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Analysis

S.B. 115 - Sen. Hottinger
H.B. 267 - Rep. Flowers
(As Introduced)

October 10, 2001

ORSC Position

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S.B 115/H.B. 267

The bill would generally increase the benefits payable under the Volunteer Fire Fighters' Dependents Fund (VFFDF) to the surviving spouse or child of a volunteer firefighter. Similar to the Ohio Public Safety Officers Death Benefit Fund, the VFFDF is a separate benefit program from the five state retirement systems. This analysis is limited to those proposed changes pertaining to the VFFDF.

("Volunteer firefighter" means a member of a fire department on either a non-pay or part-pay basis who is ineligible for membership in the Ohio Police and Fire Pension Fund or the Public Employees Retirement System. Volunteer firefighters who are also members of PERS are covered under the VFFDF until they otherwise qualify for survivor coverage (one and one-half years of Ohio service credit) or disability coverage (five years of Ohio service credit) under PERS.)

Under current law, a surviving spouse of a volunteer firefighter who dies in the line of duty receives a lump sum benefit of \$1,000, plus a monthly benefit of \$200 so long as the spouse does *not* remarry. The bill would increase the monthly benefit for the surviving spouse to \$300; the lump sum benefit would remain the same.

Current law also provides for a monthly benefit of \$65 for each child of a volunteer firefighter who dies in the line of duty until the child reaches age 18. The bill would increase the monthly benefit to \$125, and would make it payable until the child reaches age 23 provided the child is attending and completing at least two-thirds of the full-time curriculum requirements of a post-secondary educational institution.

The bill would *not* increase the monthly benefit of \$200 payable to volunteer firefighters who are permanently and totally disabled while discharging their duties, meaning that they are unable to engage in any substantial gainful employment for a period of at least twelve months by reason of a medically determinable physical impairment that is permanent or presumed to be permanent.

Staff Comments - The Volunteer Fire Fighters' Dependents Fund generally provides disability and survivor coverage for volunteer firefighters, and is administered by the State Fire Marshall. The VFFDF is financed by assessments on political subdivisions and fire districts of the state having volunteer firefighters as well as private volunteer fire companies that elect membership. The assessments are levied by the State Fire Marshall whenever the claims against the fund reduce the fund's balance to 95% or less of the initial basic capital account. The assessments for political subdivisions and fire districts of the state range from \$90 to \$150 based upon the current property valuation of the subdivision or district; the assessments for private volunteer fire companies is \$150. Similar to the Ohio Public Safety Officers Death Benefit Fund, the VFFDF is financed on a pay-as-you-go basis rather than an actuarial basis (e.g., five state retirement systems).

The monthly benefits payable under the VFFDF were last increased in 1989 (H.B. 701 - eff. 3/17/89). Among other things, H.B. 701 increased the monthly survivor benefit for spouses from \$100 to \$200, for children from \$25 to \$65, and for disabled volunteer firefighters from \$100 to \$200. Since 1989, the Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W) has increased by 37.8%. Adjusted for such inflation, the monthly survivor benefit for spouses would equal \$275.53; the monthly survivor benefit for children, \$89.55.

Under S.B. 115/H.B. 267, the monthly benefits would be increased from \$200 to \$300 for spouses and from \$65 to \$125 for children; however, the monthly benefits would *not* be increased for disabled volunteer firefighters which would remain at \$200. From a public policy standpoint, it is

S.B 115/H.B. 267

unclear why a volunteer firefighter who is permanently and totally disabled in the line of duty should receive a lesser monthly benefit than a surviving spouse of a volunteer firefighter who is killed in the line of duty. Historically, the monthly benefits payable under the VFFDF to spouses and volunteer firefighters have always been equal in amount. *Therefore, it is recommended that the bill be amended to increase the monthly benefits for volunteer firefighters who are permanently and totally disabled from \$200 to \$300 as well.*

S.B. 115/H.B. 267 would also make dependent children eligible for monthly benefits until age 23 *if* they are attending and completing at least two-thirds of the full-time curriculum requirements of a post-secondary educational institution. This proposed change is generally consistent with the eligibility criteria established under the five state retirement systems for monthly benefits payable to surviving children of a deceased member.

The forfeiture of monthly benefits for surviving spouses upon remarriage was eliminated under the five state retirement systems' governing statutes in 1998 (H.B. 648 - eff. 9/16/98). Similarly, the "remarriage penalty" was eliminated under the Ohio Public Safety Officers Death Benefit Fund in 1999 (H.B. 283 - eff. 6/30/99). The ORSC favorably recommended such elimination as a matter of public policy in both cases.

The governing statutes of the VFFDF are inconsistent with the current governing statutes of the five state retirement systems and the Ohio Public Safety Officers Death Benefit Fund with respect to the "remarriage penalty." Under the VFFDF, surviving spouses forfeit their monthly benefits upon remarriage. *In the interest of establishing a consistent public policy regarding the payment of survivor benefits in Ohio, it is recommended that S.B. 115/H.B. 267 be amended to eliminate the "remarriage penalty" for surviving spouses.*

Under the definition section of VFFDF's governing statutes, "dependent" is defined to mean the surviving spouse or child of a volunteer firefighter "regardless of financial status." This definition is inconsistent with the VFFDF's governing statutes establishing the eligibility criteria for monthly benefits payable to children which provide in pertinent part: "To a parent, guardian, or other person upon whom a child of a volunteer firefighter is dependent for chief support . . ." *Therefore, it is recommended that S.B. 115/H.B. 267 be amended to eliminate the definition of "dependent" which is not only unnecessary but also inconsistent with the other governing statutes.*

Fiscal Impact - The Volunteer Fire Fighters' Dependents Fund is totally financed by assessments on the approximately 850 local government entities, fire districts and private volunteer fire companies that are members of the fund. Current assessments range from \$90 to \$150 based on current property valuations, and are generally levied twice each year. Each assessment generates approximately \$108,000; annual interest currently earned on the capital account balance amounts to approximately \$20,000. (The current fund balance is approximately \$400,000; whenever the fund balance drops below \$340,000, an assessment is levied.)

The current payout for all monthly benefits is approximately \$190,000. It is a relatively stable figure because as new individuals become eligible for monthly benefits, other individuals leave the benefit rolls for various reasons (e.g., attainment of age 18 for dependent children, remarriage for surviving spouses). There are currently 82 benefit recipients; 6 disabled volunteer firefighters, 66 surviving spouses, and 10 dependent children.

The bill would create an additional annual cost to the fund of approximately \$86,400, assuming that

S.B 115/H.B. 267

the number of surviving spouses and dependent children remains at current levels. The increase in the surviving spouse benefit adds \$79,200 per year; the dependent child benefit, \$7,200 per year. Increasing the monthly benefits for disabled volunteer firefighters from \$200 to \$300 would create an additional annual cost of approximately \$7,200 *should* the bill be so amended.

Current law provides that whenever the fund balance falls below 95% of the basic capital account, an assessment shall be levied. Currently, assessments are levied twice each year. The additional cost created under the bill would automatically necessitate and trigger an additional assessment. *In the alternative, the bill could be amended to increase the current assessment amounts that range from \$90 to \$150 in order to maintain the semi-annual assessment as was done in prior legislation for administrative and budgeting purposes.*

ORSC Position - At its meeting of October 10, 2001, the Ohio Retirement Study Council voted to recommend that the 124th Ohio General Assembly approve S.B. 115/H.B. 267 relative to the Volunteer Fire Fighters' Dependents Fund upon the adoption of the following amendments:

- That the monthly benefits of volunteer firefighters who are permanently and totally disabled in the line of duty be increased from \$200 to \$300;
- That the current "remarriage penalty" for surviving spouses be eliminated;
- That the current definition of "dependent" be eliminated; and
- That the current assessment amounts be increased to cover the additional costs in order to maintain a semi-annual assessment schedule.