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Analysis

H.B. 632 - Rep. Kilbane

May 17, 2000

ORSC Position

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H.B. 632 (As Introduced) - Rep. Kilbane

H.B. 632 would permit members of the Public Employees Retirement System (PERS) who resigned due to adoption of a child 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 and provide evidence that the resignation was due to adoption of a child. The purchase price for the service is determined by multiplying the contribution rate in effect at the time of payment by the member's earnable salary at the time service was interrupted, plus annual compound interest from the date of leave to the date of purchase. The bill would apply to all PERS members who resigned due to adoption subsequent to January 1, 1935 and have not retired.

Current law allows members to purchase up to one year of service credit for leaves of absence or if the member resigned due to pregnancy, however there is no provision that allows a member who resigned due to the adoption of a child to purchase credit.

Staff Comments

Members of PERS who resign due to pregnancy have been permitted to purchase up to one year of service credit since 1998 (H.B. 673 eff. 12-8-98). This bill extends the pregnancy resignation provision to members who resign due to the adoption of a child. By doing so, members who resigned because they adopted a child would be treated the same as members who resigned because they were pregnant with a child.

The State Teachers Retirement System (STRS) and the School Employees Retirement System (SERS) both have similar provisions that have allowed members who resigned due to pregnancy to purchase service credit. STRS permits 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 (H.B. 673). Prior to this, STRS members had been allowed to purchase credit during open window periods (S.B. 378 - 115th G.A.; H.B. 676 - 116th G.A.; H.B. 254 - 121st G.A.). Members of SERS who resigned due to pregnancy prior to September 9, 1988 were permitted to purchase up to two years of service credit (H.B. 290 eff. 9-9-88), during a one year open window period, provided the member earned one year of service credit subsequent to her return to employment and returned to work not later than the first day of classes of the third school year following resignation. In order to maintain consistency among the three non-uniformed systems, the bill should be amended to allow members of STRS and SERS who resigned due to the adoption of a child to purchase that credit under the same provisions that allowed members to purchase credit for resignation due to pregnancy. Additionally, the bill should be amended to allow members of SERS who resigned due to pregnancy prior to September 9, 1988 to purchase up to two years of that time at any time prior to retirement.

Fiscal Analysis

According to the PERS actuary, Gabriel, Roeder, Smith & Company, there is no available data upon which to base a detailed measurement of the proposed change, however, the incidence and the related cost is expected to be very small. The actuary stated that the financial effect of H.B. 632 can be absorbed within the system's current rate structure.

The SERS actuary, Gabriel, Roeder, Smith & Company, has indicated that allowing members who resigned due to the adoption of a child would have no impact on the actuarial liabilities or contribution requirements of the system.

H.B. 632 (As Introduced) - Rep. Kilbane

Milliman & Robertson has reviewed the PERS and SERS actuarial notes and found that the conclusions appear to be reasonable. STRS' actuary has not prepared an actuarial note for the proposed amendment, however, M&R concluded that it seems reasonable to assume that the proposed amendment could be absorbed within the current contribution rates for STRS.

ORSC Position

At its meeting of May 17, 2000, the Ohio Retirement Study Council voted to recommend that the 123rd General Assembly approve H.B. 632 upon the adoption of the following amendments:

- Allow members of STRS and SERS who resigned due to the adoption of a child to purchase credit.
- Allow members of SERS who resigned due to pregnancy prior to September 9, 1988 to purchase up to two years of that time at any time prior to retirement.