

then the difference shall be transferred from the annuity and pension reserve fund to another fund as required. In determining the amount of a member's account following the termination of disability retirement for any reason, the total amount paid shall be charged against the member's refundable account.

(I) If a disability allowance paid under section 3307.631 of the Revised Code is terminated for any reason, the reserve on the allowance at that time in the annuity and pension reserve fund shall be transferred from that fund to the employers' trust fund.

If a (J) A former disability benefit recipient shall receive credit for the period as a disability benefit recipient if either of the following occurs:

(1) The former disability recipient again becomes a contributor, other than as an other system retirant under section 3307.35 of the Revised Code, to this retirement system, in the STRS defined benefit plan or to the school employees retirement system, or the public employees retirement system in the PERS defined benefit plan, and completes at least two additional years of service credit, the former disability benefit recipient shall receive credit for the period as a disability benefit recipient.

(2) The former disability benefit recipient again becomes a contributor, other than as an other system retirant under section 3307.35 of the Revised Code, to this retirement system in the STRS defined contribution plan and completes at least two additional years of service credit.

Credit may be received for more than one period of leave as a disability benefit recipient, except that for credit received on or after July 1, 2013, the total number of years received shall not exceed the lesser of the years of contributing service following the termination of disability benefits or five years of total service credit.

Sec. 3307.501. (A) As used in this section, "percentage increase" means the percentage that an increase in compensation is of the compensation paid prior to the increase.

(B) Notwithstanding division (L) of section 3307.01 of the Revised Code, for For the purpose of determining final average salary under this section, "compensation" has the same meaning as in that division section 3307.01 of the Revised Code, except that it does not include any amount resulting from a percentage increase paid to a member during the member's two highest years of compensation that, and any partial year of compensation as determined under divisions (C)(1) and (2) of this section to which the percentage increase also applies, if the percentage increase exceeds the greater of the following:

(1) The highest percentage increase in compensation paid to the member during any of the three years immediately preceding the earlier of the member's two highest years of compensation and any subsequent partial year of compensation used in calculating the member's final average salary;

(2) A percentage increase paid to the member as part of an increase generally applicable to members employed by the employer. An increase shall be considered generally applicable if it is paid to members employed by a school district board of education in positions requiring a license issued under section 3319.22 of the Revised Code in accordance with uniform criteria applicable to all such members or if paid to members employed by an employer other than a school district board of education in accordance with uniform criteria applicable to all such members.

(C) The state teachers retirement board shall determine the final average salary of a member as follows:

(1) For benefits beginning before August 1, 2015, by dividing the sum of the member's

annual compensation for the three highest years of compensation for which the member made contributions plus any amount determined under division (E) of this section by three, except that if the member has a partial year of contributing service in the year the member's employment terminates and the compensation for the partial year is at a rate higher than the rate of compensation for any one of the member's highest three years of compensation, the board shall substitute the compensation for the partial year for the compensation for the same portion of the lowest of the member's three highest years of compensation;

(2) For benefits beginning on or after August 1, 2015, by dividing the sum of the member's annual compensation for the five highest years of compensation for which the member made contributions plus any amount determined under division (E) of this section by five, except that if the member has a partial year of contributing service in the year the member's employment terminates and the compensation for the partial year is at a rate higher than the rate of compensation for any one of the member's highest five years of compensation, the board shall substitute the compensation for the partial year for the compensation for the same portion of the lowest of the member's five highest years of compensation.

If a member has less than the requisite years of contributing membership, the member's final average salary shall be the member's total compensation for the period of contributing membership plus any amount determined under division (E) of this section divided by the total years, including any portion of a year, of contributing service.

For the purpose of calculating benefits payable to a member qualifying for service credit under division (I) of section 3307.01 of the Revised Code, the board shall calculate the member's final average salary by dividing the member's total compensation as a teacher covered under this chapter plus any amount determined under division (E) of this section by the total number of years, including any portion of a year, of contributing membership during that period. If contributions were made for less than twelve months, the member's final average salary is the total amount of compensation paid to the member during all periods of contributions under this chapter.

(D) Contributions made by a member ~~and an employer~~ on amounts that, pursuant to division (B) of this section, are not compensation or are not included, pursuant to division (E) of this section, for the purpose of determining final average salary shall be treated as additional deposits to the member's account under section 3307.26 of the Revised Code and used to provide additional annuity income.

(E) The state teachers retirement board shall adopt rules establishing criteria and procedures for administering this division.

The board shall notify each applicant for retirement of any amount excluded from the applicant's compensation in accordance with division (B) of this section and of the procedures established by the board for requesting a hearing on this exclusion.

Any applicant for retirement who has had any amount excluded from the applicant's compensation in accordance with division (B) of this section may request a hearing on this exclusion. Upon receiving such a request, the board shall determine in accordance with its criteria and procedures whether, for good cause as determined by the board, all or any portion of any amount excluded from the applicant's compensation in accordance with division (B) of this section, up to a maximum of seventy-five hundred dollars, is to be included in the determination of final average

salary under division (C) of this section. Any determination of the board under this division shall be final.

Sec. 3307.514. (A) As used in this section:

(1) "Compensation" has the same meaning as in section 3307.01 of the Revised Code except that in the case of an electing employee, "compensation" means the amount that would be the electing employee's compensation if the electing employee was a member of the state teachers retirement system.

(2) "Compensation ratio" means the ratio for the most recent full fiscal year for which the information is available of the total compensation of all electing employees to the sum of the total compensation of all the retirement system's members in the STRS defined benefit plan and the total compensation of all electing employees.

(3) "Electing employee" means a participant in an alternative retirement plan provided pursuant to Chapter 3305. of the Revised Code who would otherwise be a member of the retirement system.

(4) "Historical liability" means the portion of the retirement system's total unfunded actuarial accrued pension liability attributed to the difference between the following:

(a) The cumulative contributions received under division (D) of section 3305.06 of the Revised Code on behalf of electing employees since the establishment of the alternative retirement plan;

(b) The cumulative contributions toward the unfunded actuarial accrued liability of the retirement system that would have been made if the electing employees had been members of the retirement system in the STRS defined benefit plan.

(B) The state teachers retirement board shall contract with an independent actuary to complete an actuarial study to determine the percentage of an electing employee's compensation to be contributed by a public institution of higher education under division (D) of section 3305.06 of the Revised Code. The initial study must be completed and submitted by the board to the department of higher education not later than December 31, 2016. A subsequent study must be completed and submitted not later than the last day of December of every fifth year thereafter.

(C) For the initial study required under this section, the actuary shall determine the percentage described in division (B) of this section as follows:

(1) The actuary shall calculate a percentage necessary to amortize the historical liability over an indefinite period.

(2) The actuary shall calculate a percentage necessary to amortize over a thirty-year period the amount resulting from multiplying the compensation ratio by the difference between the following:

(a) The unfunded actuarial accrued pension liability of the STRS defined benefit plan;

(b) The historical liability.

(3) The percentage to be contributed under division (D) of section 3305.06 of the Revised Code shall be one-fourth of the sum of the percentages calculated under divisions (C)(1) and (2) of this section, not to exceed four and one-half per cent.

(4) To make the calculations and determinations required under divisions (C)(1) and (2) of this section, the actuary shall use the most recent annual actuarial valuation under section 3307.51 of