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Analysis

Am. S.B. 119 - Sen. Austria (As Passed by the Senate)

September 19, 2001

ORSC Position

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The bill would provide for complete portability of service credit covered by one of the five state retirement systems and the Cincinnati Retirement System, including military service credit, when members make multiple transfers between the non-uniform employee retirement systems (PERS, STRS, SERS) and the uniform employee retirement systems (OP&F, HPRS). Such service credit purchased or transferred under existing law, along with any contributions made or transferred for the credit, would follow the individual from one Ohio retirement system to another Ohio retirement system in order to preserve the individual's total service credit for purposes of calculating retirement benefits.

Existing law governing the purchase or transfer of service credit between the non-uniform retirement systems and the uniform retirement systems fails to address the situation where an individual makes multiple membership changes between the non-uniform retirement systems and the uniform retirement systems during the individual's public career in Ohio. The bill would address this situation by providing for complete portability of such service credit, together with the requisite contributions to cover the liability to the retirement system paying the benefit.

Staff Comments - By way of background, Sub. H.B. 648 (eff. 9/16/98) provided that in the direct transfer of service between the non-uniform employee retirement systems (PERS, STRS, SERS) and the uniform employee retirement systems (OP&F, HPRS), one system shall transfer to the other system the following amounts: (1) the member's accumulated contributions for each year of service, including any payments for purchased military service; (2) the lesser of the employer contributions which were made for each year of service or the employer contributions which would have been made for each year of service had the member rendered such service in the other retirement system involved; (3) annual compound interest on the above amounts from the last day of the year for which the service credit was earned or in which the military service was purchased to the date the transfer is made. The interest shall be calculated separately for each year of service credit at the lesser of the actuarial interest rate assumption for that year of the two retirement systems involved.

Sub. H.B. 648 also provided that in the direct purchase of such service, the member shall pay into the present retirement system an amount equal to the member's accumulated contributions refunded by the former retirement system, including any payments for purchased military service, with annual compound interest from the date of refund to the date of payment. Upon receipt of the member's payment, the present retirement system shall notify the former retirement system, which shall transfer the lesser of the employer contributions which were made for each year of service or the employer contributions which would have been made for each year of service had the member rendered such service in the present retirement system, with annual compound interest thereon, as described in the above paragraph. The former retirement system shall also transfer annual compound interest on the member's accumulated contributions from the last day of the year for which the service was earned or the military service was purchased to the date the contributions were refunded to the member. The member may choose to purchase only

part of the service in any one payment, subject to board rule.

Prior to Sub. H.B. 648, no employer contributions were transferred between the non-uniform retirement systems and the uniform retirement systems. Thus, Sub. H.B. 648 was intended to address in large measure the additional liabilities resulting from these types of transfers/purchases of service credit.

S.B. 119 builds upon the model established in Sub. H.B. 648 to ensure that individuals that make multiple membership changes between the non-uniform systems and the uniform systems are provided the opportunity to retain all service credit previously purchased or transferred. S.B. 119 also ensures that the retirement system paying the benefit is provided the requisite contributions, as described above, to cover the additional liability resulting therefrom.

Fiscal Impact - The bill would have no negative fiscal impact upon the retirement systems.

ORSC Position - At its meeting of June 20, 2001 the ORSC voted to recommend that the 124th Ohio General Assembly approve S.B. 119.