

OR SC

Analysis

Sub. H.B. 197

The Ohio Retirement Study Commission

September 6, 1994

Voting Members

Representatives

Paul Jones (Chair)
Michael Fox
Ron Suster

Senators

Cooper Snyder (Vice-Chair)
Grace Drake
William Bowen

Appointed by the Governor

Robert Barrow
Thomas McDonald
William Fawley

Non-Voting Members

Executive Directors

Thomas Anderson SERS
Herbert Dyer STRS
Henry Helling PFDPF
Dean Huffman HPRS
Richard Schumacher PERS

Director

Aristotle Hutras

Research Attorney

Glenn Kacic

Research Associate

Sarah Williams

Executive Assistant

R.J. Tierney

Secretary

Charlotte Banks

Sub. H.B. 197 - Mr. Colonna, et al. - (As Enacted by the General Assembly)

The act allows members of the Police and Firemen's Disability and Pension Fund (PFDPF) to purchase credit for out-of-state and federal service and to revive the authority of the state retirement system boards to invest their respective funds in certain venture capital firms and small businesses.

The act would allow PFDPF members to purchase up to five years of out-of-state or federal service under the following conditions:

1. The service credit purchased by the member must be full-time service.
2. The member must be eligible or would be eligible to retire as a result of purchasing the credit in order to address the full liability.
 - a. The PFDPF actuary must certify the amount of additional liability for each year of credit the member is eligible to purchase and notify the member.
 - b. The member must pay the additional liability as certified by the actuary in full at the time of purchase.
 - c. The member must agree to retire within 90 days after receiving notice of the additional liability.
 - d. If the member does not retire within 90 days, the Fund will withdraw the credit and refund the amount paid by the member.

The act also revives the authority of the PFDPF, 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) to invest up to five percent of their total assets in Ohio-based venture capital firms and small businesses, and makes the authority a permanent part of their investment statutes.

Staff Comments - The act allows a member of PFDPF to purchase up to five years of out-of-state or federal service. The member is required to pay the full liability resulting from the purchase, as determined by the fund's actuary, and to retire within 90 days thereafter. The full actuarial liability is unknown until the time of retirement because the retirement benefit is based on years of service and final average salary, both of which are unknown until the member actually retires. Because years of service and final average salary are included in the actuarial determination, the member must retire within 90 days of the certification.

The act prohibits a member from purchasing any out-of-state or federal service that is used in the calculation of any other public or private retirement benefits, except federal social security currently being paid or payable in the future.

The act provides PFDPF members with the same benefit available to PERS, STRS, and SERS members which allow members to purchase up to five years of federal or out-of-state service.

The authority of the five state pension funds' to invest up to five percent of their total assets in Ohio-based venture capital firms and small businesses had expired on December 31, 1993 under a temporary section of law. This act alleviates the continual need to extend such authority prior to its expiration.

Fiscal Impact - The act requires the PFDPF member to pay the total additional liability for the purchase of credit as certified by the actuary in full at the time of purchase. The act would have no fiscal impact on the PFDPF other than administrative expenses.

The act would have no fiscal impact on the five state pension funds regarding the revival of the investment authority.

ORSC Position - At the meeting of March 15, 1994, the Ohio Retirement Study Commission voted to recommend that the General Assembly approve Sub. H.B. 197.

Effective Date - October 11, 1994.

**Sarah Williams - Contact Person
(614) 228-1346**