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Final Report

Legislation Affecting the Operations of the State Retirement Systems and Their Funds

122nd General Assembly
January 1, 1997 - December 31, 1998

December, 1998

PENSION LEGISLATION

122ND GENERAL ASSEMBLY

JANUARY 1, 1997 - DECEMBER 31, 1998

December, 1998

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Introduction

The Ohio Retirement Study Council (ORSC) is pleased to submit this legislative report on the five state retirement systems and the fund for volunteer firefighters for the period beginning January 1,1997 and ending December 31, 1998.

This report provides a historical record of legislative action taken by the 122nd Ohio General Assembly on bills affecting the Public Employees Retirement System (PERS), the State Teachers Retirement System (STRS), the School Employees Retirement System (SERS), the Police and Firemen's Disability and Pension Fund (PFDPF), the Highway Patrol Retirement System (HPRS) and the Volunteer Fire Fighters' Dependents Fund (VFFDF).

The report consists of three separate documents: Reports on House and Senate Bills Enacted; Subject Index of Pension Bills Introduced; and Status of Pension Legislation.

The Reports on House and Senate Bills Enacted provide a detailed examination of each bill enacted into law during the 122nd Ohio General Assembly, including the name of the principal sponsor, a description of its contents, its fiscal impact, the ORSC position and its effective date. These reports are intended to give the reader an awareness and understanding of all substantive changes made to the state retirement plans; they are not intended to serve as a substitute for the statutory laws governing these plans.

The Subject Index of Pension Bills Introduced provides a listing of legislation under subject headings and a key word description within the subject heading. Bills which covers more than one subject area are listed under all appropriate headings. All subject headings are listed at the beginning of the index for quick reference.

The Status of Pension Legislation provides a final record of the legislative action taken on pension bills at each step of the legislative process from the date of introduction to the date of enactment, including the committee assignments in each house of the Ohio General Assembly, the date reported by the committees, the date passed by each house and the date reported by a conference committee and/or concurred in by the other house. Also provided are a brief description of the subject of the pension bill, the ORSC position on the bill and a listing of the most recent staff memorandum or report which is available from the ORSC. A key to all abbreviations used in the Status of Pension Legislation is found on the last page.

122nd Ohio General Assembly in Review

The Joint Legislative Committee to Study Ohio's Public Retirement Plans (JLC) was established last session to review the laws and operations of the five state retirement systems. A major part of the review involved an independent study into the causes of the high rates of disability among police officers and firefighters, as recommended by the ORSC in its 1994 legislative report regarding the adequacy of the police and fire contribution rates. The disability study, prepared by the William M. Mercer Company, was completed at the end of last session. Consequently, the JLC was reestablished this session to consider the findings and recommendations of the study and complete its work in the area of disability retirement.
One of the pervasive findings of the disability study was the general lack of objective criteria to guide the police and fire retirement board's administration and determination of disability awards. Though the focus of the study was limited to the police and fire retirement system, the study considered best industry practices in both the private and public sectors to formulate its recommendations regarding effective disability management, a common interest for all five retirement systems. It also raised, for legislative consideration, significant public policy issues of equal relevance to all five systems.

Sub. H.B. 648, which became effective on September 16, 1998, is based largely upon the recommendations included in the Mercer study. The bill is the end result of a comprehensive, thorough and open review process of each retirement system's disability provisions over the course of 30 hearings and numerous meetings. It generally builds into each retirement system's disability process objective criteria that eliminate as much subjectivity as possible. It also builds into the disability process effective controls for monitoring the current status of those receiving disability benefits. In addition, the bill makes several changes in areas other than disability that are designed to strengthen the fiscal integrity of each retirement system, including the transfer of employer contributions between the five systems to fund the additional liabilities which are created when members transfer service from one system to another system.

Significant public policy changes were also made in H.B. 648 regarding spouses' and children's benefit rights. Surviving spouses in all five systems may now remarry at any age without forfeiting their benefits; spouses whose benefits were previously terminated upon remarriage may apply for reinstatement of their benefits. In addition, spouses of members retiring on or after the effective date of the bill are guaranteed a 50% joint and survivor annuity unless they give their informed, written consent to waive the annuity. Surviving children under age 22 are also guaranteed benefits in PERS, STRS and SERS; previously, the member's spouse or designated beneficiary could elect to take a refund of the member's contributions, which had the effect of cutting off any benefit payments to the remaining survivors. All of these changes recognize the societal interest in providing financial security to not only the member, but also the member's family.

Several benefit improvements were also enacted this session. The benefit formulas were increased for teachers retiring with over 31 years of service (H.B. 339 - eff. August 6, 1997), school employees retiring with over 30 years of service (H.B. 673 - eff. December 8, 1998) and state highway patrol officers retiring with over 25 years of service (H.B. 648) in an effort to retain members beyond the minimum eligibility requirements for normal service retirement. The Medicare Part B reimbursement rates in STRS (H.B. 648), SERS (H.B. 673) and HPRS (H.B. 648) were also increased in recognition of the continual increases in the Medicare Part B premiums paid by retired teachers, school employees and highway patrol officers; PERS and PFDPF continue to reimburse retirees in full for the Medicare Part B premium in accordance with their governing statutes. Surviving spouses and dependents of police and fire members saw their first benefit increase in 10 years and, for the first time, will become eligible for an annual cost-of-living adjustment (H.B. 194 - eff. December 21, 1998). Providing similar benefit increases to future surviving spouses of police and firefighters is a legislative priority and the subject of a legislative study to be prepared by the ORSC early next year.

The ORSC consulting actuary, Milliman & Robertson (M&R), recently completed an independent review of each retirement system's funding of benefit costs. M&R found that the favorable investment returns since 1994 had significantly improved the funded status of all five retirement systems. M&R noted that recent legislation expanding the systems' investment authority had allowed the systems to make significant modifications to their investment policies in order to improve long-term investment performance. M&R questioned why the two largest pension funds, PERS and STRS, both with assets in excess of $40 billion, should adopt such different long-term asset allocations. M&R cautioned that unlike PERS and HPRS, the other three retirement systems have not actuarially funded health insurance benefits in the past and will face greater pressure to increase retiree contributions and/or reduce health insurance coverage. M&R also found that the issuance of pension obligation bonds does not appear to be an optimal strategy for the state to fully fund the remaining unfunded liabilities in STRS, SERS and PFDPF.

M&R recommended that consideration should be given to reducing the contribution rates in PERS and HPRS. The HPRS board has subsequently acted to reduce the employer contribution rate by one-half of one percent, which is generally consistent with M&R's recommended change. The

PERS board has recently acted to keep contribution rates at the current levels in all three divisions, citing the cost of anticipated benefit changes in PERS next session and other factors for the board's decision.

Washington in Review

On the positive side, the Taxpayer Relief Act of 1997 included significant relief for governmental pension plans in their efforts to comply with federal tax qualification requirements. The Act generally exempts public employee retirement systems from nondiscrimination, coverage and participation requirements of the Internal Revenue Code, effective for taxable years beginning on or after August 5, 1997, with retroactive amnesty for all preceding years. By doing so, the law eliminates the uncertainty public plans have faced over the past several years regarding compliance with these complex rules.

The Act also provides relief from the maximum limitations established under Section 415 of the Internal Revenue Code relative to the purchase of service credit. First and foremost, to protect public employees against reductions in the benefits they have accrued or currently are entitled to accrue, the Act validates all purchases of service credit that have already occurred and permits current members, and other persons who first become members before 1998 (or later in certain circumstances), to purchase service in the future under the terms of the plan as in effect on August 5, 1997 without regard to the Section 415 limits. For new plan members, the Act provides that member contributions to purchase "permissive" service credit will be subject to either a special contribution limitation or a special benefit limitation. Under these rules, either the accrued benefit derived from all contributions used to purchase permissive service credit must be taken into account in determining whether the benefit limitation is satisfied (without regard to any early retirement reductions); or all such contributions must be taken into account to determine whether the contribution limitation is satisfied (without regard to the 25 percent of compensation limitation). In addition, the Act exempts from the Section 415 limits repurchases of Prior service credit forfeited upon the member's withdrawal of contributions.

The Act provides additional relief for public safety officers by exempting them from the early retirement reductions to the Section 415 benefit limitations. Thus, the pension for qualified public safety officers will be limited only by the benefit limitation at the Social Security retirement age, currently $130,000, regardless of when they retire and begin their pension. The Act also makes another favorable change to public safety officers and their families by excluding from gross income any survivor benefits attributable to service by a public safety officer killed in the line of duty, effective for taxable years beginning after December 31, 1996.

On the negative side, one of the hottest topics of debate is Social Security reform. Several Social Security reform proposals seeking to save the federal program from insolvency include mandatory Social Security coverage for newly hired state and local government employees. Social Security reform is expected to consume much of the new Congress's attention and energy, and poses a serious challenge to Ohio's public pension funds and their participants.

REPORTS ON HOUSE BILLS ENACTED

122ND GENERAL ASSEMBLY

JANUARY 1, 1997 - DECEMBER 31, 1998

Sub, H.B. 26

This act generally revises the composition and procedures for the appointment of the board of directors of a sanitary district organized to provide a water supply for domestic, municipal, and public use that includes two municipal corporations in two counties, and makes changes relative to the Sanitary Districts Laws. This analysis describes only the provision of the act that relates to membership in the Public Employees Retirement System (PERS).

This act specifically excludes members of the board of directors of any sanitary district established under the Sanitary Districts Law from membership in PERS. Therefore, these individuals are not required to contribute to PERS and are not eligible to receive benefits under PERS. Under prior law, members of the board of directors of a sanitary district were not excluded from membership in PERS.

Fiscal Impact

This act has no fiscal impact on PERS.

ORSC Position

The Ohio Retirement Study Council took no action on H.B. 26.

Effective Date

May 6, 1998 (emergency)

Sub, H.B. 194

Generally, Am. Sub. H.B. 194 makes the following changes in the Police and Firemen's Disability and Pension Fund (PFDPF):

- Increases the statutory survivor benefit for the following groups of surviving spouses from $410 to $550 per month, effective July 1, 1999, and indexes it to the average percentage change in the Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI- up to a maximum of three percent, which shall be applied to the $550 base, effective July 1, 2000 **and the first of July in each year thereafter:**

  - All current surviving spouses of members who retired prior to September 16, 1998;

  - All current and future surviving spouses who cease to be eligible for the deceased member's full monthly salary, as indexed, under the firemen and Policemen's Death benefit Fund;

  - Future surviving spouses of members who retired prior to September 16, 1998 and who die within one year of the effective date of the bill; and

  - Future surviving spouses of members who are *not* eligible for service retirement at the time of death and who are *not* killed in the line of duty.

Excluded from the bill are spouses of members who retire on or after September 16, 1998; spouses who are receiving or eligible for the deceased member's full monthly salary, as indexed, under the Death Benefit Fund; and spouses of members who, on or after September 16, 1998, are eligible for service retirement at the time of death. Their statutory survivor benefit remains $410 per month. (R.C. §§742.37, 742.3718)

- Provides current retirees who retired prior to September 16, 1998 and who did not elect a joint/survivor annuity option at the time of retirement a one-year window to elect a joint/survivor annuity providing the actuarial equivalent of the retiree's allowance for life, and such allowance or a portion thereof to the retiree's spouse for life. The PFDPF board shall notify these retirees in writing, no later than 30 days after the effective date of the bill, of the available election and the consequences of failure to make the election. Retirees wishing to make the election shall notify the board not later than 120 days after the effective date of the bill. The board shall advise the retiree of the joint/survivor annuity options and have a determination made of the monthly benefit payable under the option selected by the retiree. No later than one year after the effective date of the bill, the retiree shall file another statement, on a form provided by the board, that the retiree elects to receive benefits under the joint/survivor annuity option specified in the statement. Benefits under the joint/survivor annuity option shall commence on the first day of the first month following filing of the statement with the board.

Spouses of retirees who die within the one-year window become eligible for the increased statutory survivor benefits provided under the bill. Spouses of retirees who die after the one-year window continue to receive $410 per month. (R.C.§§742.3715, 742.3718)

- Increases the statutory survivor benefit for current and future surviving children under age 18 (22 if student) of members from $118 to $150 per month effective July 1, 1999. Upon receiving a benefit for twelve months, the surviving child would become eligible for an annual percentage cost-of-living allowance (COLA), up to a maximum of three percent, as provided under existing law. The first COLA increase is payable to eligible children beginning July 1, 2000.

<u>Sub, H.B. 194</u>

Excluded from the bill are surviving children who are receiving or become eligible for benefits under the Death Benefit Fund that are based on the deceased member's full monthly salary, as indexed. (R.C. §§742.37, 742.3720)

- Increases the statutory survivor benefit for current and future dependent parents of members from $79 to $ 100 per month for each parent, or $158 to $200 per month for one parent effective July -1, 1999. Upon receiving a benefit for twelve months, dependent parents would become eligible for an annual percentage COLA, up to a maximum of three percent, as provided under existing law. The first COLA increase is payable to eligible parents beginning July 1, 2000. (R.C. §§742.37, 742.3720)

- Increases the monthly benefit of individuals who are receiving on July 1, 1999 a service benefit, an on-duty permanent and total disability benefit, or an off-duty disability benefit based on **an award made prior to September 16, 1998** of less than $550 to $550. The increase to $550 shall be used for purposes of calculating the annual percentage COLA.

Excluded from the bill are individuals who are receiving an on-duty partial disability benefit on July 1, 1999 and individuals who are receiving a benefit based on the reduced benefit formula applicable to members who voluntarily resign or are discharged with at least 15 years of service. (R.C. §§742.3718, 742.39)

- Makes the above benefit increases described above retroactive to January 1, 1998 by providing a one-time lump sum payment, no later than the first day of the second month following the effective date of the bill, to eligible survivors and retirees. If the recipient of the lump sum payment dies before July 1, 1999, the fund shall not recover any portion of the payment made. The maximum lump sum payment is limited to $2,520. The bill also includes an emergency clause due to the significant loss of purchasing power suffered by these survivors and retirees as a result of inflation. (Sections 5 and 6 of the bill)
- Requires the Ohio Retirement Study Council to prepare and submit the following reports to the chairpersons of the standing committees of the House and Senate with primary responsibility for retirement legislation no later than one year after the effective date of the bill:

    - A review of the COLA provisions of all five statewide retirement systems in Ohio, including the fiscal impact upon the systems of providing an annual three percent COLA that is not based on the Consumer Prices Index and, in the case of PFDPF, of removing limitations on the COLA eligibility requirements.

    - A review of the plan adopted by the PFDPF board to reduce the fund's amortization period to 30 years by December 31, 2006, including the establishment of criteria to ensure the fund's compliance with such plan.

    - A review of the benefits paid to spouses of members who retired before September 16, 1998, including the fiscal impact upon PFDPF of increasing the benefits paid to some or all of these spouses. (Section 4 of the bill)

- Authorizes a township to enter into an agreement with the PFDPF board to make a single payment to pay off its pre-1967 debt at a negotiated discount, and authorizes it to issue Chapter 133. securities, including special obligation securities, with a maturity date no later than December 31, 2035, for the purpose of providing some or all of the funds required to satisfy the township's obligation under the agreement. The bill permits a township to enter into agreements with other townships or municipal corporations to issue Chapter 133.

securities on behalf of those townships or municipal corporations. Similarly, the bill permits a municipal corporation to enter into agreements with other municipal corporations for the purpose of issuing such securities. (R.C. §§133.09, 133.20, 505.265, 717.07, and 742.30)

Background - Individuals receiving statutory survivor benefits from PFDPF have not had a benefit increase since 1988 (H.B. 389 - effective July 1, 1988).[1] These statutory survivor benefits are *not* subject to the annual COLA applicable to all other benefits provided by PFDPF.

In addition to the statutory survivor benefits described above, PFDPF surviving beneficiaries may qualify for other benefits. PFDPF members who retired on or after February 28, 1980 could elect to receive an actuarially-reduced retirement allowance for life, with the same allowance or some portion thereof continuing to be paid to the surviving spouse for life.[2] The joint/survivor annuity is in addition to the statutory survivor benefit provided by PFDPF, and is subject to the annual COLA.

PFDPF members who retired prior to February 28, 1980 were provided a one-year window beginning September 1984 and ending September 1985 to elect a joint/survivor annuity option.

Surviving spouses of active members who are eligible for service retirement at the time of death automatically qualify for a 50% joint/survivor annuity, in addition to the statutory survivor benefits provided by PFDPF.

Surviving spouses of active members who are killed in the line of duty or die from injuries sustained in the line of duty qualify for benefits under the Death Benefit Fund. The annual benefit is equal to the full salary of the deceased member, plus any increases in salary the member would have been granted, minus any survivor benefits provided by PFDPF. The benefit is payable until the earlier of the spouse's remarriage or the date the member would have first become eligible for service retirement. Upon the deceased member's service retirement eligibility date, the benefit is reduced by one-half, with no further offset for the statutory survivor benefit provided by PFDPF.

Surviving spouses of members who retire on or after September 16, 1998 have a legal right to a 50% joint/survivor annuity, in addition to the statutory survivor benefits provided by PFDPF, unless they give their informed written consent to waive it.

Therefore, the group of surviving spouses who, prior to enactment of this bill, qualify for only $410 per month is limited to the following:

- surviving spouses of members who retired prior to February 28, 1980 and died prior to September 1985 without having had an opportunity to elect a joint and survivor annuity during the one-year window;

1 The statutory survivor benefits provided by PFDPF apply to survivors of both active and retired members. In contrast, the statutory survivor benefits provided by PERS, STRS and SERS apply to survivors of active members only. Retirees of these retirement systems must elect an actuarially-reduced joint and survivor annuity in order to provide any survivor income protection after their death.

2 Effective July 24, 1990 married members who elect a single life annuity or a joint and survivor annuity providing less than one-half of the member's pension to the surviving spouse are required to provide a written statement signed by the spouse acknowledging such election. Effective September 16, 1998 the spouse's informed written consent is required to waive the spouse's right to a 50% joint and survivor annuity.

- surviving spouses of active members who are *not* eligible for service retirement at the time of death and whose deaths are *not* duty-related.

- surviving spouses of retired members who had an opportunity, but chose *not* to elect a joint/survivor annuity (perhaps without the spouse's knowledge prior to July 24, 1990 and without the spouse's consent prior to September 16, 1998).

Fiscal Impact - The Council's actuary, Milliman & Robertson (M&R), has determined that $127.5 million is the maximum additional liability that can be financed by PFDPF based on the latest actuarial data without increasing contributions and without jeopardizing the fund's ability to obtain a 30-year funding period no later than calendar year end 2006, as required by law. In order to stay within these financial constraints, it is not possible at this time to provide the benefit increases proposed under the bill to all PFDPF surviving spouses, the total cost of which has been determined by M&R to be $256.9 million. Therefore, the bill seeks to provide, within the fund's available resources as determined by the Council' actuary, benefit improvements to those PFDPF survivors and retirees who are among the most needy and dependent upon the legislature for financial relief. The bill is also premised on current and future retirees assuming responsibility for the financial welfare of their spouses.

M&R has determined that the above benefit improvements would create $92.2 million additional liability to PFDPF, which falls within the $127.5 million it recommended could be financed without increasing contributions and without jeopardizing the fund's ability to reduce its funding period to 30 years no later than calendar year 2006, as required by law. The actual election patterns of retirees who are provided a one-year window to select a joint/survivor annuity may produce a cost to the fund, though any attempt to estimate such potential cost would be too speculative.

ORSC Position - At its meeting of November 5, 1998 the Ohio Retirement Study Council voted to recommend that the Ohio General Assembly approve Sub H.B. 194 with the following amendments which have been incorporated into Am. Sub. H.B. 194:

- That the proposed benefit increases to eligible survivors and retirees be made retroactive to January 1, 1998 by providing a one-time lump sum payment, and declare an emergency.

- That the ORSC review the cost-of-living provisions in all five statewide retirement systems, including the fiscal impact upon the systems of providing a fixed three percent annual COLA and, in the case of PFDPF, of removing the limitations in the existing COLA eligibility requirements; review the plan adopted by the PFDPF board to reduce the fund's amortization period to 30 years no later than calendar year end 2006, as required by law, including criteria for ensuring compliance with such plan; and review the benefits paid to spouses of PFDPF members who retired prior to September 16, 1998, including the fiscal impact upon the fund of increasing such benefits to some or all of these spouses.

- That a municipal corporation be permitted to enter into agreements with other municipal corporations to issue on behalf of those municipal corporations securities for the purpose of paying off the municipal corporations' pre-1967 accrued liabilities to PFDPF on a discount basis negotiated by the fund and municipal corporations.

- LSC technical amendment.

Effective Date - December 21, 1998

This act makes appropriations for the operation of the state for the biennium beginning July 1, 1997, and ending June 30, 1999. This analysis describes only the provisions of the act that relate to the Ohio retirement systems.

The act provides that Ohio Public Employees Deferred Compensation Board members are trustees of the deferred funds and must perform their duties solely in the interest of and for the exclusive benefit of the participating employees, continuing members, and their beneficiaries. It also eliminates "regulated investment trusts" as one of the options for investment by the board. (R.C. § 145.73)
The act also adds the governing authority of any community school established under Chapter 3314 of the Revised Code to the definition of "employee' as used in Chapters 3307 and 3309. It also adds any person employed as a teacher in a community school to the definition of "teacher" as used in Chapter 3307.

Listed below are appropriations included in the act for state subsidies to the five state pension funds, appropriations to the FPDBF, separate totals of each, and a combined total of the two:

GRF No.	Description	FY 98	FY 99	Total
090-510	PERS Cost of living	$ 2,028	$ 1,633	3,661
090-511	STRS Cost of Living	3,300		3,000
090-512	SERS Cost of Living	700		700
090-520	PERS Pension Benefits	576,435	492,982	1,069,417
090-521	STRS Pension Benefits	485,000	460,000	945,000
090-522	SERS Pension Benefits	116,000	95,000	211,000
090-523	Highway Patrol Retirement System	4,776	4,600	9,376
090-524	Police and Fire Disability Pension	80,000	75,000	155,000
090-530	PERS Ad Hoc Cost of Living	1,633,500	1,482,112	3,115,612
090-531	STRS Ad Hoc Cost of Living	2,300,000	2,200,000	4,500,000
090-532	SERS Ad Hoc Cost of Living	303,000	267,000	570,000
090-533	HPRS Ad Hoc Cost of Living	27,681	27,500	55,181
090-534	PFDPF Ad Hoc Cost of Living	410,000	395,000	805,000
090-544	Police and Fire State Contribution	1,200,000	1,200,000	2,400,000
090-554	Police and Fire Survivor Benefits	2,130,000	2,010,000	4,140,000
State Pension Fund's Subsidies Total		9,272,420	8,714,527	17,986,947
090-575	Police and Fire Death Benefits	17,500,000	19,300,000	36,800,000
Combined Total		26,772,420	28,014,527	54,786,947

Effective Date
June 30, 1997 (emergency)

Am. H.B. 339

The bill makes the following changes to the State Teachers Retirement System (STRS):

- Increases the minimum annual single-life annuity from $6,000 ($500/month) to $9,600 ($8Mmonth) or its actuarial equivalent for retired teachers and their beneficiaries who are receiving, on the effective date of the bill, a service retirement benefit based on 30 or more years of Ohio service credit. The benefit increase shall take effect on the first day of the month following the effective date of the bill. (R.C. §3307.384)

  The current minimum annual pension of $6,000 was established in S.B. 162 (eff. 7/20/88) for retired teachers and their beneficiaries who were receiving, on or before July 20, 1988, a service retirement benefit based on 30 or more years of Ohio service credit.

- Provides an ad hoc post-retirement increase to retired teachers and their beneficiaries who, on the effective date of the bill, are receiving service, disability or survivor benefits that have been payable for at least twelve months. (R.C. §3307.4013)

  The retirement board shall determine an amount equal to the sum of the following:

  - an amount equal to 70% of the member's original benefit amount; plus

  - an amount equal to 70% of the member's original benefit amount multiplied by the cumulative percentage change in the CPI-W from December 31 of the year immediately preceding the year in which the benefit commenced to December 31 of the year immediately preceding the effective date of the bill.

If the member's benefit on the effective date of the bill is less than the amount determined by the board, the benefit shall be increased to such amount. For members whose retirement became effective prior to July 1, 1979, the benefit shall be increased to no less than 103% of the annual benefit payable on the effective date of the bill.

The benefit increase shall take effect on the first day of the month following the effective date of the bill, and shall be included for purposes of calculating the annual cost-of-living allowance (COLA).

The last ad hoc post-retirement increase was enacted in S.B. 329 (eff. 4/10/91). The following increases were made payable beginning June 1, 1990 for benefit recipients whose awards became effective prior to July 1, 1979:

Effective Date of Award	Percentage Increase in Benefit
Prior to July 1, 1971	4.15%
July 1, 1971 through August 31, 1976	2.65%
September 1, 1976 through June 30, 1979	1.4%

- Increase the service retirement benefit formula for teachers who retire with over 31 years of contributing service credit. (R.C. §3307.38, Section 3 of the bill)

Am. H.B. 339

Currently, the benefit formula for service retirement is 2. 1 % for the First 30 years of contributing service, plus 2.5% for each year of contributingservice over 30 years.

The benefit multiplier would increase by 0. 1% for each year of contributing service over 31 years as follows:

Year of Contributing Service Credit	Benefit Multiplier for That Year
30.01 - 31.00	2.5%
31.01 -32.00	2.6%
32.01 -33.00	2.7%
33.01 -34.00	2..8%
34.01 -35.00	2.9%
35.01 -36.00	3.0%
36.01 -37.00	3.1%
37.01 -38.00	3.2%
38.01 -39.00	3.3%
39.01 -40.00	3.4%
40.01 -41.00	3.5%
41.01 -42.00	3.6%
42.01 -43.00	3.7%

Teachers who retired on or after July 1, 1997 but before the effective date of the bill based on 31 or more years of contributing service may apply, no later than December 31, 1997, to have their service retirement benefit recalculated in accordance with the new benefit formula. The STRS board shall make one additional payment to the applicant equal to the difference between the original benefit amount and the recalculated benefit amount the applicant would have received had the bill gone into effect on July 1, 1997.

The service retirement benefit formula was last increased in H.B. 293 (eff. 9/15/89) from 2.0% for each year of service to 2. 1 % for each year of service, except that each year of contributing service over 30 is credited at 2.5%.

- The bill includes an emergency clause in order to regain some of the lost purchasing power suffered by teachers who retired in the 1960s and 1970s due to inflation. (Section 4 of the bill)

Background - In 1970 an annual cost-of-living allowance (COLA) was adopted for retired teachers and their beneficiaries. It now provides for an annual increase equal to the actual percentage change in the CPI-W or such change plus anyprior accumulations, up to a maximum of three percent, to all STRS benefit recipients on the rolls for at least twelve months. The COLA increase is based on the member's original benefit amount, unless a new base is established by the legislature; the COLA increase is not calculated on a compound basis. Any percentage change In excess of three percent is "banked." Each group of benefit recipients has a separate bank based on the effective date of the benefit; therefore, the banks are generally greater for those retired longer than those retired more recently. Since the first COLA payable on July 1, 197 1, STRS has paid out more than $231.9 million.

In 1980 STRS was also authorized to grant an annual lump-sum supplemental benefit check in December for each person who has been a benefit recipient for the preceding twelve months. The supplemental benefit is based on the member's years of service and the effective date of the benefit; therefore, members who have greater years of service and have been retired longer receive a higher benefit than members who have fewer years of service and have recently retired. The benefit is paid from investment income in excess of the actuarial requirements of the fund, and is payable at the discretion of the board. Since the first supplemental benefit check payable in December 1980, STRS has made 18 consecutive payments at a cost of approximately $570 million.

Despite the retirement income protection provisions described above, ad hoc post-retirement increases are granted by the legislature from time to time in an effort to offset at least partially the loss in the purchasing value of benefits during periods of high inflation. The following table provides a comparison of the percentage increase in Ohio retired teacher benefits with the percentage increase in the cost-of-living as of June 30, 1996:

Year Ended June 30	Increase in Benefit	Increase in C-0-L	Change in Purchasing Power
1956	408.9%	456.9%	-18.7%
1957	414.4%	448.7%	-6.3%
1958	375.5%	429.3%	-10.2%
1959	324.9%	414.8%	-17.5%
1960	295.3%	411.3%	-22.7%
1961	300.3%	402.7%	-20.4%
1962	265.8%	397.7%	-26.5%
1963	242.9%	392.8%	-30.4%
1964	239.1%	386.4%	-30.3%
1965	234.3%	380.1%	-30.4%
1966	197.3%	372.6%	-37.1%
1967	193.6%	359.5%	-36.1%
1968	167.1%	345.8%	-40.1%
1969	152.0%	328.0%	-41.1%

1970	140.4%	306.0%	-40.8%
1971	116.5%	284.1%	-43.6%
1972	104.1%	268.1%	-44.6%
1973	101.6%	255.8%	-43.3%
1974	95.4%	235.1%	-41.7%
Year Ended June 30	**Increase in Benefit**	**Increase in C-O-L**	**Change in Purchasing Power**
1975	96.5%	202.0%	-34.9%
1976	89.0%	176.9%	-31.7%
1977	84.0%	161.9%	-29.7%
1978	78.4%	146.0%	-27.5%
1979	76.2%	128.4%	-22.9%
1980	68.4%	104.9%	-17.8%
1981	64.3%	80.7%	-9.1%
1982	60.3%	63.9%	-2.2%
1983	54.7%	54.6%	0.1%
1984	42.2%	50.1%	-5.3%
1985	37.7%	45.0%	-5.0%
1986	34.5%	40.1%	-4.0%
1987	31.1%	37.9%	-4.9%
1988	30.6%	33.2%	-2.0%
1989	27.1%	28.0%	-0.7%
1990	23.6%	22.2%	1. 1%
1991	20.3%	16.1%	3.6%
1992	16.35	11.5%	4.3%
1993	10.4%	8.4%	1.8%
1994	7.3%	5.4%	1.8%
1995	3.8%	2.9%	0.9%
1996	2.5%	0.0%	2.5%

As the table indicates, teachers who retired in the 60's and 70's have suffered the greatest loss of purchasing power due to periods of high inflation. The ad hoc post-retirement increase provided under the bill is primarily targeted at this group of retired teachers and their beneficiaries, and is intended to restore their purchasing power to a minimum of 70% of the original benefit amount, as adjusted for the cumulative change in the cost-of-living since retirement.

The bill increases the minimum annual single-life annuity from $6,000 to $9,600 or its actuarial equivalent for retired teachers with 30 or more years of service. This provision is intended to raise older teachers who retired on low final average salaries out of poverty. The federal poverty level in 1997 for a one-person house-hold is $7,890; two-person household, $10,6 10.

The increase in the defined benefit formula is designed to reward teachers who remain teaching beyond the average 30-year career. It may serve as an incentive for some teachers to delay retirement from STRS.

Fiscal Impact - According to the STRS actuary, Buck Consultants, the increase in the accrued liability due to the 70% purchasing power guarantee is $289 million. It is estimated that this guarantee will increase the benefits of approximately 20% of STRS retirees and their beneficiaries.

The increase in the accrued liability due to the $9,600 minimum annual pension is 2.1 million. It is estimated -that the benefits of approximately 3,000 older retirees will increase.

The STRS actuary has also determined that the increase in the defined benefit formula will be cost neutral to the retirement system. Cost savings due to delayed retirement, including health insurance coverage, is estimated to offset any increased costs associated with the higher benefit formula.

Therefore, the total accrued liability created by H.B. 339 is $291.1 million. According to the STRS actuarial valuation as of July 1, 1996, STRS currently has $306 million in special reserves to cover the cost of benefit improvements. These reserves were established by the board in 1990 and 1993 with investment income in excess of the actuarial funding requirements of the system. Use of these reserves to pay for the benefit improvements provided under the bill will result in no increase in either the current contribution rates or the current funding period. As of July 1, 1996, the funding period of the unfunded accrued liability was 28.4 years, which is below the maximum 30-year funding period established in S.B. 82 (eff. 3/6/97) for the five state retirement systems.

ORSC Position - At its meeting of April 24, 1997 the Ohio Retirement Study Council voted to recommend that the 122nd Ohio General Assembly approve H.B. 339.

Effective Date - August 6, 1997

Sub, H.B. 648

The substitute bill would generally make the following changes:

- require the retirement boards of the Public Employees Retirement System (PERS), State Teachers Retirement System (STRS), School Employees Retirement System (SERS), the Police and Firemen's Disability and Pension Fund (PFDPF) and the Highway Patrol Retirement System (HPRS) to submit all rules, including rule summaries and fiscal notes, to the Ohio Retirement Study Council (ORSC) when they file them with the Joint Committee on Agency Rule Review. (R.C. §§145.09, 742.10, 3307.04, 3309.04, 5505.04)

- require **each retirement board** to submit to the Governor, the standing committees of the House and Senate with primary responsibility for retirement legislation, and the ORSC an annual report that provides for the disability experience of each employer, with a five-year sunset. (R.C. §§145.351, 742.281, 3307.421, 3309.391, 5505.181)

- require **each retirement board to adopt rules** requiring disability benefit recipients to agree in writing to obtain any medical treatment recommended by the board physician and submit medical reports regarding the treatment. (R.C. §§ 145.35, 742.40, 3307.42, 3309.39, 5505.18)

- require each disability benefit recipient to file an annual statement of earnings and any other information required by board rule, except that the retirement boards may waive this requirement if the board physician certifies that the disability is ongoing; (R.C. §§ 145.362, 742.40, 3307.44, 3309.41, 5505.18)

- provide that public employers covered by one of the five retirement systems are not required to restore disability benefit recipients to their former positions if the recipient was dismissed or resigned in lieu of dismissal for dishonesty, misfeasance, malfeasance or conviction of a felony. (R.C. §§ 145.362, 742.40, 3307.44, 3309.41, 5505.18)

- require the PFDPF board to establish, by rule, objective criteria to administer the existing disability provisions, including (1) standards for evaluating the member's illness or injury, (2) standards for defining the occupational duties of a police officer or firefighter (3) standards for assigning physicians and vocational specialists to conduct examinations of the member; (4) **standards for written** medical reports, opinions and recommendations on each disability application; and (5) standards for assessing the member's potential for retraining or reemployment. (R.C. §742.38)

- require the PFDPF board to establish, by rule, minimum statewide medical standards for physical examinations of prospective members of the fund, including evaluation of the existence of heart, cardiovascular or respiratory disease. (R.C. §742.38)

- change the PFDPF permanent and total disability award from 72% of the member's annual salary for the last twelve months to 72% of the member's average salary during any three high years. (R.C. §742.39)

- change the determination method for the PFDPF off-duty disability award by authorizing the retirement board to fix the benefit amount based on the member's impairment, up to a maximum of 60% of the member's average annual salary; currently, the off-duty disability

- award is based on a benefit formula equal to 2.5% for the first 20 years of actual service, plus 2% for the next five years of actual service, up to a maximum of 60% of the member's average annual salary. (R.C. §742.39)

- require the PFDPF board physician to determine, upon medical reexamination, whether the disability benefit recipient continues to meet the disability standard upon which the recipient's benefit was based and require the termination of the disability benefit if the board concurs with the physician's determination that the recipient no longer meets the standard, except that the board may change an on-duty total disability award to an on-duty partial disability **award if the member were** to qualify. (R.C. §742.40)

- authorize a person acting on behalf of a PFDPF member to file a disability application if the member is incapacitated as defined by board rule; require the PFDPF board to notify, upon receipt of a disability application, the employer of **the member's rank** or position; and increase the statutory leave-of-absence period from three to five years in PFDPF (R.C. §§ 742.38, 742.40)

- require, in the case of transfers/purchases of service credit between the non-uniform (PERS, STRS, SERS) and uniform employee retirement systems (PFDPF, HPRS), the transfer of the member's accumulated contributions, including any payments for purchased military service, and the employer contributions which were made or would have been made under the lesser of the contribution rates of the retirement systems involved, plus annual compound interest thereon; and provide for a refund to PFDPF members or their estates of the amount paid to purchase non-uniform service if the credit does not increase the benefit provided by PFDPF. (R.C. §§145.295, 742.379, 3307.412, 3309.351, 5505.202)

- require PFDPF members who establish membership on or after the effective date of the bill and who elect to transfer or purchase non-uniform service credit to pay the difference between the amount that would have been contributed by the employee and employer under PFDPF, with annual compound interest, and the amount transferred by the non-uniformed employee retirement system in order to receive full credit for the service; and require the PFDPF board to establish a payroll deduction plan for the purchase of non-uniform service (R.C. §742.379)
- provide for payment of the $1,000 lump sum death benefit in PFDPF to the member's designated beneficiary if there is no surviving spouse. (R.C. §742.58)

- prohibit former members of PERS, STRS and SERS from restoring their previous service in PERS, STRS and SERS if they are eligible to purchase it under PFDPF or HPRS and prohibit STRS members from purchasing PERS and SERS service in STRS if they are eligible to purchase it under PERS and SERS. (R.C. §§145.31, 3307.28, 3307.411, 3309.26)

- require each retirement board to disclose the amount paid for Medicare Part B reimbursements as part of its annual report providing a full accounting of revenues and costs relative to health care benefits. (R.C. §§145.22, 742.14, 3307.20, 3309.21, 5505.12)

- allow surviving spouses to remarry at any age without forfeiting their monthly survivor benefits under PERS, STRS, SERS and PFDPF; and reinstate the monthly benefits of surviving spouses whose benefits were terminated prior to the effective date of the bill due to remarriage. (R.C. §§145.45, 742.37, 3367.49, 3309.45)

- authorize the PFDPF board to assess interest, at a rated determined by the board, and penalties on past due employee and employer contributions. (R.C. §§742.32, 742.35)

- limit the period for electing a PFDPF joint and survivor annuity in the case of postretirement marriages to one year following the date of marriage and make the election of a PFDPF joint and survivor annuity effective upon the date the election is made. (R.C. §742.3711, 742.3715)

- guarantee benefits paid by PFDPF equal to the member's accumulated contributions. (R.C. §742.50)

- transfer University of Akron police officers from SERS to PERS-LE. (R.C. §§ 145.011, 145.33, 3309.011, 3309.312)

- prohibit the election of a lump sum refund of the member's contributions in PERS, STRS and SERS if the member has qualified children at the time of death; require spousal consent to waive the minimum 50% joint and survivor annuity (or alternative lump sum distribution in STRS) for married members in PERS, STRS, SERS and PFDPF; and clarify existing language prohibiting payment to a beneficiary found guilty of feloniously contributing to the member' death in PERS, STRS and SERS. (R.C. §§145.43, 145.45, 145.46, 742.3711, 3307.46, 3307.48, 3307.49, 3307.50, 3309.44, 3309.45, 3309.46)

- require the ORSC to adopt procedures for purchasing goods and services on a competitive basis with review by the Auditor of State for compliance and clarify that the ORSC is not subject to the authority of the Department of Administrative Services, Office of Budget and Management or the Controlling Board. (R.C. § 171.05)

- require the ORSC to prepare a report that proposes a cost-neutral plan to convert members from disability retirement to service retirement in PFDPF and HPRS, and submit it to the standing committees of the House and Senate with primary responsibility for retirement legislation and the executive directors of PFDPF and HPRS no later than one year after the effective date of the bill. (Section 4 of the bill)

- require the ORSC to establish a task force consisting of the Administrator of the Bureau of Workers' Compensation and representatives of the five state retirement systems to examine the feasibility of coordinating benefits between the Bureau and the retirement systems, and submit a report of its findings to the standing committees of the House and Senate with primary responsibility for retirement legislation no later than one year after the effective date of the bill. (Section 7 of the bill)

- require the ORSC to prepare a report that examines the criteria used to determine retirement membership and the transfer of service credit with respect to law enforcement officers and firefighters covered under PERS and PFDPF, and submit it to the standing committees of the House and Senate with primary responsibility for retirement legislation no later than one year after the effective date of the bill. (Section 9 of the bill)

- permit PERS members who are appointed by the Governor with the consent of the Senate to serve full-time as a member of a board, commission or other public body to purchase 35% additional service credit at any time prior to retirement; presently limited to 30 days after such service terminates. (R.C. § 145.20 1)

- establish a minimum Medicare Part B reimbursement rate of $29.90 in STRS, along with a maximum reimbursement rate of 90% of the Medicare Part B premium based on the member's years of service as determined by the STRS board. (R.C. §3307.74

- increase the benefit formula for HPRS members with more than 25 years of service; provide an ad hoc post-retirement increase to HPRS members who retired, prior to the effective date of the bill, on the basis of service in excess of 25 years; and authorizes the HPRS board to establish the Medicare Part B reimbursement rate, not to exceed the monthly Medicare Part B premium. (R.C. §§5505.17, 5505.176, 5505.18, 5505.28)

- provide for the recalculation of benefits payable under the Firemen and Policemen's Death Benefit Fund to remaining eligible survivors. (§742.63) exclude certain regional councils from membership in PERS. (R.C. § 145.014)

- allow certain PFDPF members to receive full credit for part-time service; and allow certain PFDPF members to elect to transfer to PERS. (R.C. §§ 145.012, 742.379, 742.516)

- clarify existing PFDPF statutes regarding board election procedures and definition of "member of a police department." (R.C. §§742.01, 742.03, 742.04, 742.05)

- clarify existing STRS statutes regarding the definition of "total service credit," early retirement incentive plans, purchases of service by survivors, and failure by employers to make retirement contributions (R.C. §§3307.01, 3307.35, 3307.383, 3307.73)

The following provides further details and comments regarding the above

Board Rules Sent to ORSC, - Sub. H.B. 648 provides that when the retirement boards file rules with the Joint Committee on Agency Rule Review as required under existing law, they shall also send a copy of the rule, including any rule summary and fiscal notes, to the ORSC. Under the bill, the retirement boards are authorized to implement several of the disability reforms through their existing rule-making authority in order to give each system the necessary flexibility to address and accommodate its particular objectives and needs. Therefore, this provision of the bill is intended to give the ORSC an opportunity to review and comment on any proposed rules before they become finalized and recommend any legislative action, if necessary.

As a matter of public policy, the fact that the legislature may choose to delegate its authority to the retirement boards to promulgate rules in no way absolves the legislature of its fiduciary duty, as the ultimate trustee of these public retirement systems, to monitor the exercise of that rule-making authority. To the extent that the ORSC has been authorized since its creation in 1968 to advise and inform the legislature on all proposed changes in the retirement statutes, the bill would give the

ORSC the same opportunity to advise and inform JCARR on all proposed rules which are promulgated pursuant to those retirement statutes.

Annual Disability Experience Report - Sub. H.B. 648 provides that each retirement board shall prepare a report on the disability experience of each covered employer for the preceding fiscal year. The report shall include the following information: (1) the total number of disability applications submitted by employees of the employer; (2) the status of each application as of the last day of the fiscal year; (3) total number of applications approved or denied; (4) and the percentage of disability benefit recipients to the total number of employees employed by the employer. The report shall be submitted to the Governor, the chairpersons of the standing committees of the House and Senate with primary responsibility for retirement legislation, and the ORSC, no later than March 1, 2000 in PERS, PFDPF and HPRS (September 1, 2000 in STRS and SERS) and each of the succeeding five years.

This provision is intended to monitor the practices of individual employers which may cause higher than normal rates of disability among their employees and make employers more accountable for their disability experience so that they can take appropriate action(s) to remedy any particular problems that may surface. The reporting requirements are designed to produce similar information which was gathered and disclosed by the William M. Mercer company in its recent study into the causes of the high rates of disability among police and firefighters, and are among the various recommendations made in the Mercer study.

Additional Medical Treatment - Sub. H.B. 648 provides that each retirement board shall adopt rules requiring disability benefit recipients, as a condition of continuing to receive benefits, to agree in writing to obtain any medical treatment recommended by the board physician and to submit medical reports regarding the treatment. If the recipient refuses to obtain the treatment or submit the required medical reports, the recipient's disability benefit shall be suspended until the treatment is obtained, the medical report is submitted, or the board physician certifies that the treatment is no longer helpful or advisable. Should the recipient's refusal continue for one year, the recipient's right to the disability benefit shall be terminated as of the effective date of the original suspension.

This provision is intended to help certain disabled employees return to their former employment, a major focus of the Mercer study because of its beneficial impact upon the employee as well as the retirement fund. It is modeled after the existing PERS and STRS board rules.

Annual Statement of Earnings and Current Medical Condition - Sub. H.B. 648 provides that each retirement board shall adopt rules requiring each disability benefit recipient to file an annual statement of earnings, current medical condition, and any other information required by board rule. If the recipient refuses to file the statement or information, the recipient's disability benefit shall be suspended until the statement or information is filed. Should the recipient's refusal continue for one year, the recipient's right to the disability benefit shall be terminated as of the effective date of the original suspension. The retirement boards may waive the annual statement of earnings and current medical condition for recipients whose disability is ongoing, as certified by the board physician. Also, under HPRS law, disability benefit recipients who have attained the mandatory retirement age of 55 are exempt from the annual filing requirements described above.

These provisions are intended to give the retirement boards the necessary authority to monitor the status of disability benefit recipients for continuing eligibility. The bill generally makes these provisions mandatory rather than permissive under existing law, and expands the boards' authority to require any other information from a disability benefit recipient which the board needs to determine whether the recipient is no longer physically or mentally incapable of resuming service that is the same or similar to that from which the recipient was found disabled or whether the recipient is actually engaged in such service.

Reemployment of Disability Benefit Recipients - Sub. H.B. 648 provides an exception to each system's existing law which generally requires public employers to restore disability benefit recipients to their former position and salary or a similar position and salary if the retirement board determines that the disability recipient is no longer physically or mentally incapable of resuming service and the applicable leave-of-absence period has not expired (5 years in PERS, STRS, SERS and PFDPF); no limit on number of years in HPRS). Under the bill, employers are not required to reemploy disability benefit recipients who were dismissed or resigned in lieu of dismissal for dishonesty, misfeasance, malfeasance or conviction of a felony.

Objective Criteria in PFDPF Disability Process - Sub. H.B. 648 requires the PFDPF board to adopt rules establishing objective criteria to administer its existing disability standards. The rules shall include the following: (1) standards for evaluating a member's illness or injury; (2) standards for defining the occupational duties of a police officer or firefighter; (3) standards for assigning physicians and vocational specialist to conduct examinations of the member; (4) standards for written medical reports, opinions and recommendations on each disability application; and (5) standards for assessing the member's potential for retraining or reemployment

One of the most pervasive findings in the Mercer study was the general lack of objective criteria and formal procedures to guide the PFDPF board's administration and determination of disability awards. This provision of the bill is intended to address these deficiencies in the PFDPF disability process, as recommended in the Mercer study, so as to promote fairness and consistency in disability determinations.

Minimum Statewide Standards for Physical Examinations - Sub. H.B. 648 requires the PFDPF board to adopt rules establishing minimum statewide medical testing and diagnostic standards for physical examinations of prospective members of the fund. The standards shall include evaluation of the existence of any heart, cardiovascular or respiratory diseases, and shall specify the form of and information to be included in the physician's report. Upon adoption of these rules, the board shall notify each employer of the minimum standards and any changes thereto. Once the standards take effect, the employer shall incorporate them into the physical examination of all employees who become members of the fund after the effective date of these standards. The employer shall forward the physician's report of the physical examination to the board no later than 30 days after an employee becomes a member of the fund. If the employer fails to forward the report, the board shall assess a penalty of $100 per day against the employer, beginning with the first day after the report is due and ending on the last day before the report is received.

The bill provides that upon application for disability by an employee who becomes a member of the fund prior to the effective date of the standards, the board may request the employer to send a copy of the member's physical examination taken upon entry into the police of fire department. The employer shall forward the examination to the board or, if no examination exists, a written statement certifying this fact to the board, no later than 28 days after receiving the request. If the employer fails to forward either the examination or statement, the board shall assess a penalty of

$100 per day against the employer, as described above.

These provisions are intended to assist the PFDPF board in its determination of on-duty disability awards, especially with respect to the applicability of the existing on-duty presumptions regarding heart, cardiovascular and respiratory diseases. These provisions are among the recommendations made in the Mercer study relative to the administration and determination of on-duty disabilities among police and firefighters.

Permanent and Total Disability Award in PFDPF- Sub. H.B. 648 changes the PFDPF permanent and total disability award from 72% of the member's annual salary for the last twelve months prior to disability to 72% of the member's average annual salary (average of the member's highest annual salary during any three years). This provision is intended to make the PFDPF permanent and total disability award consistent with all other service and disability awards provided by the retirement systems, which base the benefit amount on the average of the member's highest three-year salary.

Off-Duty Disability Awards in PFDPF - Sub. H.B. 648 permits the PFDPF board to fix the amount of an off-duty disability award based upon the member's impairment as determined under the objective criteria adopted by board rule under this bill, up to a maximum of 60% of the member's average annual salary. The board may increase or decrease the award whenever the board determines that the impairment of the member's earning capacity warrants an increase or decrease.

Currently, off-duty disability awards are based strictly upon the member's years of service under the normal service retirement benefit formula: 2.5% of average annual salary for each of the first 20 years of service, plus 2% of average annual salary for the next five years of service, up to a maximum of 60% of average annual salary. Under current law, a police officer or firefighter who has ten years of service and becomes disabled outside the line-of-duty receives only 25% of average annual salary, regardless of the severity of impairment

Therefore, this provision is intended to allow the board to fix the off-duty benefit award based on the severity of the member's impairment, as is currently done with respect to on-duty partial disability awards. The current benefit structure for off-duty disability awards may explain Mercer's findings that very few disabilities are classified as off-duty in PFDPF.

Medical Reexaminations in PFDPF- Sub. H.B. 648 provides that upon medical reexamination of a disability benefit recipient, the board physician shall determine and certify to the PFDPF board whether the recipient continues to meet the disability standard upon which the recipient's disability award was based. If the board physician determines that the recipient no longer meets the standard and the board concurs with this determination, the recipient's disability award shall be terminated upon the earlier of 90 days after the board's concurrence or employment as a police or firefighter, except that the board may change a permanent and total disability award to a partial disability award if the recipient were to otherwise qualify. The recipient may appeal any termination of a disability award pursuant to procedures established by board rule. The bill also provides that a recipient's disability award shall be terminated upon employment as a police or firefighter regardless of any medical determination concerning the recipient's condition.

These provisions are intended to clarify the board's authority to terminate disability awards in cases where the disability benefit recipient no longer meets the standard under which the recipient was found to be disabled or becomes employed as a police officer or firefighter. These provisions are among the recommendations made in the Mercer study.

Application for Disability: Employer Notification; Leaves-of-Absence in PFDPF Sub. H.B. 648 authorizes a person acting on behalf of a member to file a disability application in PFDPF if the member is incapacitated as defined by board rules. Currently, only a PFDPF member may file a disability application. This provision is intended to authorize the retirement board to process a disability application in cases where the member is unable to file the application. Similar authority exists in the other four retirement systems.

The bill also requires the PFDPF board to notify the employer, within 14 days after receipt of a disability application, of the member's rank or position. The employer is required, in turn, to forward to the board, within 28 days after receipt of such notice, a job description and any other information required by the board to process the application. Currently, no notice is provided to the employer. This provision is intended to provide additional involvement by employers in the disability application process, as recommended in the Mercer study, and to allow employers to manage vacancies in employment due to disability retirement. This provision is also consistent with the existing practices of the other four retirement systems.

The bill increases the statutory leave-of-absence period for disability benefit recipients in PFDPF from three years to five years. This provision is intended protect the employment rights of disabled members who recover from their disability and are able to perform the duties of their former position or a position similar thereto. It is also consistent with the statutory leave-of absence period for disabled members in PERS, STRS and SERS.

Transfers of Service Credit - Sub. H.B. 648 provides that in the direct transfer of service between the non-uniform employee retirement systems (PERS, STRS, SERS) and the uniform employee retirement systems (PFDPF, 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.

The bill also provides 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.

Currently, no employer contributions are transferred between the non-uniform employee retirement systems and the uniform employee retirement systems.

These provisions are intended to address in large measure the additional liabilities resulting from these types of transfers/purchases of service credit.

Additional Payments for Non-Uniform Service Credit in PFDPF - Sub. H.B. 648 provides that PFDPF members who establish membership on or after the effective date of the bill and who elect to transfer or purchase non-uniformed employee service credit shall make the following additional payment in order to receive full credit: (1) an amount equal to the difference between the employee contributions which were made and the employee contributions which would have been made had the member rendered such service in PFDPF; (2) an amount equal to the difference between the employer contributions which were made and the employer contributions which would have been made had the member rendered such service in PFDPF; and (3) annual compound interest on the above amounts. The bill provides that the board shall grant partial credit for members who pay less than the required amount described above.

This provision is also intended to address the additional liability resulting from the transfer/purchase of non-uniformed employee service credit, especially in light of the higher cost of the PFDPF benefit structure compared to the non-uniform employee retirement systems, as evidenced by the significant difference in contribution rates.

Payment of the $1,000 LumR Sum Death Benefit in PFDPF - Sub. H.B. 648 provides for payment of the $1,000 lump sum death benefit in PFDPF to the member's designated beneficiary if there is no surviving spouse at the time of the member's death. Currently, such payment is made to the member's estate if there is no surviving spouse. This provision is intended to provide direct, timely payment of such benefit to the member's designated beneficiary without having to probate it.

Restoration of Service by Former PERS. STRS or SERS Members - Sub. H.B. 648 provides that former members of PERS, STRS and SERS are prohibited from restoring their previous service credit if they are eligible to purchase it under PFDPF or HPRS. The bill also prohibits STRS members from purchasing PERS and SERS service if they are eligible to purchase it under PERS or SERS. These provisions are intended to prevent members from shopping around among the retirement systems for the lowest cost due to differences in interest rates and other factors.

Disclosure of Medicare Part B Premium Reimbursements - Sub. H.B. 648 requires each retirement board to include, as part of its annual report providing a full accounting of health care revenues and costs, a statement on the amount paid for reimbursement of eligible individual's Medicare Part B premiums. This provision is intended to provide the ORSC and the standing committees of both houses with primary responsibility for retirement legislation with additional information to assess and monitor each system's current reimbursement rates.

Remarriage Penalty - Sub. H.B. 648 allows surviving spouses to remarry at any age without forfeiting their monthly survivor benefits in PERS, STRS, SERS and PFDPF. Currently, surviving spouses may remarry at age 55 or older without any forfeiture of benefits in these systems. The bill also reinstates the monthly benefits of surviving spouses whose benefits were terminated prior to the effective date of the bill due to remarriage. Such benefits shall resume on the first day of the month immediately following receipt of an application by the retirement board.

This provision is intended to eliminate the remarriage penalty in PERS, STRS, SERS and PFDPF, as was recently done in HPRS.

Interest/Penalty on Delinquent Contributions in PFDPF - Sub. H.B. 648 provides that employee contributions which remain unpaid after 30 days in PFDPF are subject to a penalty for late payment of 5% of the total amount due. The penalty shall be added to and collected on the next succeeding regular employer billing. If the penalty is not paid within three months after it is added to the employer billing, the fund may charge interest at a rate determined by the board on the amount of the penalty from the date the amount is due to the date of payment.

The bill also provides that employer contributions that remain unpaid after 60 days as opposed to 90 days under existing PFDPF law are subject to the penalty for late payment of 5%. The fund may charge interest at a rate determined by the board as opposed to 6% under existing law on past due amounts and penalties from the date the contributions are due to the date of payment.

These provisions are intended to indemnify the PFDPF against losses resulting from delinquent contributions, and are generally consistent with the other four systems' statutes in this regard. ,

Election of Joint and Survivor Annuity in PFDPF - Sub. H.B. 648 provides that the member's election of a joint and survivor annuity in PFDPF shall become effective on the date the election is made by the member. Currently, the member's election takes effect on the first day of the month following the election. This provision is intended to give effect to the member's intentions in the event the member should die before the first payment is made by the fund.

The bill also limits the time period for the election of a PFDPF joint and survivor annuity in the case of post-retirement marriages or remarriages to one year after the date of marriage or remarriage. Currently, a retired member who marries or remarries may elect to change from a single life annuity to a joint and survivor annuity at any time prior to death. This provision is intended to address the issue of additional liabilities to the retirement fund resulting from antiselection by the member permitted under current law.

Guarantee of Member's Accumulated Contributions in PFDPF - Sub. H.B. 648 guarantees that benefits paid to retired members and their eligible survivors in PFDPF shall equal at least the member's accumulated contributions by providing that any remaining balance shall be paid, in equal shares, to the survivors of the member or their estates. Currently, any remaining balance of the member's accumulated contributions is forfeited to the retirement fund. This provision is intended to address the situation where the retired member dies prematurely and the combined benefits paid to the retired member and eligible survivors is less than the total amount deducted from the member's salary as accumulated contributions prior to retirement, and is consistent with the other four retirement systems' laws.

Transfer of University of Akron Police to PERSLE - Sub. H.B. 648 provides that any person who is employed full-time as a University of Akron law enforcement officer on or after the effective date of the bill shall become a PERS member eligible for benefits under the PERS-LE program. Currently, all state university law enforcement officers are covered under the PERS-LE program as the result of H.B. 379 (121st General Assembly), except for the University of Akron law enforcement officers who remain in SERS. The University of Akron is the only state university in Ohio whose non-teaching employees are covered by SERS rather than PERS, which created a glitch in the law enacted in H.B. 379.

The bill provides that SERS members who are full-time University of Akron law enforcement officers on the effective date of the bill may make an irrevocable election to transfer to the PERSLE program. 'Me election shall be made no later than 90 days after the effective date of the bill on a form provided by SERS. Upon such election, SERS shall notify and transfer to PERS the following amounts: (1) the member's accumulated contributions; (2) the employer contributions made on behalf of the member; and (3) any amount paid by the member or employer for the purchase of service credit. SERS shall also certify to PERS a copy of the member's records of service and contributions. At the request of PERS, the University of Akron shall certify to PERS the member' salary. Any person who fails to make the election as provided under the bill shall remain an SERS member.

This provision is intended to address the glitch in present law by providing the same retirement coverage for the University of Akron law enforcement officers, as presently provided to all other state university law enforcement officers under the PERS-LE program.

Incorporation of H.B. 239 - Sub. H.B. 648 incorporates the provisions of H.B. 239 (Rep. Tavares). Upon the death of a PERS, STRS or SERS member, the member's designated beneficiary or surviving spouse would not be permitted to elect a refund of the member's accumulated contributions if the retirement system receives notice that the deceased member has one or more qualified children. The bill would provide only for the election of monthly survivor benefits based on the number of qualified survivors.

# of **Qualified Survivors**	**Annual Benefit as % of** FAS	**Minimum Monthly Benefit**
1	25%	$96
2	40%	$186
3	50%	$236
4	55%	$236
5 or more	60%	$236

If, after determining the monthly benefits described above, the retirement system receives notice that there is a qualified survivor who was not considered when the initial determination was made, then the system shall recalculate the monthly benefits for all qualified survivors, effective on the first day of the month following the system's receipt of such notice.

If the monthly benefits described above terminate to all persons other than a surviving spouse or other sole beneficiary, such surviving spouse or beneficiary may elect to receive a joint and survivor annuity providing the actuarial equivalent of the deceased member's lesser retirement allowance, provided the deceased member was eligible for service retirement at the time of death and there are no qualified children under age 22.

If the retirement system receives no notice that the deceased member has one or more surviving children prior to making payment of the member's accumulated contributions, such payment would be a full discharge and release of the system from any future claims.

Current law provides that the designated beneficiary may elect a refund of the member's accumulated contributions. If there is no designated beneficiary, the surviving spouse may elect a refund. A refund of the member's accumulated contributions cuts off the rights of certain qualified survivors, including surviving children, to receive the monthly benefits described above. The bill would, therefore, prevent the designated beneficiary or spouse from electing a refund of the member's accumulated contributions if the deceased member has one or more qualified children, thereby guaranteeing such children monthly survivor benefits.

The bill would also eliminate the current dependency criteria for surviving children who are not domiciled in the member's household at the time of death to qualify for monthly survivor benefits. Under the bill, any surviving child who is under age18, or age 22 if a full-time student, or any age if physically or mentally incompetent would be eligible for monthly survivor benefits. Under current law, if a surviving child is not domiciled in the member's household at the time of death, the deceased member must have contributed to one-half or more of the child's support in order for the child to qualify for monthly survivor benefits.

The bill would clarify existing language that prohibits payment to a beneficiary found guilty of feloniously contributing to the member's death in the absence of a court order to the contrary. The current prohibition would apply under the following circumstances:

- A beneficiary who is convicted of, pleads guilty to, or is found not guilty by reason of insanity of aggravated murder, murder or voluntary manslaughter under Ohio law or a substantially equivalent law of another state, the United States or a foreign nation;

- A beneficiary who is indicted for the above offenses and is adjudicated incompetent to stand trial;

- A beneficiary who is a juvenile found to be a delinquent child by reason of committing an act that, if committed by an adult, would be a violation of the above offenses.

Upon retirement under PERS, STRS, SERS or PFDPF, the automatic plan of payment for a married member would be a joint and survivor annuity providing 50% of the member's actuarially reduced pension to the surviving spouse for life upon the member's death unless the spouse consents in writing to the member's election of a different plan of payment. The bill would require the written consent to be signed by the spouse and witnessed by a notary public. The bill would permit the retirement board to waive the spousal consent requirement if the spouse is incapacitated or cannot be located or for any other reason specified by the board.

The retirement application would be required to include an explanation of the following items:

- That unless the spouse consents to another plan of payment, the member's retirement allowance will be paid under a joint and survivor annuity providing 50% of the allowance to the spouse for life upon the member's death;

- A description of the alternative plans of payment available with the consent of the spouse;
- That the spouse may consent to another plan of payment and the procedure for giving consent;
- That consent is irrevocable once notice of consent is filed with the retirement board.

The bill would require the consent to be signed, in writing, and witnessed by a notary public in order to be valid.

Under current law, the spouse of a married member has no legal right in the member's selection of a plan of payment upon retirement. The choice of providing a spouse's benefit is the member's alone. The law provides that the member must simply submit a statement signed by the spouse attesting that the spouse is aware that the member selected a single life annuity or a plan of payment providing less than 50% of the member's actuarially-reduced benefit, which is otherwise the automatic plan of payment for married members.

Once a joint and survivor annuity is selected by the member, the law requires the written consent of the spouse or a court order to cancel the joint and survivor annuity.

This provision is intended to provide spouses of Ohio's public employees the same legal protection as provided under federal law to spouses of employees covered under most private pension plans.

ORSC Procedures for Purchasing Goods and Services- Sub. H.B. 648 would require the ORSC to establish procedures for the purchase of goods and services on a competitive basis. The Auditor of State shall review such procedures for compliance as part of any audit of the ORSC. The bill would also clarify that the ORSC is not subject to the authority of the Department of Administrative Services, the Office of Budget and Management or the Controlling Board. The ORSC is not, and has never been, subject to the authority of these state agencies due its unique source of funding. By law, the ORSC expenses are paid out of the assets of the five state retirement systems; the Council receives no appropriated funds from the General Assembly. Therefore, this provision is intended to clarify what has been the practice of the ORSC since its creation in 1968.

QRSC Report on Disability/Service Retirement in PFDPF and HPRS- Sub. H.B. 648 requires the ORSC to prepare a report that proposes a cost-neutral plan that provides disability coverage for PFDPF and HPRS members until they reach retirement eligibility at which time they may apply for age and service retirement. The report shall be submitted, no later than one year after the effective date of the bill, to the chairpersons of the standing committees of the House and Senate with primary responsibility for retirement legislation as well as the executive directors of PFDPF and HPRS.
This provision is intended to study the feasibility of establishing a plan for PFDPF and HPRS members, similar to that recently established for PERS, STRS and SERS members, which converts members from disability to service retirement.

ORSC Task Force on Coordinating Workers' Compensation/Disability Benefits- Sub. H.B. 648 requires the ORSC to establish a task force consisting of the Administrator of Bureau of Workers' Compensation and representatives of the five state retirement systems to examine the feasibility of coordinating benefits between the Bureau and the retirement systems. Not later than one year after the effective date of the bill, the ORSC shall prepare a report on the findings of the task force, including a survey of other states' coordination provisions as well as the types of benefits provided by the Bureau and the retirement systems in Ohio. The report shall be submitted to the chairpersons of the standing committees of the House and Senate with primary responsibility for retirement legislation.

This provision is intended to address the administrative concerns and general lack of sufficient data regarding the issue of coordinating benefits provided by the Bureau of Workers' Compensation and the retirement systems. As introduced, the bill included a provision which would have provided an offset if the sum of the member's disability benefit and workers' compensation benefit for wage loss, excluding any cost-of-living adjustments, were to exceed 100% of the member's final average salary prior to disability. Any excess would have been offset against the member's disability benefit, provided that no offset would have applied once the disabled member reached retirement age and/or service.

QRSC Report on Criteria for Retirement Membership and Transfer of Credit regarding PERS and PFDPF Law Enforcement and Public Safety Officers- Sub. H.B. 648 requires the ORSC to prepare a report that examines the criteria used to determine retirement membership, the transfer of service credit and any other matter related thereto with respect to law enforcement and public safety officers covered under PERS and PFDPF. PERS, PFDPF and employers covered by these retirement systems shall cooperate fully with the ORSC and its agents in providing information for the report, including information otherwise privileged or confidential under existing law. The ORSC and its agents shall preserve the confidentiality of such information, which shall not be open to public inspection, and shall return all records to the retirement system from which they were obtained immediately upon completion of their use by the ORSC or its agents. 'Me report shall be submitted to the chairpersons of the standing committees of the House and Senate with primary responsibility for retirement legislation no later than one year after the effective date of the bill.

This provision is intended to address various issues concerning retirement membership and transfers of certain types of service credit involving law enforcement and firefighters covered under PERS and PFDPF.

Purchase of Additional 35% Service Credit in PERS- Sub. H.B. 648 permits PERS members who are appointed by the Governor with the advise and consent of the Senate to serve full-time as a member of a board, commission or other public body to purchase 35% additional service credit at any time prior to retirement. Currently, these members must purchase the additional credit within 30 days after such service terminates. This provision is intended to treat appointed officials the same as elected officials who may purchase additional service credit at any time prior to retirement in PERS.

STRS Medicare Part B Reimbursement - Sub. H.B. 648 establishes a minimum Medicare Part B reimbursement rate of $29.90 in STRS, along with a maximum reimbursement rate of 90% of the Medicare Part B premium based on the member's years of service. Under the bill, STRS shall reimburse eligible benefit recipients for monthly Medicare Part B premiums in accordance with the greater of the following amounts:

- $29.90 per month; or

- an amount determined by multiplying the basic monthly Medicare Part B premium by a percentage, not to exceed 90%, determined by multiplying the member's years of service used in the calculation of the retirement benefit by a per cent determined by the board, not to exceed 3%.

Currently, the STRS Medicare Part B reimbursement rate is capped by statute at $29.90. The current monthly Medicare Part B premium is $43.80.

Incorporation of S.B. 228 - Sub. H.B. 648 incorporates the provisions of S.B. 228 (Sen. Nein). The bill increases the HPRS benefit formula for calculating service retirement and disability benefits that are based on more than 25 years of service credit. Under the bill, the new formula would equal 2.5% multiplied by the first 20 years of service, plus 2.0% for each year of service in excess of 20, up to a maximum of 78% of the member's final average salary. The maximum benefit percentage of 78% would be realized upon completion of 34 years of service. The current formula is 2.5% multiplied by the first 20 years of service, plus 2.0% multiplied by the 21st through 25th years of service, plus 1.5% multiplied by each year of service in excess of 25, up to a maximum of 72% of the member's final average salary. The maximum benefit percentage of 72% is realized upon completion of 33 years of service.

The bill provides an ad hoc post-retirement increase to HPRS members who retired, prior to the effective date of the bill, on a service or disability pension based on more than 25 years of total service credit. Under the bill, the increase shall equal one-half of one percent for each year of service and fraction thereof in excess of 25 multiplied by the member's current pension amount on the effective date of the bill. The increase shall become effective on the first day of the month following the effective date of the bill, and shall be included for purposes of determining future automatic cost-of-living allowances (COLA) provided by the retirement system.

The bill also permits the HPRS board to establish, by rule, the monthly Medicare Part B premium reimbursement, provided the monthly reimbursement rate shall not exceed the basic premium for such coverage. In 1998, the basic premium for Medicare Part B coverage is $43.80 per month. Under current law, the monthly reimbursement of the Medicare Part B premium has been capped by statute at $4 110, the basic monthly premium in effect in 1994.

Recalculation of Benefits under the Firemen & Policemen's Death Benefit Fund Sub. H.B. 648 provides for the recalculation of benefits under the Firemen and Policemen's Death Benefit Fund to the remaining eligible survivors when certain survivors no longer meet the eligibility requirements. Currently, such recalculation is prohibited.

This provision is in response to the Ohio Supreme Court decision Roseman v. Firemen and Policemen's Death Benefit Fund, which held that surviving spouses with children are eligible for the same level of benefits under the Death Benefit Fund as surviving spouses without children once the children lose their eligibility for benefits. The Court found that the current statutory provisions, which preclude the recalculation of the death benefit payable to the spouse when the children's benefits are terminated, violate the Equal Protection Clauses of the Ohio Constitution and the United States Constitution. Under the bill, a surviving spouse with children will receive the same benefit as a surviving spouse without children; that is, the surviving spouse's benefit will be adjusted upward when the children's benefits are terminated.

Sub, H.B. 648

Certain Regional Councils Excluded from PERS Membership - Sub. H.B. 648 excludes from PERS membership any regional council created under Chapter 167. of the Ohio Revised Code which consists of political subdivisions of Ohio and at least two other states; whose primary purpose is regional transportation planning; and which was not contributing to PERS on July 31, 1997. The bill provides that if, prior to the effective date of the bill, PERS determined that a regional council, as described above, was not a public employer for purposes of PERS membership, then PERS shall not require the council to submit any employer or employee contributions for the time period following such determination. The bill also provides that an employee of such regional council shall be forever barred from claiming or purchasing membership rights or service credit for this period.

This provision is intended to clarify a retirement membership issue involving the Ohio Kentucky Indiana Regional Council of Governments - a multi-state entity created to perform regional transportation planning. By way of background, OKI employees originally had been covered under PERS until August 1, 1969 when the PERS board determined that OKI was not a public employer for purposes of PERS membership, and consequently refunded all prior contributions as unauthorized. In late August 1997, PERS received a letter from an OKI official requesting reconsideration of the retirement board's earlier determination. The official subsequently retracted the letter as being sent without the knowledge or approval of OKI. In response, PERS staff determined that OKI was a "public employer" as defined by PERS statute and, therefore, OKI employees were subject to PERS membership. Based on this determination, retroactive back payment of employee and employer contributions were also required for all current employees. The bill would, therefore, maintain the continued exclusion of OKI employees from PERS based on the board's initial determination in 1969; such employees would simply remain covered under Social Security and the supplemental retirement plan established by OKI.

Part-time Service/Retirement System Transfer for Certain PFDPF Members Sub. H.B. 648 requires the PFDPF board to grant full credit for the purchase of non-uniform part-time service, provided the member submits evidence satisfactory to the board that, after receiving written notice from PFDPF that the member could purchase such part-time service credit, the member changed or ceased employment with the understanding that the credit would be used in computing the member's benefit. If the PFDPF board has canceled the member's service credit, the board shall restore the service credit upon repayment to the fund of the amount refunded to the member at the time of cancellation. The bill further provides that if the member fails to submit satisfactory evidence as described above, the board shall refund to the member any amount paid to purchase such credit, with interest at a rate determined by the fund from the date of purchase to the date of refund. Current law prohibits the purchase of non-uniform service that is less than fulltime as determined by PFDPF board rule. These provisions are intended to address mistakes made by PFDPF officials relative to the purchase of non-uniform service credit.

Sub. H.B. 648 also allows PFDPF members, who became members of the fund as a result of the member's employer changing from a part-time to a full-time fire department or who elected to transfer from PERS to PFDPF pursuant to changes made in H.B. 789 (eff. 11/8/90), to make an irrevocable election to transfer to PERS no later than 90 days after the effective date of the bill. If the member makes the election, PFDPF shall certify to PERS a copy of the member's records of service and contributions, and shall transfer to PERS all of the following:

- Any amounts transferred from PERS to PFDPF pursuant to the previous election provided in H.B. 789;

- An amount equal to the member's contributions to PFDPF;
- An amount equal to the employer contributions made on behalf of the member to PFDPF;
- Any amount paid by the member or employer for the purchase of service credit.

A member who fails to make an election shall remain a PFDPF member. This provision is also intended to address the current prohibition against the use of part-time service credit earned under PERS in qualifying for and computing retirement benefits under PFDPF.

Clarification of Existing PFDPF Statutes,- Sub. H.B. 648 clarifies the definition of "member of a police department" to mean any person who is employed on or after the effective date of the bill as a full-time police officer in a police department in a position that requires satisfactory completion of Ohio peace officer training. This clarification is modeled after similar changes made to the definition of "member of a fire department," and is intended to make the determination of membership in PFDPF clearer to both administrators and employers of the fund.

The bill also clarifies the board election procedures in PFDPF for administrative purposes. It defines "county" to mean the county of residence as opposed to the county of employment of a member who signs a nominating petition. It also provides that a police officer or firefighter shall be eligible to vote in the board election if they are a member of the fund on the first Monday in March preceding the election. A similar provision provides that a retired police officer or firefighter, including their surviving spouse, shall be eligible to vote in the board election if they are receiving benefits on the first Monday in April preceding the election. The board shall determine such eligibility and its decision shall be final. Providing a definition of "county" and a cut-off date for determining voting eligibility was recommended by the PFDPF board to eliminate any ambiguity in the present law.

Clarification of Existing STRS Statutes - Sub. H.B. 648 makes purely technical changes to the STRS definition of "total service credit" and the service credit provisions relative to early retirement incentive plans and purchases by survivors, which were inadvertently omitted in past legislative enactments amending certain sections of STRS law. The bill also amends STRS law regarding the failure of an employer to make retirement contributions to reflect current practice which requires the employer to pay an amount equal to the employer contributions due at the time the service occurred, plus annual compound interest at a rate determined by the board from the date the service began to the date of payment.

Staff Comments - By way of background, the Joint Legislative Committee to Study Ohio's Public Retirement Plans was established nearly three years ago to review the laws and operations of the five state retirement systems. A major part of that review involved an independent study into the high rates of disability among police and firefighters during 1987-91, as recommended by ORSC in its 1994 legislative report regarding the adequacy of the police and fire contribution rates. The ORSC report found that during 1987 through 199 1, disabilities comprised 41 % of all police retirements and 35% of all firefighter retirements, compared to 35% and 25% during the preceding five-year period.

Early testimony before the Joint Committee indicated that the PFDPF board lacked the statutory authority to reduce or terminate disability benefits in cases where the member's earning capacity or medical condition warranted such reduction or termination. H.B. 226 was, therefore, enacted as an emergency measure in 1995 to authorize the PFDPF board to require disability benefit recipients to undergo medical reexaminations and file annual statements of earnings and current medical information, and to modify or terminate benefits, where appropriate. Other reform measures were to be based upon the subsequent findings and recommendations of the disability study conducted by the William A Mercer company.

That study was completed at the tail end of last session. Though its focus was limited to PFDPF, the study considered best industry practices in both the private and public sectors to formulate its recommendations regarding effective disability management, a common interest for all five systems. It also raised a number of public policy issues for legislative consideration which were equally relevant to all five systems. Because of the lack of time to give these recommendations and public policy issues the full and proper consideration they deserve, the Joint Committee was reestablished this session, primarily to complete its work in the area of disability.

Sub. H.B. 648 is based largely upon the recommendations included in the William A Mercer study, and is the end result of a comprehensive, thorough and open review of each system's disability determination process and benefit structure. Several different drafts were considered by the Joint Committee before introduction of the bill, with significant input from the committee members, retirement systems, public employer and employee groups, and other interested parties over the last several months.

Fiscal Impact - From an actuarial standpoint, Sub. H.B. 648 would have the greatest impact upon PFDPF. The PFDPF actuary, Watson Wyatt, generally indicates that the provisions of the bill would improve the financial position of the retirement fund, primarily through savings on disability costs. In particular, the actuary estimates that the decrease in the fund's actuarial accrued liabilities and normal costs resulting from the proposed change to the total disability award (72% of member's average three-year high salary) would equal $9,660,000 and $830,000, respectively. The actuary also notes that the other disability reforms regarding board procedures for granting and monitoring disabilities could affect the rates of disability, but is unable to assess at this time their financial impact upon the fund. The next five-year experience study of the fund would measure and provide the necessary information needed to assess the financial impact of these reforms on the long-term cost of the fund. The actuary also indicates that the current actuarial losses resulting from the transfer of non-uniform service credit to PFDPF would be decreased under the bill, though the total potential savings cannot be estimated due to the lack of data on such transfers. The only provision which is estimated to increase the fund's actuarial accrued liabilities and normal cost is the guarantee of the member's accumulated contributions. The actuarial accrued liability and normal cost associated with this provision are $910,000 and $60,000, respectively. In total, the provisions of the bill produce an actuarial net savings to the fund, though the full extent of these savings cannot be determined at this time due to the lack of data and/or experience.

The PERS actuary, Gabriel, Roeder, Smith & Company, estimates the stand alone cost of eliminating the remarriage penalty to be 0.01% (.0001) based upon the retirement system's experience of less than 10 remarriage terminations annually. This negligible cost can be absorbed within the system's current amortization and funding levels (State - 8 years, 8.5% - employee, 13.31% - employer; Local - 15 years, 8.5% - employee, 13.55% - employer; Law Enforcement 30 years, 9.0% - employee, 16.7% - employer). The actuaries for STRS and SERS also estimate the cost of eliminating the remarriage penalty to be negligible and within the ability of each system to absorb within their current amortization and funding levels.

The PERS actuary also indicates that there is no data upon which to make a detailed measurement of the financial impact of transferring approximately 30 University of Akron law enforcement officers to the PERS-LE program. Assuming that the age/service/salary characteristics of these law enforcement officers are similar to those of the current law enforcement officers in the PERS-LE program, the actuary states that the current contribution rates may not be affected.

The STRS actuary, Buck Consultants, estimates the provisions of the bill to be cost neutral to the retirement system.

The HPRS actuary, Gabriel, Roeder, Smith & Company, also estimates the provisions of the bill to have no effect on the actuarial funding requirements of the retirement system.

In his letter of January 21, 1997, the executive director for SERS indicates that the provision that requires the retirement system to transfer both employee and employer contributions to PFDPF in the case of transfers/purchases of SERS service would have some negative fiscal impact, though the amount is not determinable due to the lack of information regarding the number of SERS members who transfer to PFDPF.

According to the PERS actuary, Gabriel, Roeder, Smith & Company, data for a detailed measure of the potential cost of H.B. 239, which has been incorporated into Sub. H.B.648, was not available. However, based on the present cost of survivor benefits and the fact that payments to dependent children represent less than 10% of the total cost, the actuary estimates that the overall financial impact of the bill on PERS would be very small - less than 0.01% of covered payroll. The actuary also indicates that the cost could be absorbed within the current contribution rate structure without any affect on the current funding periods. The STRS actuary, Buck Consultants, also indicates that the cost of H.B. 239 would be immaterial. The SERS actuary, Gabriel, Roeder, Smith & Company, assumes that no surviving spouses elect refunds and, therefore, this proposed change would have no effect on the annual contribution requirements calculated for SERS.

The spousal consent requirements would **not** create any additional actuarial accrued liabilities since current law requires any joint and survivor annuity to be the actuarial equivalent of a single life annuity.

The HPRS actuary, Gabriel, Roeder, Smith & Company, prepared an actuarial analysis of S.B. 228, which has also been incorporated into Sub.H.B. 648. The actuary indicates that if *no other part of the retirement system's funding mechanism were changed,* the following increase in the computed employer contribution rate would be necessary to support the above benefit changes:

Increase in	**Pension**	**Health Care**
Normal Cost	0.41%	0.34%
Unfunded Actuarial Accrued Liability	0.73%	0.66%
Total	**1.14%**	**1.00%**

The actuary also indicates that if *the employer contribution rate were to remain unchanged,* the following increase in the retirement system's funding period would be necessary to support the above benefit changes:

	Pension	**Health Care**
Current Funding Period	16 years	Overfunded
After Proposed Changes	24 years	Overfunding is reduced.
Increase in Funding Period	+ **8 years**	+ **0 years**

According to the latest annual actuarial valuation of HPRS as of December 31, 1996, the ending balance for the health care fund was $73,834,545; the annual health care costs were 2,022,068. Therefore, the ratio of HPRS' annual health care cost to the health care fund balance was 36.5, the highest ratio of any of the five state retirement systems which range from 1.5 in SERS to approximately 20 in PERS.

ORSC Position - At its meeting of January 28, 1998 the Ohio Retirement Study Council voted to recommend that the 122nd General Assembly approve Sub. H.B. 648 (LSC 0778-4). At its subsequent meeting of May 13, 1998 the Ohio Retirement Study Council reviewed the Senate amendments to the bill and voted to approve them with a single recommendation that only PFDPF members who begin purchasing non-uniform service credit through payroll deduction no later than one year after the effective date of the bill be exempted from paying the proposed differential in employee and employer contributions, with interest. As reported out by the Senate Ways & Means Committee, Sub. H.B. 648 does not include this one recommendation made by ORSC.

Effective Date - September 16, 1998.

Am. Sub, H.B. 673

Am. Sub. H.B. 673 makes the following changes to the School Employees Retirement System (SERS):

- Increases the service retirement benefit for retirants with more than 30 years of service credit.

- Increases the lump sum death benefit payable to the member's designated or qualified beneficiary from $500 to $ 1,000.

- Increases the reimbursement for Medicare Part-B premiums from $24.80 per month to $31.80 per month.

- Requires a one-time payment to SERS members who were eligible to receive payment for Medicare Part-B premiums between January 1, 1992 and December 8, 1998 (the effective date of this act) based on the increase in the Medicare Part-B reimbursement rate.

- Clarifies how payment is made where no beneficiary is designated or the beneficiary is not found or is deceased.
- Repeals R.C. §3309.37, an obsolete provision, which recalculated the retirement allowance of certain SERS retirants and beneficiaries. There are no longer any retirees to whom this section applies.

The act makes the following change to the current leave of absence provision under the Public Employees Retirement System (PERS) law:

- Allows a member who resigned due to pregnancy to purchase up to one year of service credit.

The act makes the following changes to the State Teachers Retirement System (STRS):

- Allows a member who, prior to July 1, 1982, was granted a leave of absence for pregnancy or resigned due to pregnancy and who later returned to employment as a contributor to STRS to purchase up to two years of service credit.

- Requires credit purchased for leaves of absence or resignation due to pregnancy to be included in determining the amount of service credit that can be purchased by an employer for a member participating in a retirement incentive plan.

The act extends the deadline for reviewing the employer supplemental contribution to the applicable retirement system for academic or administrative employees of public institutions of higher education electing an alternative retirement plan.

The act declares an emergency.

Details of these changes follow.

Increase in SERS Retirement Benefits - The current benefit formula for members of SERS is 2. 1 % of final average salary (FAS)[1] for each year of service (YOS), regardless of the number of YOS. For example, if a retiree has 35 YOS with an FAS of $20,000, the member would receive an annual benefit of $14,700 (2.1% x $20,000 x 35). The act changes the formula for calculating service retirement to 2.1% of (FAS) for the first 30 YOS; plus 2.5% FAS for each subsequent YOS. Under Am. Sub. H.B. 673, a retiree with 35 YOS and an FAS of $20,000 would receive an annual benefit of $15,100 [(2.1% x $20,000 x 30) + (2.5% x $20,000 x 5)]. This act makes SERS law consistent with the other non-law enforcement retirement systems.

Increase in SERS Death Benefit - Designated or qualified beneficiaries of retirees or disability benefit recipients of the non-uniform retirement systems were first eligible to receive a lump sum death benefit of $500 in 1973. In 1989 the death benefit payment was amended for PERS to provide that the amount of payment is dependent upon the number of years of service the member has. Benefits range from $500 to $2,500. The death benefit for STRS retirants also was changed in 1989 from $500 to $ 1,000 regardless of years of service. Raising the lump sum death benefit for SERS members to $ 1,000 makes SERS law consistent with STRS.

Increase in Medicare Part-B Reimbursement Rate for SERS Members - In 1977 the systems were required to reimburse eligible benefit recipients for their Medicare Part-B premiums. Reimbursement for these premiums was subsequently capped for SERS and STRS in order to contain health care costs. The SERS Medicare Part-B premium was capped at $24.80 in 1988. This act increases the cap to $31.80, which is the amount of the basic premium in effect in 1992.

Review of Employer Supplemental Contribution - Am. Sub. H.B. 586 (eff. 3-31-97) established an alternative retirement plan for academic or administrative employees who are employed by a state university, university branch, state community college, community college, technical college, municipal university, the Medical College of Ohio at Toledo, or the Northeastern Ohio Universities College of Medicine. Pursuant to that bill, employers are required to contribute six percent of the employee's salary to the applicable state retirement system to mitigate any negative financial impact on the systems' funding resulting from the establishment of an alternative retirement plan. The bill also requires that the Ohio Retirement Study Council complete an actuarial study by July 1, 1998 to determine if any adjustment to the six percent rate should be made. This technical amendment extends the deadline for review to the first day of July following the first year after the Department of Insurance designates an alternative retirement plan due to the fact that the program has not yet been implemented.

Pregnancy Leave (Incorporation of Sub. H.B. 439) - The Pregnancy Disabilities Act of 1978 amended Title VII of the Civil Rights Act of 1964, which applies to most private employers as well as state and local government units. The amendment requires that women affected by pregnancy be treated the same as employees disabled as a result of sickness or accident with respect to employee benefits (including leave, disability income, and medical benefits).

Am. H.B. 673 allows all PERS members who resigned due to pregnancy subsequent to January 1, 1935 and have not retired to purchase up to one year of service credit. The member must return to employment as a contributor to PERS for at least 12 months, submit proof that the resignation was due to pregnancy, and pay an amount equal to what the member would have contributed had she continued working at the earnable salary prior to resignation, plus annual compound interest from the date of leave to the date of purchase.

Members of STRS who had taken leaves of absence or were forced to resign due to pregnancy

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[1] Final average salary is the average of the member's three highest years' earnings.

prior to July 1, 1982 were permitted to purchase up to two years of service credit during a one-year open window period for the first time in 1985 (Am. Sub.S.B. 378 - 115th G.A.). The open window period was extended for one year in 1986 (Am. H.B. 676, 116thG.A.) and again for another year in 1996 (Am. Sub. H.B. 254, 121st G.A.). The member was required to pay an amount equal to the employee rate of contribution in effect at the time of leave multiplied by the member's annual compensation for full-time employment during the first year of service in Ohio following the end of the absence, plus annual compound interest from the date the absence ended to the date of payment. The member also was required to submit evidence documenting that the resignation was due to pregnancy.

This act reopens the window and once again allows members who took leaves of absence or were forced to resign due to pregnancy prior to July 1, 1982 to purchase up to two years of that time at any time prior to retirement. The cost to the member is the same as under previous windows. Additionally, the act allows that time to be included when determining the amount of service credit that can be purchased by an employer for a member of STRS participating in an early retirement incentive plan.

Fiscal Analysis

According to the SERS actuary, Gabriel, Roeder, Smith & Company, the current amortization period for unfunded actuarial accrued pension liabilities is 24 years. If the total contribution rate under the proposed benefit enhancements were to remain at 9.02% of payroll[2], the amortization period of the unfunded actuarial accrued liabilities would increase to 29 years. If, however, the amortization period were to remain at 24 years, the amount of the employer contribution allocated toward basic benefits would need to be increased by 0.49%, bringing the total rate to 9.5 1 %.

The following chart illustrates the computed increase in the employer contribution rate that would occur to fund for the proposed change on a level cost basis:

	Present Benefit	**Proposed Benefit**	**:Increase**
Normal Cost	4.99%	5.10%	0.11%
UAAL % (24 years amortization)	4.03	4.41	0.38%
UAAL $	$983,389,420	$1,082,244,416	$98,854,996
Total Contribution Rate	9.02%	9.51%	0.49%

S.B. 82 establishes a maximum 30-year amortization period for funding such unfunded actuarial accrued pension liabilities. Although these benefit enhancements would increase the funding period for SERS, it would remain just below the 30-year maximum required under Ohio law.

According to the PERS actuary, Gabriel, Roeder, Smith & Company, data for a detailed measure of the potential cost to PERS of allowing members who resigned due to pregnancy to purchase credit was not available. However, based on the present average cost of a year of service and assuming that there would be much less than 1,000 such service purchases a year, they estimated that:

2The total SERS employer contribution rate is 14%. 9.02% reflects the amount of the employer contribution rate that is allocated to basic benefits such as pension, disability, and survivor benefits. The remaining 4.98% is allocated to health care.

- the overall financial effect would be less than 0.0 1% of covered payroll;
- neither the amount of nor the funding period for unfunded actuarial accrued
- liabilities would be affected;
- the cost could be absorbed within the current rate structure; and
- the system would continue to satisfy funding objectives established by the board.

According to the STRS actuary, Buck Consultants, statistics also were unavailable to estimate the number of current members who would be eligible to purchase service if the window were reopened. However, they estimate that the number of years of service purchased would range from 500 to 1,000 years. This estimate is reasonable assuming that the majority of members who could purchase credit did so during the previous open window. The actuary estimates that the total cost for each year purchased would be $13,650, with the fund paying $11,3 10 of the cost for each year and the member paying the remainder. If 1,000 years of service are purchased under the provisions of this bill, the actuary estimates that the total cost would not be greater than $13.650 million, with the fund paying $11.310 million. According to the actuary, the bill would have no effect on the STRS funding period, which is currently 26.9 years according to the Actuarial Valuation for the year ended June 30, 1997.

ORSC Position

At its meeting of January 28, 1998, the Ohio Retirement Study Council voted to recommend that the 122nd General Assembly approve H.B. 673 as introduced.

At its meeting of April 14, 1998, the Ohio Retirement Study Council voted to recommend that the General Assembly approve Sub. H.B. 439 upon the adoption of an amendment requiring the PERS member to submit evidence satisfactory to the PERS board documenting that her resignation was due to pregnancy. This amendment was adopted in the House Retirement Subcommittee.

Effective Date

December 8, 1998 (emergency)

REPORTS ON SENATE BILLS ENACTED

122ND GENERAL ASSEMBLY

JANUARY 1, 1997 - DECEMBER 31,1998

Am. Sub, S.B. 17

This act generally permits a school board to propose to the electors, as one ballot question, a school district income tax and bond issue, or a property tax for the dual purposes of operating expenses and permanent improvements. This analysis describes only the provisions of the act that relates to the Public Employees Retirement System (PERS), the State Teachers Retirement System (STRS), the School Employees Retirement System (SERS), and the Highway Patrol Retirement System (HPRS).

The act provides that retirement benefits from PERS, STRS, SERS, and HPRS are not exempt from these taxes.

Retirement benefits received from Ohio's public retirement system are generally exempt from state, county, municipal, and local taxation, except where the exemption is specifically denied. Under prior law, retirement benefits were exempted from taxation except for the state income tax (R.C. §5747.02) and school district income taxes for school district purposes (R.C. §5748.02). This bill adds school district income taxes for school district purposes and bond issues for the purpose of financing permanent improvements that are voted on as a single ballot question pursuant to R.C. §5748.08 to the list of exceptions. Therefore, individuals receiving retirement benefits from PERS, STRS, SERS, and HPRS are subject to the additional taxes.

Fiscal Impact

This act has no fiscal impact on PERS, STRS, SERS, nor HPRS.

ORSC Position

The Ohio Retirement Study Council took no action on S.B. 17.

Effective Date

February 13, 1997 (emergency)

Am. Sub, S.B. 67

This act generally provides for the establishment, operation, and regulation of health insuring corporations. This analysis describes only the provisions of the act that relate to the Public Employees Retirement System (PERS), the State Teachers Retirement System (STRS), the School Employees Retirement System (SERS), the Police and Firemen's Disability and Pension Fund (PFDPF), and the Highway Patrol Retirement System (HPRS).

S.B. 67 makes only technical changes to the laws governing the five Ohio public retirement systems. The act deletes references to "health maintenance organizations" and replaces them with the term "health insuring corporations."

Under prior law, prepaid dental plan organizations, medical care corporations, health care corporations, dental care corporations, and health maintenance organizations were recognized as forms of managed health care corporations, which were governed under the Health Maintenance Organization Law, Revised Code Chapter 1742. This act repeals the Health Maintenance Organization Law and enacts Chapter 175 1. to provide uniform regulation of providers of managed health care.

The change in terms from "health maintenance organizations" to "health insuring corporations" reflects the enactment of Chapter 1751. and is merely technical to conform the Ohio public retirement laws with Chapter 175 1.

Fiscal Impact

This act has no fiscal impact on **PERS, STRS, SERS, PFDPF**, nor **HPRS**.

ORSC Position

The Ohio Retirement Study Council took no action on S.B. 67.

Effective Date

June 4, 1997 (emergency)

Am. Sub, S.B. 130

This act generally makes changes in the laws governing the Ohio military. This analysis describes only the provisions of the act that relate to the Public Employees Retirement System (PERS).
S.B. 130 makes members of PERS who served in the Ohio Military Reserve and Ohio Naval Militia ineligible to receive military service credit under R.C. § 145.30 for any year of military service in the Ohio Military Reserve and the Ohio Naval Militia.

A member of PERS whose public employment was interrupted by active duty in the armed forces of the United States is entitled to have up to ten years of military service used in the calculation of the member's years of service as a public employee. The member is required to complete one year of service credit covered by a state retirement system or the Cincinnati retirement system within two years after an honorable discharge, as established by an honorable discharge or certificate of service, in order to receive credit for the military time. Under prior law, the Ohio Military Reserve and the Ohio Naval Militia were included in the definition of "armed forces." But S.B. 130 removes the Ohio Military Reserve and the Ohio Naval Militia from the definition of "armed forces" of the United States, thereby prohibiting those members who served from receiving military service credit in PERS.

In order to qualify for the military service credit, the member was required to present an honorable discharge or certificate of service. The act replaces this with the requirement that the member present documentation that service in the uniform services was terminated in a manner other than as described in section 4304 of Title 38 of the United States Code, "Uniformed Services Employment and Reemployment Rights Act of 1994," 108 Stat. 3149 U.S.C.A. 4304.

Additionally, the act deletes from inclusion as public employees under PERS law civilian employees of the National Guard and the Air National Guard who are employed in or with a unit of the Ohio National Guard or the Ohio Air National Guard, except those civilians employed by the National Guard Bureau. Under prior PERS law, those civilian employees were defined as public employees and were, therefore, members of PERS. Under S.B. 130, those individuals are no longer considered to be members of PERS.

Fiscal Impact

This act has no fiscal impact on PERS.

ORSC Position

The Ohio Retirement Study Council took no action on S.B. 130.

Effective Date

September 18, 1997 (emergency)

Am. Sub, S.B. 187

This act generally makes changes to the laws governing the Department of Natural Resources (DNR). This analysis describes only the provisions of the act that relate to the Public Employees Retirement System (PERS).

The act provides that preserve officers employed by the DNR are considered to be "law enforcement officers" pursuant to R.C. §145.01. Therefore, these individuals are eligible for membership in the Law Enforcement Division of PERS (PERS-LE). Preserve officers originally employed on or after the bill's effective date are required to enroll as members of PERS-LE. Individuals originally employed as preserve officers prior to the bill's effective date have 90 days during which they may choose whether to continue coverage under PERS or transfer to PERS-LE. Under prior law, preserve officers were enrolled as members of PERS.

Members of PERS-LE are eligible for normal service retirement at age 52 with 25 or more years of service (YOS) or age 62 with 15 or more YOS; whereas, members of PERS are eligible for normal service retirement at age 65 with 5 or more YOS or at any age with 30 YOS. Retirement benefits are also calculated differently in the two systems. The annual benefit for a member of PERS-LE is equal to 2.5% of final average salary (FAS) for the first 20 YOS; plus 2. 1 % of FAS for YOS over 20. PERS members receive a benefit equal to 2. 1 % of FAS for the first 30 YOS; plus 2.5% of FAS for YOS over 30.

The act also creates the position of natural resources law enforcement staff officer. The staff officer is designated by the Director of DNR to (1) coordinate DNR's law enforcement activities, training, and policies, (2) serve as DNR's liaison with other law enforcement agencies and jurisdictions, and as the Director's representative regarding law enforcement activities, (3) conduct internal investigations of DNR's employees as necessary, and (4) perform other functions related to DNR's law enforcement activities, training, and policies that the Director assigns to the officer. This staff officer is also defined as a "law enforcement officer" pursuant to R.C. § 145.01 and is a member of PERS-LE.

Fiscal Impact

This act has no fiscal impact on PERS-LE.

ORSC Position

The Ohio Retirement Study Council took no action on S.B. 187.

Effective Date

March 18, 1999

SUBJECT INDEX OF PENSION BILLS INTRODUCED
122ND GENERAL ASSEMBLY

January 1, 1997 - December 31, 1998

The Subject Index of Pension Bills Introduced provides a listing of pension bills under subject heading an a key word description within the main heading. Bill that cover more than one subject are listed under all appropriate headings.

The pension systems affected by the bill are also indicated. "All systems" means the Public Employees Retirement System (PERS), the State Teachers Retirement System (STRS), the School Employees Retirement System (SERS), the Police and Firemen's Disability and *Pension Fund* (PFDPF), and the Highway Patrol Retirement System (HPRS). "VFFDF" and "FPDBF" respectively refer to the Volunteer Fire Fighters' Dependents Fund and the Firemen and Policemen's Death Benefit Fund.

The main subject headings are listed at the beginning of the index for quick reference. The bills that became law are indicated by an asterisk.

Subject Headings

Age and Service	Deduction	Membership
Alternative	Deferred	
CompensationRules		
Retirement Plan	Disability	Service Credit
Appropriations	Early Retirement	Social Security
Benefit Options	Incen tive	Survivors
Contribution	Employer Accrued	Taxation
Cost-of-Living	Liability	Technical Cha nges
Death Benefit	Health Care	

Age and Service
Ad hoc increase no less than 70% of original base - STRS - HB 339*
Ad hoc increase for retirees with more than 25 YOS - HPRS - SB 228, HB 648*
Benefit formula increased with more than 25 YOS - HPRS - SB 228, HB, 648*
Benefit formula increased with more than 30 YOS - STRS - HB 339*; SERS - HB 673*
Corrections officer service credit used to compute YOS in PERS-LE - PERS-LE - HB 578
Minimum benefit increased to $9,600 with 30 YOS - STRS - HB 339*
Retire at age 48 with 25 YOS - PERS-LE - HB 569, SB 119
Retire at any age with 25 YOS as EMT worker, RTA worker, or county-corrections officer - PERS - HB 391

Alternative Retirement Plan
Deadline for reviewing supplemental contribution extended - ORSC - HB 673*

Appropriations
Biennial Appropriations - ALL SYSTEMS - HB 215*

Benefit Options
Automatic joint and survivor annuity unless spouse consents - PERS, STRS, SERS, PFDPF - HB 239, HB 648*
Post-retirement marriage election period limited - PFDPF - HB 648*

Contribution
Interest on past due - PFDPF - HB 648*
Separate rates for EMS workers, RTA workers, and county corrections officers - PERS - HB 391

Cost-of-Living
COLA established for recipients of statutory survivor benefits - PFDPF - HB 194*
Calculation of - PERS - SB 264

Death Benefit
Increase death benefit to $ 1,000 - SERS - HB 673*
Payment to beneficiary when no spouse - PFDPF - HB 194, HB 648*

Deferred Compensation
Regional Transit Authority - PERS - HB 357

Deduction
Child support assignability - ALL SYSTEMS - SB 216, HB 683
QDRO's assignable - ALL SYSTEMS - HB 279

*Enacted

*Enacted

STATUS OF PENSION LEGISLATION
122ND GENERAL ASSEMBLY

January 1, 1997 - December 31, 1998

The Status of Pension Legislation provides a record of legislative action taken on pension bills at each step of the legislative process from the date of introduction, assignments in each House of the General Assembly, testimony, the date reported by the committees, the date passed by each House, the date reported by a conference committee and/or concurred in by the other House, to the effective date of the bill. Also provided are a brief description of the subject of the pension bill and the ORSC position on the bill. An index of abbreviations used in the status report is on the final page.

OHIO RETIREMENT STUDY COUNCIL

STATUS OF PENSION LEGISLATION

122 ND GENERAL ASSEMBLY

January 1, 1997 - December 31, 1998

HOUSE BILLS

						TESTIMONY			TESTIMONY			
HSE BILL	INTRO	Subject,Sponsor and System	Cont Pers	ORSC POs	Hse Cmte.	Testimony - Reported Out - Floor Vote	INTRO SEN	Sen. Cmte	**Testimony Reported Out** - Floor Vote	Conf Cmte	Concurr Ence	Eff Date
14	01-21-7	Excludes SS benefits & certain retirement benefits from the definition of total income used to calculate the homestead exemption and the manufactured home exemption Mottl	BI	N	W&M Thomas							
26	01-21-7	Excludes members of a board of directors of a sanitary district from being members of PERS Lucas - PERS	AE	N	EE Schuck	06-17-7 --- 09-09-7 Fir Vo. Y=94- N=O	09-09-7	ENR 10-14-97 Suhadolnik	01-7-8 Sub --- 1-12-8 Fir Vo: Y=30 N= 1		01-13-98	05-06 1998
64	01-21-7	Changes method for purchasing military service credit, can apply toward total service credit Fox - PERS	GK	D	HRA Van Vyven	02-05-7 To Sub Cmte ----- 4-16-7 -----						
78	01-21-7	Exempts benefits from school district income taxes Fox - PERS, STRS, SERS, HPRS	GK	N	W&M Thomas							
108	01-21-7	IRAs exempt from execution, garnishment, or attachment Tiberi	BI	N	HRA Van Vyven	02-12-7 ----- 02-19-7 ----- 02-26-7----03-18-7 Sub. ----- Fir Vo: 04-08-7 Y=92-N=3 -----	34-08-7	JUD Biassing	05-28-98-11-17-8 Amend, FIVo Y=31 N=O		12-01-98	03-22 1999
110	01-21-7	Benefits subject to a school district combined income tax/bond levy Fox - PERS, STRS, SERS, HPRS	51	N	ETE Jacobson	01-29-7 ----- 02-05-7 -----						
152	01-28-7	To allow Bds of Edu to employ school security officers Boyd - SERS	*BI*	N	*EDU* Fox							
167	01-29-7	Provides for pilot program in Lucas City for establishment of no more than 20 community schools - SERS membership required Perz - SERS	BI	N	FA Johnson							
186	02-04-7	Home rule school districts - licensed teachers in STRS, non-licenses employees in SERS Fox - STRS	AE	N	EDU Fox	02-18-7 -----						
194	02-05-7	Increases pensions, COLAs, and death benefits for survivors of certain PFDPF retirees Vesper - PFDPF	GK	AA	HRA Van Vyven	02-12-7 ----- To Sub Cmte 04-16-7 ----- 11-05-7 To Full Cmte. Sub, Amend-1 1- 17-8 Amend Flr Vo Y=93 N=O	11-17-8	W&M 12-01-98 B. Johnson	12-01-8-12-02-8 Fir Vo Y=29 N=O			12-21-1998 (E)
215	02-12-7	Biennial operating appropriations Johnson - All Systems	81	N	FA Johnson	03-20-7 Sub ---- 03-21-7 Amend Fir Vo Y=89 N=9	03-24-7	FIN Ray	05-29-7 Sub. Fir Vo Y=33 N=O	06-03-97	06-25-97	06-30 1997 (E)
222	02-13-7	Workers Com *Reform* *Thompson*	*BI*	*/V*	*CL* *Thompson*	02-25-7 ----- 03-04-7 ----- 03-11-7 ----- 03-18-7 ---- 03-19-7 -Amend ----- 03-20-7 -----						
239	02-19-7	Provides survivor benefits to children when the deceased member was an obligor under a child support order Tavares - PERS -03-19-97 Actuarial request made ... Amended into H B 648	GK	AA	HRA Van Vyven	02-12-7 ----- To Sub Cmte 04-16-7 ----- 1-15-8 --- .1-21-8 ---- 1-28-8 Sub----						
265	02-25-7	Health insuring corporations Van Vyven - All Systems (identical to SB 67)	BI	N	INS Netzley	03-13-7 ----- 04-01-7 ----- 04-08-7 Amend -----						
279	03-04-7	Exempts qualified domestic relations orders from prohibition against execution, garnishment Thompson - All Systems	AE	P	HRA Van Vyven	05-14-7 ----						

						-TESTIMONY			TESTIMONY			
HSE BILL	INTRO	Subject, Sponsor and System	Cont Pers	:)RSC Pos	Hse Cmte.	Testimony - Reported Out - Floor Vote	INTRO SEN	Sen. Cmte	**Testimony - Reported Out** - Floor Vote	Conf -mte	Concurr ence	Eff Date
316	03-11-7	To provide for the creation of public teaching hospital authorities and to declare an emergency. Britton - PERS, STRS	GK	P	HRA 03-12-7 VanVyven	04-23-7 To Sub Cmte -----						
339	03-18-7	Increases benefits under STRS Vesper - STRS **03-20-97:Actuarial request made	GK	A	HRA 03-19-7 VanVyven	04-08-7 To Sub Cmte ----- 04-16-7 ----- 05-08-7 Y=9 N=O to Full Cmte ------ 05-14-7 ----- Amend 05-21-7 ---- Fir Vo 05-29-7 Y=86 N=O	06-03-7	WM 6-11-97 Johnson	07-02-7 --- 07-22-7 Amend,Flr Vo: Y=31 N=O		7-23-97	08-6 1997 (E)
357	04-01-7	RTA's offered additional deferred compensation program - authorize Sykes - PERS	BI	N	SG 04-07-7 Wachtmann							
391	04-15-7	Allows a mbr of PERS to retire at any age after 25 yrs svs if EMS worker, RTA worker or County Corr Officer. Miller - PERS **05-13-97. Actuarial request made	AE	D	HRA 04-16-7 Van Vyven	04-23-7 to Sub Cmte ----- 05-08-7 -----						
400	04-22-7	School Bd Mbrs - Annual Salary - up to 60% of Co. Commissioners Miller - PERS	BI	N	EDU 04-29-7 Fox							
439	05-13-7	Permits mbrs of PERS and STRS who resigned due to pregnancy to purchase serv credit. Mead - PERS, STRS **05-14-97: Actuarial request made ... Amended into H.B. 673	AE	AA	HRA 05-14-7 Van Vyven	05-27-7 To Sub Cmte-Sub ---- 5-12-8 To Full :mte, Amend ---- 5-13-8 ---- 5-20-8 --- 5-21-8---- 5-27-8 Fir Vo Y=97 N=O	05-27-8	W&M 05-28-98 B. Johnson				
468	05-27-7	Exempts Reserve and National Guard pay from municipal taxation Thomaston	GK	N	VET 05-29-7 Braiding	Sub 06-25-7 --- 07-22-7						
489	06-11-7	Authorizes creation of community schools Tiberi - STRS, SERS	GK	N	EDU 06-12-7 Fox							
569	08-26-7	Permits members of PERS-LE to retire at age 48 with full benefits Williams - PERS (identical to S.B. 119)	GK	D	HRA 09-04-7 VanVyven	10-15-7 to Sub---						
578	09-09-7	Allows PERS-LE member to use years of service as county corrections officer to compute YOS for PERS-LE retirement Luebbers - PERS **ID-03-97: Actuarial request made	AE	D	HRA 10-09-7 VanVyven							
601	10-07-7	Permits recipient of partial disability benefits to apply for permanent and total disability Hartley - PFDPF **10-08-97: Actuarial request made	GK	D	HRA 10-09-7 VanVyven	10-22-7 to Sub ---						
648	12-16-7	Makes changes to the disability benefit programs VanVyven - All Systems	GK	A	HRA 12-16-7 VanVyven	1-14-8 ---- 1-15-8 ---- 1-21-8 ---- 1-22-8 ---- 1-28-8 Sub ---- 2-01-8-2-02-8 Fir Vo Y=96 N=O	2-02-8	W&M 2-04-98 3 Johnson	2-06-8 To SubCmte---- 3-10-8-3-17-8 ---- 8-24-8 ---- 5-12-8 Amend ' To Full Cmte ---- 5-0-8 Amend, Fir Vo Y=33 N=O		05-21-98	09-16 1998
670	01-13-8	Expands the offense of rape Winkler - All Systems	BI	N	CJ 01-13-8 Mason	1-13-8---						
		Increases certain retirement benefits under SERS and allows members of PERS and STRS who resigned due to pregnancy to purchase credit Padgett - PERS. SERS, STRS	AE	A	HRA 01-14-8 VanVyven	1-2 1 -8 To Sub ---- 1-29-8 ---- 2-11-8 ---- 2-18-8---- 8-11-8 To Full Cmt ---- 3-17-8 Sub ---- 3-18-8 mend, Flr Vo Y=97 N=O	3-19.8	W&M 3-24-98 5 Johnson	To Sub Cmte ---- 5-12-8 Amend, To Full mte ---- 5-20-8 Sub ---- 11 -05-8 Amend, Fir Vo Y=30 N=O		11-17-98	12-08- 1998 (E)

HOUSE BILLS

						TESTIMONY			TESTIMONY			
HSE BILL	INTRO	Subject, Sponsor and System	Cont Pers	)RSC POS	Hse Cmte.	Testimony - Reported Out - Floor Vote	INTRO SEN	Sen. Cmte	Testimony - Reported Out - Floor Vote	Conf Cmte	Concurrence	Eff Date
683	01-21-8	Makes changes to the laws governing child support Mason - All Systems	BI	N	FS Winkler							
730	03-25-8	Changes requirements for purchase of military service credit and computation of payment Jolivette - PERS	AE	P	HRA 04-01-8 VanVyven	-20-8 To Sub Cmte----						
731	03-26-8	Revises statutes governing Dept. of Natural Resources Callender - PERS (identical to S.B. 187)	AE	N	ANR 04-01-8 Haines							
769	05-19-8	Exempts from the personal income tax up to $10,000 in retirees' retirement benefits Coughlin - All Systems	BI	N	W&M 05-19-8 Thomas							
845	11-05-8	Allows municipal corporations to enter into agreements with each other to pay accrued liability to PFDPF Van Vyven - PFDPF (identical to SB 284)	GK	P	HRA 1-05-8 Van Vyven							
854	11-24-8	Permits DAS to establish self-insured long-term care insurance program for state employees Terwillegger - PERS	AE	P	W&M 11-30-98 Thomas							
HCR 14	02-12-7	Memorializes Congress to allow concurrent military retirement pay and disability pay Krebs	BI	N	VET Brading	03-04-7						
HC 58	09-16-8	Memorializes Congress to oppose and defeat any legislation containing provisions that require Ohio's public employees to participate in Social Security or any federal pension program. Ogg	BI	P	HRA VanVyven							
HCR 59	09-16-8	Memorializes Congress to oppose and defeat any legislation containing provisions that require mandatory Social Security coverage for Ohio's public employees Householder	BI	P	HRA VanVyven							
HCR 60	11-05-8	Memorilaizes Congress to reject any legislation requiring Social Security coverage for Ohio public employees who are members of one of the state's public employee retirement systems Callender	BI	P	HRA VanVyven							

						TESTIMONY			TESTIMONY			
SEN BILL	INTRO	Subject, Sponsor and System	Cont Persn	ORSC POs	Sen Cmte.	Testimony - Reported Out - Floor Vote	INTRO	Hse Cmte	**Testimony - Reported Out** - Floor Vote	Conf Cmte	Concurr ence	Eff Date
17	01-15-7	Benefits subject to a school district combined income tax/bond levy Nein - PERS, STRS, SERS, HPRS	AE	N	W&M 5 Johnson	01-22-7 ----- 01-22-7 ----- 02-04-7 ----- 02-05-7 Sub --- 02-05-7 Amd. Flr Vo: Y=33 N=O	02-05-7	ETE Jacob-son	02-05-7 ----- 02-05-7 ----- 02-01-7 ----- 02-12-7 Fl Vo: Y=86 N= 12----			2-13 1997
45*	02-13-7	Workers Comp Reform Cupp-	BI	N	ICL Gillmor	02-20-7 ----- 03-06-7 ----- 03-13-7 ----- 03-18-7----03-19 Amd ----- 03-20-7 ----- 03-20-7 Amd---03-25-7 Flr Vo Y=18 N=13	03-26-7	CL Thompson	4-15-7 Sub ----- 04-16-7 Amd -----			
67	3-10-7	Health Insuring Corporations (HB 265) Gillmor - All Systems	BI	N	ICL Gillmor	03-13-7 ----- 04-10-7 ----- 04-17-7 ----- 04-24-7 Amd ----- Sub Bill Y=9 N=O ----- Flr Vote: 04-80-7 Y=33 N=O	04-30-7	INS Netzley	05-20-7 Sub to Full Cmte ---- 05-21-7 Amd Sub Y=94 N=O		05-28-7	06-04-1997 (E)
73	3-19-7	Sanitary Districts - Limits the compensation paid and benefits provided to board members of sanitary districts Hagan - PERS	GK	N	HL 03-25-7 Drake							
119	05-20-7	To permit members of PERS-LE to retire at age 48 with full benefits Shoemaker - PIERS (Identical to H.B. 569)	GK	D 130	W&M B Johnson	1-21-8 ---- 2-06-8 To SubCmte----						
130	05-29-7	Exempt Reserve Ohio & National Guard pay from municipal taxation Watts - PERS	AE	N	SLG 06-03-7 Schafrath	07-01-7 Sub; Flr vote: Y=33 N=0	07-02-7	VET 07-22-7 Brading	07-23-7---07-24-7 Amend---07-29-7 Flr vo: Y=96 N=0		07-30-7	09-18-97 (E)
187	11-03-7	Revises statutes governing the Dept. of Natural Resources White-PERS	AE	N	ENR 11-12-7 Suhadolnik	2-04-8---3-18-8---3-25-8 Sub----4-1-8 Amend; Flr Vo: Y=32-N=0	04-01-8	ANR 04-02-98 Haines	05-28-8 Sub---11-17-8 Amend; Flr Vo: Y=92 N=1		11-18-8	03-18-1999 (E)
216	01-21-8	Makes changes to the laws governing child support Kearns – All Systems	BI	N	JUD 1-22-8 Blessing							
228	02-26-8	Makes changes to the calculation of certain HPRS pensions Nein – HPRS ***Amended into H.B. 648	GK	A	W&M 3-10-8 B. Johnson	8-10-8 To SubCmte---3-24-8						
264	07-14-8	Makes a change in the calculation of cost of living increases Shoemaker – PERS **07 –16- 98: Actuarial request made	AE	N	W&M 11-05-8 Johnson							
284	11-10-8	Allows municipal corporations to enter into agreements with each other to pay accrued liability to PFDPF Nein – PFDPF (Identical to HP 845)	GK	P	W&M 11-17-8 Johnson							
287	11-19-8	Requires PFDPF to recalculate the cost of military service credit for certain members Furney – PFDPF	AE	P	W&M 12-01-8 Johnson							

*SB 45 is void as a result of the referendum vote.

HOUSE COMMITTEES

ANR	Agriculture & Natural Resources
Cc	Civil & Commercial Law
CJ	Criminal Justice
CL	Commerce & Labor
EDB	Economic Development & Small Business
ED	Education
EE	Energy & Environment
ETE	Ethics & Elections
FS	Family Services
CY	Children & Youth Subcommittee
FA	Finance & Appropriations
FI	Financial Institutions
HPL	Housing & Public Lands
HRA	Health, Retirement, & Aging
RET	Retirement Subcommittee
INS	Insurance
HI	Health Insurance/HMOs Subcommittee
LGT	Local Governments & Townships
UR	Urban Subcommittee
PU	Public Utilities
RR	Rules & Reference
SG	State Government
TPS	Transportation & Public Safety
VET	Veterans Affairs
WM	Ways & Means

SENATE COMMITTEES

AGR	Agriculture
ECD	Economic Development, Technology, & Aerospace
ED	Education
ENR	Energy, Natural Resources, & Environment
FIN	Finance & Financial Institutions
HL	Health
HSA	Human Services & Aging
HT	Highways & Transportation
ICL	Insurance, Commerce, & Labor
JUD	Judiciary
REF	Reference
RUL	Rules
SLG	State & Local Government & Veterans Affairs
WM	Ways & Means
PEN	Pension Subcommittee

JOINT COMMITTEE

JLC	Joint Legislative Committee to Study Ohio's Public Retirement Plans

LEGISLATIVE ACTION

A	Amended
S	Substitute
P	Postponed Indefinitely
R	Rereferred
V	Vetoed
E	Emergency
CR	Concurrence Refused

ORSC POSITION

A	Approved
D	Disapproved
AA	Approved with Amendment
AD	Action Deferred
P	Pending
BI	Bill of Interest
N	No Action Necessary

ORSC CONTACT PERSON

GK	Glenn Kacic
AE	Anne Erkman