



# EMPLOYER NOTICE

## How Cost Savings Days Could Impact Employees

### WHO SHOULD READ THIS NOTICE

Finance directors, payroll and human resources professionals of OPERS employers.

### SITUATION OVERVIEW

Many public employers may consider implementing cost savings days program and corresponding salary reduction to lower operational costs when there are revenue shortfalls. Each employer's program will likely be different. The implementation of a Cost savings days program and corresponding salary reductions will impact the public employees' retirement accounts.

### HOW THIS WILL IMPACT YOUR EMPLOYEES

**Earnable salary** – Under Ohio retirement law, contributions are remitted to OPERS based on an employee's earnable salary. If an employee's salary is reduced, as a result of cost savings days, the employee will receive service credit based on the earnable salary actually paid to the them.

The current minimum earnable salary necessary to earn a full month's service credit for pension is \$673.08 for 2020 earning periods and \$684.86 for 2021. The current minimum salary to earn a full month's health care credit is \$1000. A reduction in pay may cause some employees to fall short of a full month's service credit for pension and/or health care.

Unfortunately, there is no service credit purchase type that allows the employee to purchase the difference in service credit if they fall short of a full month due to cost savings days.

**Final average salary (FAS)** – Earnable salary is used to determine the employee's FAS (the employee's three or five highest years of compensation, as determined by the employee's retirement group).

If the cost savings days occurred in one of their FAS years, it will impact the employee's benefit calculation because the reduction in salary due to the cost savings days will decrease the employee's FAS. If the cost savings days does not fall in a year that is used to calculate the FAS, there will be no change.

**Refunds** – If an employee applies for a refund of their OPERS account, they are paid the accumulated contributions, which are employee contributions and interest, and the additional amount permitted by law.

Since the additional amount is based on accumulated contributions and service credit at the time of the refund, any reduction in service credit could affect the amount paid.

The salary reduction due to cost savings days will also result in decreased employee contributions which will be reflected in the employee's account value should they elect to refund their account.

#### WHOM TO CONTACT FOR MORE INFORMATION

If your employee is nearing retirement and has concerns about the impact of cost savings days on his or her OPERS account and benefits, the employee should contact Member Services at 800-222-7377 to schedule a time to discuss his or her account with a counselor.

After reviewing this Employer Notice, contact Employer Outreach with any additional questions at 888-400-0965 or by email at [employeroutreach@opers.org](mailto:employeroutreach@opers.org).

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