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Analysis

Sub. H.B. 648 - Rep. Van Vyven

(As Enacted by the General Assembly)

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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

Sub. H.B. 648

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)

Sub. H.B. 648

- 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, 3307.49, 3309.45)
- authorize the PFDPF board to assess interest, at a rate 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 post-retirement 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. §742.37 11, 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's 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

Sub. H.B. 648

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. §145.201)
- 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 provisions:

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

Sub. H.B. 648

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

Sub. H.B. 648

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.

Employment 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 or 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

Sub. H.B. 648

\$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 fast 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

Sub H B 648

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

Sub. H.B. 648

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 Lump 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 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

Sub. H.B. 648

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 anti-selection 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 PERS-LE - Sub. H.B. 648 provides that any person who is employee 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

Sub. H.B. 648

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 PERS-LE program. The 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's 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.

Sub. H.B. 648

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 age 18, 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;

Sub. H.B. 648

- 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.

ORSC 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

Sub. H.B. 648

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.

ORSC 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. The 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

Sub. H.B. 648

- 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 \$41.10, 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 full-time 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;

Sub. H.B. 648

- 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 1991, 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

Sub. H.B. 648

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 M. 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 M. 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.

Sub. H.B. 648

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

Sub. H.B. 648

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.