiaries.

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### Overview

Ohio has five state retirement systems: the Public Employees Retirement System (PERS), State Teachers Retirement System (STRS), School Employees Retirement System (SERS), Ohio Police & Fire Pension Fund (OP&F), and State Highway Patrol Retirement System (SHPRS). Each system maintains a website that includes information for employees, employers, and the general

public regarding membership and benefit eligibility and retirement planning, as well as information regarding the system's operations and financial status. The following table identifies each system's governing board, the Revised Code Chapter that governs each system (which may be accessed by clicking on the chapter number in the table below or going to the Ohio Codes website: [codes.ohio.gov](http://codes.ohio.gov)), and each system's website.

Ohio's state retirement systems			
System Name	Board Name	R.C. Chapter	Website
Public Employees Retirement System (PERS)	Public Employees Retirement Board or PERS Board	<a href="#">R.C. Chapter 145</a>	<a href="http://opers.org">opers.org</a>
State Teachers Retirement System (STRS)	State Teachers Retirement Board or STRS Board	<a href="#">R.C. Chapter 3307</a>	<a href="http://strsoh.org">strsoh.org</a>
School Employees Retirement System (SERS)	School Employees Retirement Board or SERS Board	<a href="#">R.C. Chapter 3309</a>	<a href="http://ohsers.org">ohsers.org</a>
Ohio Police & Fire Pension Fund (OP&F)	Ohio Police & Fire Pension Fund Board of Trustees or OP&F Board	<a href="#">R.C. Chapter 742</a>	<a href="http://op-f.org">op-f.org</a>
State Highway Patrol Retirement System (SHPRS)	State Highway Patrol Retirement Board or SHPRS Board	<a href="#">R.C. Chapter 5505</a>	<a href="http://ohprs.org">ohprs.org</a>

## Federal law and the state retirement systems

Ohio public employees do not participate in Social Security for their government service, but instead receive retirement benefits based on contributions to a state retirement system. A governmental pension plan, including the state retirement systems, must satisfy certain requirements to be a "qualified plan" entitled to favorable tax treatment under the federal Internal Revenue Code. To maintain the plan's status as a qualified plan, the employer or plan sponsor must incorporate the actions it will take to meet the requirements into a written document governing the plan and act in accordance with the plan.<sup>1</sup>

## Retirement system membership

Most state and local government employees in Ohio are members of one of the state retirement systems. Four of the five state retirement systems cover specialized groups of employees, as follows:

- **STRS** – public school employees in positions that require a teaching or school administrator's license or registration; teachers and faculty of community (charter)

<sup>1</sup> 26 United States Code 401(a), 26 Code of Federal Regulations 1.401-1, and [A Guide to Common Qualified Plan Requirements](#), which may be accessed by conducting a keyword "Common qualified plan" search on the Internal Revenue Service website: [irs.gov](http://irs.gov).

schools, science, technology, engineering, and mathematics (STEM) schools, and public institutions of higher education; educational employees of the Department of Education and Workforce and the State Board of Education; and certain other educational employees.<sup>2</sup>

- **SERS** – public school employees in positions that do not require a teaching or school administrator’s license or registration; employees of private employers who provide services common to the normal daily operation of a school under a contract; and nonteaching employees of certain public institutions of higher education.<sup>3</sup>
- **OP&F** – full-time firefighters and full-time municipal police officers.<sup>4</sup>
- **SHPRS** – qualified employees in the Highway Patrol’s uniform division and Highway Patrol cadets.<sup>5</sup>

State or local government employees who are not included in one of these systems generally are PERS members. Certain government employees are excluded from PERS membership, such as election workers and members of several boards specified in the law governing PERS. Additionally, an elective official may choose to become a PERS member but is not required to do so.<sup>6</sup>

### **“Uniform” and “nonuniform” systems**

The state retirement systems are classified as either “uniform” or “nonuniform” systems. Public safety officers participate in one of the uniform systems, which include the law enforcement and public safety divisions of PERS (PERS-LE and PERS-PS), OP&F, and SHPRS. The nonuniform systems are PERS, STRS, and SERS.

### **Public employees not in a state retirement system**

Ohio law permits a full-time employee of a public college or university to elect to participate in an alternative retirement plan (ARP) rather than the state retirement system (PERS, STRS, or SERS) that covers the employee.<sup>7</sup> An ARP is a defined-contribution plan that provides retirement and death benefits to participating employees. A college or university enters into an agreement with one or more private providers to administer investment options, selected by participating employees, under the ARP.<sup>8</sup>

Additionally, with few exceptions, employees of the City of Cincinnati do not contribute to one of the state retirement systems and instead contribute to the Cincinnati Retirement

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<sup>2</sup> R.C. 3307.01(B).

<sup>3</sup> R.C. 3309.01(B).

<sup>4</sup> R.C. 742.01(A) and (B).

<sup>5</sup> R.C. 5505.01(A).

<sup>6</sup> R.C. 145.01(A), 145.012, and 145.20.

<sup>7</sup> R.C. Chapter 3305.

<sup>8</sup> R.C. 3305.02 and 3305.04.

System (CRS). CRS is governed by Cincinnati municipal ordinances, rather than state law. Additional information on CRS is available on the CRS website: [cincinnati-oh.gov/retirement](http://cincinnati-oh.gov/retirement).

## Authority of the General Assembly

The state retirement systems are created in and governed by the Ohio Revised Code and related rules in the Ohio Administrative Code. Because the systems are creatures of statute, they do not have authority “beyond that which is expressly or impliedly conferred by statute.”<sup>9</sup> The General Assembly, in enacting the laws governing the systems, has granted the systems discretion in some areas and limited it in others. The General Assembly may choose to amend the laws to make changes to aspects of the systems, or to expand or restrict the systems’ discretion to make changes themselves.

## Retirement systems’ governing boards

Each retirement system is administered by a governing board that is vested with the authority to manage the system and direct the investment of the system’s funds. The governing boards consist of appointed investment experts, elected members representing active employees, and elected members representing retirees. The PERS, STRS, and SHPRS boards also include an ex officio member.<sup>10</sup>

The General Assembly has granted similar authority to the systems’ governing boards to make changes to the respective system. However, while overlap exists between the systems, there are differences in the authority granted to each governing board to make changes, including to retirement eligibility, contribution rates, and cost of living adjustments (COLA). The boards have broader discretion regarding investment policies and offering or modifying health care coverage for benefit recipients.

## Contribution rates, benefit eligibility, and cost of living adjustments

Ohio law specifies the employer and employee contribution rates for each system, and generally allows the PERS, STRS, and SERS boards to establish contribution rates up to a statutory maximum within a defined range. PERS also is authorized to calculate the employee contribution rates for employees in PERS-LE and PERS-PS based on guidelines in the statute. The SHPRS Board may set the employee contribution rate within a specified range, and the OP&F Board may adjust the employee contribution rate following an actuarial investigation.<sup>11</sup> Currently, with respect to the contribution rates that may be set within a range, the contribution rates are set at the maximum rate permitted.<sup>12</sup>

The law governing the systems requires each system to pay retirement or disability benefits to eligible members. The STRS, SERS, and OP&F boards have the authority to make changes to the age or years of service required for a member to be eligible for a retirement

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<sup>9</sup> *Erb v. Erb*, 75 Ohio St.3d 18, 22 (1996).

<sup>10</sup> R.C. 145.04, 742.03, 3307.03, 3307.05, 3309.04, 3309.05, and 5505.04.

<sup>11</sup> R.C. 145.47, 145.48, 145.49, 742.31, 742.33, 742.34, 3307.26, 3307.28, 3309.47, 3309.49, and 5505.15.

<sup>12</sup> [Current Contribution Rates and Allocations \(PDF\)](#), which may be accessed by clicking on “Current pension facts” under “About” on the Ohio Retirement Study Council (ORSC) website: [orsc.org](http://orsc.org).

benefit following an annual actuarial valuation or other evaluation.<sup>13</sup> The OP&F Board also has the authority to determine the amount of a disability benefit for members who have a (1) partial and permanent disability incurred on duty and less than 25 years of service credit, or (2) permanent off-duty disability.<sup>14</sup>

Unless an exception applies, Ohio law requires PERS, STRS, and OP&F to grant each benefit recipient an annual COLA and specifies when a recipient becomes eligible to receive the first COLA. SERS is the only system with the discretion to decide whether to grant a COLA to benefit recipients and to determine when a recipient is eligible to receive the COLA. Additionally, SHPRS must grant a COLA to certain benefit recipients and has discretion with respect to others (the difference is based on age and the amount of the recipient's benefit). The STRS, SERS, and SHPRS boards may adjust the percentage of a COLA as set in statute before granting the COLA.<sup>15</sup>

## Health care

The systems are permitted, but not required, to provide health care coverage to benefit recipients. However, the PERS, SERS, OP&F, and SHPRS boards must provide reimbursement of all or part of the Medicare Part B premium (the STRS Board is allowed but not required to reimburse Medicare Part B premiums). PERS and SERS are also required to provide coverage equivalent to Medicare Part A (hospital insurance) for retirants, disability benefit recipients, and spouses who are age 65 or older but not eligible for Medicare. The systems vary as to how they provide coverage currently, and on the eligibility requirements for coverage. A system that provides health care may require a recipient to pay monthly premiums and may also choose to provide coverage to a recipient's dependents.<sup>16</sup>

## Investment authority

Each board manages the funds created to pay for retirement benefits and has full authority to invest the system's funds. For more information on the boards' investment authority, please see the *Members Brief* [Funding Public Retirement Benefits \(PDF\)](#), available on the LSC website: [lsc.ohio.gov](http://lsc.ohio.gov).

## Ohio Retirement Study Council

The General Assembly enacted legislation in 1968 creating the Ohio Retirement Study Council (ORSC) to provide oversight of the state retirement systems to ensure they remain financially solvent.<sup>17</sup> ORSC is statutorily required to review the funding and operations of the systems and study all retirement legislation for actuarial implications, and make related reports to the General Assembly. ORSC also must review copies of rules and other reports the systems

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<sup>13</sup> R.C. 742.161, 3307.58(B)(3), and 3309.34(A)(2)(b).

<sup>14</sup> R.C. 742.39.

<sup>15</sup> R.C. 145.323, 145.561, 145.95, 742.3716, 3307.67, 3309.374, 3309.661, and 5505.174.

<sup>16</sup> R.C. 145.58, 145.581, 145.583, 145.584, 742.45, 742.451, 742.53, 3307.39, 3307.391, 3307.393, 3309.375, 3309.69, 3309.691, 3309.692, 5505.28, 5505.281, and 5505.33.

<sup>17</sup> R.C. Chapter 171.

must submit to ORSC.<sup>18</sup> Additional information on ORSC and copies of its reports are available on the ORSC website: [orsc.org](http://orsc.org).

## Reports and other duties

The law requires ORSC to submit the following reports to the General Assembly:

- An analysis of the probable costs, actuarial implications, and desirability as a matter of public policy of introduced legislation, with a recommendation on the legislation;
- An annual report of its evaluation of and recommendations for the operation of the systems and their funds (also sent to the Governor);
- A semiannual review of the policies, objectives, and criteria of the systems' investment programs (also sent to the Governor);
- At least once every ten years, an independent actuarial review of the systems' annual actuarial valuations and five-year actuarial investigations (also sent to the Governor).<sup>19</sup>

Additionally, ORSC must make an impartial review of all laws governing the systems' administration and financing and submit recommendations for changes to the General Assembly. ORSC also must have a fiduciary performance audit of each system conducted at least once every ten years, review reports submitted to it by each retirement system, and submit recommendations on proposed rules to the Joint Committee on Agency Rule Review. The law allows ORSC to require the systems or any state or local government agency or official to provide necessary information to ORSC and request that the Auditor of State perform or contract for an audit of a system.<sup>20</sup>

## Composition

The ORSC consists of 14 members, including nine appointed, voting members and five ex officio, nonvoting members, as follows:

- Three Governor's appointees who serve three-year terms and must meet certain criteria;
- Six legislators, three appointed by the Speaker of the House and three appointed by the Senate President, who serve during their terms as members of the General Assembly;
- The executive director of each of the five state retirement systems (nonvoting).<sup>21</sup>

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<sup>18</sup> [ORSC Background](#), which may be accessed by clicking on "ORSC Background" under "About" on the ORSC website: [orsc.org](http://orsc.org).

<sup>19</sup> R.C. 171.04 and 171.05.

<sup>20</sup> R.C. 171.03 and 171.04.

<sup>21</sup> R.C. 171.01.