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Analysis

H.B. 578 - Rep. Luebbers

(As Introduced)

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This bill would allow a member of the Public Employees Retirement System - Law Enforcement Division (PERS-LE)[1] to use up to 5 years of Ohio service as a corrections officer in computing years of service for retirement in PERS-LE if the member pays an amount equal to the difference between the amount actually contributed by the member as a corrections officer, and the amount the member would have contributed as a law enforcement officer, plus compound annual interest to the date of payment. (No payment is made for the employer contribution.)

Under current law, members of PERS-LE may use only law enforcement service to meet the eligibility requirements for service retirement under the PERS-LE program

Under the PERS-LE program, law enforcement officers qualify for normal service retirement at age 52 with 25 years of service (YOS) based on a benefit formula of 2.5% times final average salary (FAS) for the first 20 YOS, plus 2.1% times FAS for YOS over 20 years. Members under the general PERS program are eligible for normal service retirement at age 65 with 5 years of service or any age with 30 years of service based on a benefit formula of 2.1% times FAS for the first 30 YOS, plus 2.5% for YOS over 30 years. The more generous benefit provisions under the PERS-LE program are strictly limited to law enforcement service.

Staff Comments

The defining characteristic of all members included in the PERS-LE division is that they all fall within the definition of "peace officer" as defined under R.C. §109.71; thus, they are required to be certified from the Ohio Peace Officer Training Academy pursuant to R.C. §109.77. Unlike members included in PERS-LE, corrections officers are not required by statute to attend the Ohio Peace Officer Training Academy. Because they are not required to be certified, the ORSC has consistently recommended against legislation that would make corrections officers eligible for the PERS-LE program, The most recent members of PERS to be transferred to the PERS-LE division were state university law enforcement officers and Hamilton County Municipal Court bailiffs, who are required to complete Ohio Peace Officer Training.

The issue, then, is not whether the member pays the amount of the additional liability, but rather whether non-law enforcement service covered under PERS should be used to meet the eligibility requirements for service retirement under the PERS-LE program. The members of PERS-LE are eligible to retire at an earlier age and receive higher benefits because of their status as peace officers. Authorizing the use of non-law enforcement service to qualify for service retirement under the PERS-LE program would undermine the very rationale for this special set of benefits for law enforcement officers. It could also set a precedent to allow PERS-LE members to purchase all non-law enforcement service credit they may have and apply it toward service retirement under the PERS-LE program.

Like the PERS-LE program, the Highway Patrol Retirement System also requires state troopers to have 25 years of law enforcement service in order to qualify for retirement. Non-law enforcement

[1]PERS-LE covers sheriffs, deputy sheriffs, township constables, and police officers, drug agents, liquor control investigators, park officers, game protectors, state water craft officers, park district police officers, conservancy district officers, municipal police officers, Ohio veterans' home police officers, special police officers for mental health institutions, for institutions for the mentally retarded and developmentally disabled, state university law enforcement officers, and Hamilton County Municipal Court bailiffs.

service credit covered under PERS, STRS, and SERS may be used to receive additional benefits, but not to qualify for service retirement.

The Police and Firemen's Disability and Pension Fund is presently the only uniform system that allows members to use non-law enforcement service to qualify for retirement,

A member who retires under the PERS-LE program who has non-law enforcement service credit does not lose that credit upon retirement. A member who has earned both non-law enforcement and law enforcement service credit has two options upon retirement. The member may choose either (1) to combine the law enforcement and non-law enforcement credit and retire under the general PERS program or (2) if the member has 25 years of law enforcement service, receive benefits under the PERS-LE program in addition to a separate single life annuity based upon the non-law enforcement service (R.C. §145.33(C)).

Fiscal Impact

The actuarial analysis of H.B. 578 was completed by the PERS actuary, Gabriel, Roeder, Smith & Company, as required by R.C. §145.22(D). The actuarial assumptions were the same as those used in the last regular annual actuarial valuation as of December 31, 1996.

	Law Enforcement Members	
Increase in	With Corrections Service (payroll)	Division Total (payroll)
• Present value of future benefits[2]	$794,749	$794,749
• Employer normal cost	0.00%	0.00%
• 30 year funding of liability increase[3]	1.56%	0.02%

The measured effect of H.B. 578 is significant for affected members, but is a small percentage of total law enforcement payroll. According to the actuary, the change (0.02%) could be absorbed within the present rate structure assuming the liability is spread among all employers in the PERS-LE division. However, the actuary warns that since data was available for a only a small group of law enforcement members, there may be other law enforcement members who would also be eligible to upgrade service, which could have a material affect on the long term cost of the change.

ORSC Position

At its meeting of December 10, 1997, the Ohio Retirement Study Council voted to recommend that the 122nd General Assembly disapprove H.B. 578 due to the fact that employment as a county corrections officer does not require peace officer training.

[2] Assuming all eligible service is converted.

[3] Employers are liable for funding any unfunded liabilities.