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# Final Report 2002

## Legislation Affecting the Operations of the State Retirement Systems and Their Funds

**124th General Assembly  
January 1, 2001 - December 31, 2002**

**January, 2003**

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PENSION LEGISLATION  
THE 124TH GENERAL ASSEMBLY  
JANUARY 1, 2001 - DECEMBER 31, 2002  
January, 2003

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## **Introduction**

The Ohio Retirement Study Council (ORSC) is pleased to submit this legislative report on the five state retirement systems and the fund for volunteer firefighters for the period beginning January 1, 2001 and ending December 31, 2002 pursuant to section 171.04 of the Revised Code.

The Council was designed to develop legislative leadership in the area of retirement pensions for public employees. It is empowered to make an impartial review of the laws governing the administration and financing of Ohio's five public retirement systems and to recommend to the General Assembly any changes it may find desirable with respect to the allowances and benefits, the sound financing of the cost of benefits, the prudent investments of funds, and the improvement of the language, structure and organization of the laws. It must report to the Governor and the General Assembly concerning its evaluation and recommendations with respect to the operations of the systems. The Council is required to study all statutory changes in the retirement laws proposed to the General Assembly and report to the General Assembly on their probable cost, actuarial implications, and desirability as a matter of public policy.

This report provides a historical record of legislative action taken by the 124th Ohio General Assembly on bills affecting the Public Employees Retirement System (PERS), the State Teachers Retirement System (STRS), the School Employees Retirement System (SERS), the Ohio Police and Fire Pension Fund (OP&F), the Highway Patrol Retirement System (HPRS) and the Volunteer Fire Fighters' Dependents Fund (VFFDF).

The report consists of three separate documents: Reports on House and Senate Bills Enacted; Subject Index of Pension Bills Introduced; and Status of Pension Legislation.

The Reports on House and Senate Bills Enacted provide a detailed examination of each bill enacted into law during the 124th Ohio General Assembly, including the name of the principal sponsor, a description of its contents, its fiscal impact, the ORSC position and its effective date. These reports are intended to give the reader an awareness and understanding of all substantive changes made to the state retirement plans; they are not intended to serve as a substitute for the statutory laws governing these plans.

The Subject Index of Pension Bills Introduced provides a listing of legislation under subject headings and a key word description within the subject heading. Bills that covers more than one subject area are listed under all appropriate headings. All subject headings are listed at the beginning of the index for quick reference.

The Status of Pension Legislation provides a record of the legislative action taken on pension bills at each step of the legislative process from the date of introduction to the date of enactment, including the committee assignments in each house of the Ohio General Assembly, the date reported by the committees, the date passed by each house and the date reported by a conference committee and/or concurred in by the other house. Also provided are a brief description of the subject of the pension bill and the ORSC position on the bill. A key to all abbreviations used in the Status of Pension Legislation is found on the last page.

## 124th General Assembly in Review

While all five retirement systems remain fiscally sound, they continue to be affected by the extended decline in the stock market and rising health care costs. As such, few benefit improvement bills were enacted during the 124th General Assembly.

A major change was made in the determination of the cost of living allowance (COLA) for benefit recipients in all five systems during this General Assembly in H.B. 157. Prior law required the retirement boards of all five state retirement systems to determine annually the average percentage change in the Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W). Whenever the CPI-W increased, the retirement boards were required to pay a COLA to eligible recipients equal to the actual percentage increase or such increase plus any prior accumulations in the benefit recipient's COLA bank, up to a maximum of three percent (3%). Any percentage increase in the CPI-W in excess of the maximum 3% was accumulated in the benefit recipient's COLA bank and combined with the percentage increase in the CPI-W in succeeding years. H.B. 157 simplifies the COLA calculation by providing an annual 3% simple COLA to all eligible benefit recipients, regardless of the actual percent change in the CPI-W.

This General Assembly also saw a reduction in the retirement age for most members of PERS-LE in H.B. 158. All members of PERS-LE except Hamilton County municipal court bailiffs and those whose primary duties do not include preserving the peace, protecting life and property, and enforcing the laws of their jurisdiction are now eligible to retire at age 48 with 25 years of service without a reduction in benefits. Additionally, full-time regional transit authority police officers and state highway patrol police officers were moved from the general employee division of PERS to PERS-LE.

For the first time since 1989, benefits were increased for volunteer firefighters and their surviving spouses. S.B. 115 increases the monthly benefit for volunteer firefighters who are permanently and totally disabled while discharging their duties and surviving spouses of volunteer firefighters who die in the line of duty from \$200 to \$300. Additionally, the monthly benefit for each child of a volunteer firefighter who dies in the line of duty was increased from \$65 to \$125

The reemployment of elected officials was in the spotlight again. H.B. 84 was enacted to preclude elected officials from retiring from PERS and collecting a benefit and then being reelected or appointed to the same office for the remainder of their term or the term immediately following. H.B. 84 repealed the election provided under S.B. 144 (eff. 9/14/00), as amended by H.B. 535 (eff. 4/1/01), which generally permitted reelected officials to choose to make contributions toward a money purchase benefit and thereby begin collecting their original retirement allowance while drawing a salary for their office. Reelected officials who return to the same office for the remainder of their term or the term immediately following must now forgo their retirement benefit unless they give notice before the election of their intent to retire.

Members of OP&F were given a new retirement option with the enactment of S.B. 134. Members of OP&F are now eligible to participate in a deferred retirement option plan (DROP). A member who elects to participate in the DROP continues to be employed for some defined period during which the member's monthly service retirement benefit is credited to the member's DROP account, along with annual compound interest at some specified rate. Upon termination of employment, the member receives a lump sum distribution of the member's DROP account or some alternative distribution thereof, and begins receiving a monthly service retirement benefit based on the member's final average salary and service credit calculated at the time the member elects participation in the DROP. This concept is consistent with the objective of one of the

recommendations staff made, but the General Assembly did not act upon, in the report of the Joint Legislative Committee to Study Ohio's Public Retirement Plans dated December 11, 1996. Staff recommended that the normal retirement age in both the uniform and non-uniform retirement systems be increased. This recommendation was made in response to the continual improvements in life expectancies experienced among the memberships of all five retirement systems in Ohio which directly increase each retirement system's benefit costs, including post-retirement health care costs. Thus, the DROP established by S.B. 134 provides a financial incentive for police officers and firefighters to work beyond normal service retirement (25 years at age 48) by offering them the opportunity to receive a lump sum distribution not otherwise available upon retirement.

Members of the other four retirement systems were also given an additional optional payment plan to choose from upon retirement. They can now select a partial lump sum option payment (PLOP). S.B. 247 allows members of PERS, STRS, or SERS to elect a PLOP. S.B. 247 provides that the total amount of the lump sum payment and the monthly retirement allowance will be the actuarial equivalent of the retirement allowance the member would have received had the PLOP not been elected. Furthermore, the lump sum payment cannot be less than six times nor more than 36 times the monthly retirement allowance the member would have received had the PLOP not been elected. H.B. 373 provides members of HPRS with the same opportunity.

REPORTS ON HOUSE BILLS ENACTED  
124TH GENERAL ASSEMBLY  
JANUARY 1, 2001 - DECEMBER 31, 2002



## Am. Sub. H.B. 84 - Rep. Schmidt

Am. Sub. H.B. 84 generally precludes elected officials who retire from the Public Employees Retirement System (PERS) and are reelected or appointed to the **same** office for the remainder of their term or the term immediately following from receiving their retirement allowance while drawing a salary for that office.

Under the bill, such elected officials would forfeit the pension portion of their retirement allowance (the amount funded by employer contributions) for the period of employment; the annuity portion of their retirement allowance (the amount funded by member contributions) would be suspended. Upon employment, the elected official would become a “new” member of PERS with all rights and obligations of membership, except survivor coverage and the 33%/67% employer match otherwise payable upon a refund of the member’s accumulated contributions. The elected official would contribute to PERS and accrue service credit. On termination of employment, the elected official would receive either a refund of the member’s accumulated contributions, with interest, for the period of employment or a supplemental retirement allowance based solely on the elected official’s contributions and service credit for the period of employment. (The elected official would **not** be permitted to combine the service credit for all employment covered under PERS and have the original retirement allowance recalculated based upon the combined service credit.) In addition, the elected official would receive the suspended annuity portion of the original retirement allowance in a lump sum payment, and the original retirement allowance would resume on the first day of the month following termination of employment.

*As amended by the Senate Ways and Means Committee, the bill provides a limited exception for elected officials that provide at least 90-days notice to the electorate or notice to the appointing authority of their retirement or intent to retire prior to end of their current term. Specifically, elected officials must file a written declaration of intent to retire before the end of their current term at least 90 days prior to the election with the appropriate county board of elections; must have been retired for at least 90 days prior to the election in the case of elected officials who are retired; or must notify the appointing authority that the elected official is retired or intends to retire before the end of their current term. Such officials would be permitted to continue receiving their retirement allowance while drawing a salary provided they have been retired for two-months prior to reemployment in the same office. The purpose of the notice requirements is to allow the electorate or appointing authority to factor an elected official’s retirement or impending retirement in their decision to reelect or appoint the official to the same office from which he or she retired.*

Current law provides that PERS retirees, including all elected officials, who are reemployed in any position covered by PERS or another state retirement system, may continue receiving their retirement allowance while drawing a salary **provided** they have been retired for **two** months prior to reemployment.<sup>1</sup> They forfeit their retirement allowance for any month in which they are reemployed prior to the expiration of the two-month period. Upon employment, they contribute to the applicable retirement system toward a “money purchase benefit,” **except** that any contributions made prior to the expiration of the two-month period are **not** used in the calculation of the benefit

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<sup>1</sup>The current laws of the other state retirement systems governing reemployed retirees are identical in this regard.

## Am. Sub. H.B. 84 - Rep. Schmidt

but are refunded to the reemployed retiree.<sup>2</sup> The money purchase benefit consists of a single life annuity having a reserve equal to the retiree's accumulated contributions for the period of employment, with interest, plus an equal amount from employer contributions. The benefit is payable as either a lump sum discounted to present value or a monthly annuity provided the amount equals at least \$25 per month. The benefit becomes effective upon the first day of the month following the later of:

- the last day for which compensation was paid;
- age 65 (age 60 in the Ohio Police and Fire Pension Fund);
- 12 months since the effective date of the last money purchase benefit.

The bill would apply only to elected officials who are retired from PERS and who are reelected or appointed to the **same** office from which they retired, *with the exception of those officials that provide the required notice of their retirement or intent to retire as described above*; elected officials who are elected or appointed to a **different** office from which they retired would continue to receive their retirement allowance while drawing a salary for the office subject to the two-month forfeiture provision described above and contribute towards a money purchase benefit.<sup>3</sup>

The bill would repeal the election provided under S.B. 144 (eff. 9/14/00), as amended by H.B. 535 (eff. 4/1/01), which generally permits reelected officials to choose to make contributions toward a money purchase benefit and thereby begin collecting their original retirement allowance while drawing a salary for their office. The bill would also declare an emergency.

In short, the bill would reinstate the PERS reemployment restrictions that existed prior to the changes made in S.B. 144 (eff. 9/14/00) relative to the reemployment rights of this group of elected officials.

The bill was amended in the House Retirement & Aging Committee to correct a technical oversight relative to tax treatment under the alternative retirement plan for higher education employees. The amendment would provide the same tax exemptions under the ARP for higher education employees as currently exist under the five state retirement systems with respect to the payment of benefits therefrom. Employee contributions made to either the state retirement systems or the ARP are subject to municipal, county or other local taxes.

### **Background**

Ohio has a long and successful record of opposing mandatory Social Security coverage for its public employees who are covered under one of the state retirement systems - some of which predate the Social Security System itself. Thus, in response to a federal mandate that would have

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<sup>2</sup>Though they contribute to the retirement system, reemployed retirees are not considered members of the retirement system and, therefore, accrue no additional benefits during the period of reemployment, such as age and service, disability, survivor, health care or cost-of-living benefits. Accordingly, no additional actuarial liabilities are created to the retirement systems.

<sup>3</sup>For example, a retired municipal court judge who is elected or appointed as a common pleas court judge would be exempt from the effect of the bill.

## Am. Sub. H.B. 84 - Rep. Schmidt

otherwise required certain reemployed retirees to contribute to the Social Security System on or after July 1, 1991, H.B. 382 (eff. 6/30/91) was enacted to amend the prior reemployment restrictions applicable to retirees that prohibited a retiree who was reemployed in a position covered by another state retirement system or, under certain conditions, by the same retirement system that granted the allowance, from making contributions to the retirement system. Under the federal law, public employees not contributing to a state or local retirement system are generally required to contribute to Social Security, with limited exceptions.

Accordingly, the prior reemployment restrictions were amended in 1991 to require contributions from all reemployed retirees toward a money purchase benefit equal to the member's accumulated contributions during reemployment, with interest, along with a matching amount from employer contributions. Reemployed retirees continued to receive their original retirement allowance during the period of reemployment, provided they waited at least two months after retirement before returning to employment (18 months after retirement in STRS before returning to full-time teaching). The money purchase benefit was payable as a lump sum payment or monthly annuity upon the later of the first day of the month following termination of employment, attainment of age 65 (age 60 in OP&F) or 12 months after the effective date of their last money purchase benefit.

*Unlike any of the other state retirement systems, PERS retirees who were reemployed in a position covered by PERS were given the option to forego their original retirement allowance during the period of reemployment and become members of PERS, with all the rights and obligations of membership, except survivor coverage. They were eligible for a supplemental formula benefit based upon their years of service and final average salary earned during the period of reemployment or a refund of their accumulated contributions during the period of reemployment.*

Since the enactment of H.B. 382 (eff. 6/30/91), the reemployment statutes in PERS have been amended in an ad hoc manner. H.B. 151 (eff. 2/9/94) increased the waiting period from two to six months for PERS retirees who were reemployed in positions covered by PERS; the two-month waiting period, however, still applied to PERS retirees who were reemployed in positions covered by another state retirement system. Also, H.B. 151 prohibited an elected official from retiring from PERS during the period beginning 31 days prior to the election date through 31 days after the commencement of the new term of office.<sup>4</sup> S.B. 82 (eff. 12/6/96) further changed the restrictions applicable to elected officials who retired from PERS and were elected or appointed to the same office by requiring them to forego their retirement allowance during the period of reemployment and become once again members of PERS under the special option described above.

As shown above, prior to S.B. 144 (eff. 9/14/00) various reemployment restrictions applied to different groups of retired public employees. For example, certain retired public employees were required to wait a minimum two months before returning to any public employment covered by the state retirement systems. Others were required to wait a minimum six or eighteen months, depending on the retirement system from which they retired as well as the type of public employment in which they were reemployed. Yet others were prohibited altogether from collecting a pension while drawing a salary (e.g., retired elected officials who were reelected or appointed to the same office). *This raised the public policy issue of whether the reemployment restrictions among the Ohio retirement systems should be made more uniform, where practicable.*

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<sup>4</sup>This statutory restriction created a loophole for elected officials running unopposed by allowing them to retire more than 31 days prior to the election date without violating the statute.

## Am. Sub. H.B. 84 - Rep. Schmidt

Thus, S.B. 144 (eff. 9/14/00) modified the reemployment statutes of the state retirement systems. *The purpose of these modifications was to provide a single, uniform set of rules applicable to all retired public employees, including elected officials, who were reemployed in a position covered by any of the five state retirement systems in Ohio. Another purpose was to alleviate shortages in experienced personnel in some critical areas (teachers, township trustees). The prior reemployment statutes often served as a disincentive or obstacle for retired public employees to fill such vacancies. In this regard, S.B. 144 made three major changes to the reemployment statutes.*

First, S.B. 144 amended the reemployment provisions of PERS and STRS with respect to the minimum waiting period. Under prior law, PERS retirees were required to wait a minimum six months prior to becoming employed in any PERS-covered position; STRS retirees were required to wait a minimum 18 months prior to becoming employed as a full-time teacher. Therefore, the bill reduced the minimum waiting period in PERS and STRS to two months, which is consistent with the reemployment statutes of the other state retirement systems.

Second, S.B. 144 permitted members of PERS, STRS or SERS who have concurrent service covered under PERS, STRS or SERS to retire from the position having the higher salary and continue contributing on the other position(s) toward a money purchase benefit. Under prior law, such members were prohibited from retiring prior to termination of all employment covered by PERS, STRS or SERS.<sup>5</sup> For example, a teacher with 30 years of service who also served as a part-time township trustee or city council member was forced to forego retirement as a teacher in order to continue serving as a part-time township trustee or city council member or, in the alternative, resign as a township trustee or city council member in order to retire as a teacher. Under S.B. 144, the determination of eligibility for retirement and the amount of the retirement allowance on the higher-salaried position shall be based on the member's total service credit and contributions in PERS, STRS and/or SERS **prior to** the effective date of retirement, except that no more than one year of service credit shall be granted for any twelve-month period. The retiree shall continue to contribute to PERS, STRS or SERS on the position(s) having the lower salary. Upon termination of employment in the lower-paid position, the retiree shall be eligible for a money purchase benefit equal to the member's accumulated contributions **on or after** the effective date of retirement, with interest, along with a matching amount from employer contributions.

Third, S.B. 144 amended the PERS reemployment statute to eliminate the previous option provided to PERS retirees who were employed in PERS-covered positions to forego their retirement allowance during the period of reemployment, reestablish membership in PERS with all the rights and obligations thereof, except survivor coverage, and accrue additional service credit toward a supplemental retirement allowance based on such service. None of the other state retirement systems provided for this option. S.B. 144 grandfathered in all PERS retirees who chose this option prior to the effective date of the bill in recognition of the prospective application of new laws in Ohio. S.B. 144 also permitted those elected officials who were required by statute to choose the option to revoke it. Upon such revocation, any forfeiture or suspension of the retirement allowance shall cease upon the later of the effective date of this provision of the bill or the earlier of termination of employment or the date that is two months after the commencement of the retirement

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<sup>5</sup>Current law permits members of OP&F or HPRS who have concurrent service covered under PERS, STRS or SERS to retire independently from OP&F or HPRS and to continue contributing in PERS, STRS or SERS toward a money purchase benefit.

## Am. Sub. H.B. 84 - Rep. Schmidt

allowance. The elected official shall be deemed to have elected the money purchase benefit described above.

### Staff Comments

The public policy regarding reemployed retirants has been in a constant state of flux in Ohio. Traditionally, retirement has been viewed as a one-time, take-it or leave-it act that signifies the end of an individual's working life. However, retirement is evolving from an abrupt act into a gradual process of easing out of a full-time work schedule for many individuals. According to a survey conducted by Watson Wyatt, phased retirement arrangements, such as deferred retirement option plans (DROP), are becoming increasingly popular in both the private and public sectors on account of the following factors: (1) historically low levels of unemployment; (2) longer life spans and improved health at older ages; (3) employers' need to retain skilled and valued workers; and (4) individuals' need to supplement retirement income.<sup>6</sup> Recently, Congress eliminated the Social Security earnings test for workers age 65 and older which had penalized older workers by reducing their Social Security benefits. Other Congressional proposals would allow for in-service distributions to pension plan participants who have reached age 59 1/2 or completed 30 years of service.

From an actuarial funding perspective, the state retirement systems are designed so that the employee and employer contributions made to the system over the working life of the member, together with investment earnings thereon, are sufficient to fund in full the retirement allowance payable to the member upon retirement. Therefore, the fact that the retired member may be employed subsequent to retirement by a public employer rather than a private employer has no actuarial cost impact upon the retirement system's funding of the retirement allowance earned by the member.

The current reemployment statutes among the state retirement systems, as modified by S.B. 144, are uniform so that all retired public employees are treated equally in terms of reemployment covered by any state retirement system. *Currently, all retired public employees may collect a retirement allowance while drawing a public salary, provided reemployment occurs two months after retirement.* Upon reemployment, all retired public employees are required to contribute toward a money purchase benefit having a reserve equal to the member's accumulated contributions, with interest, plus a matching amount from employer contributions; *they are entitled to **no** other benefits provided by the retirement systems on account of such reemployment. Accordingly, the current statutes are intended to avoid the creation of any unfunded liabilities to the retirement systems due to post-retirement employment.*

One purpose of the changes made in S.B. 144 was to provide for a uniform public policy regarding post-retirement employment among Ohio's retired public employees, where practicable. Another

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<sup>6</sup>Generally, participation in DROP plans is limited to members who are eligible for service retirement. The member continues to be employed for some defined period, such as two or three years, during which period the member's monthly service retirement benefit is credited to the member's DROP account, along with annual compound interest at some specified rate. Upon termination of employment, the member receives a lump sum distribution of the member's DROP account or some alternative distribution thereof, and begins receiving a monthly service retirement benefit based on the member's final average salary and service credit calculated at the time the member elects participation in the DROP plan.

## Am. Sub. H.B. 84 - Rep. Schmidt

purpose was to alleviate shortages in experienced personnel in certain critical areas of government. H.B. 84 would carve out a very limited exception for a group of public employees; namely, elected officials who retire from PERS and are reelected or appointed to the same office for the remainder of their term or the term immediately following. Such elected officials would be precluded from collecting their retirement allowance while drawing a salary for their elected office with the exception of those officials who comply with the notice requirements described above. Moreover, they would once again become members of PERS with all rights and obligations thereof, except survivor coverage and any employer match upon a refund of contributions. They would accrue service credit toward a supplemental retirement allowance which, after termination of employment, would be calculated on their final average salary and years of service earned during the period of reemployment.

It should be noted that the PERS governing statutes have historically provided different treatment at times for elected officials than other state and local government employees covered under PERS on account of the varying nature of such employment. For example, elected officials have always been provided optional membership in PERS as opposed to compulsory membership for all other state and local government employees.<sup>7</sup> Also, elected officials and certain appointed public officials have been permitted to purchase an additional 35% of their elective or appointive service.<sup>8</sup> Therefore, restoring the prior reemployment restrictions that existed prior to S.B. 144 to this limited group of elected officials is **not** without precedence.

As indicated above, PERS was the only retirement system prior to the changes made in S.B. 144 that permitted members that were reemployed in PERS-covered positions to elect to forego their retirement allowance, reestablish membership in PERS and accrue additional service credit toward a supplemental retirement allowance. In the case of elected officials who were reelected or appointed to the same office, they had no other choice. The underlying rationale for eliminating this provision in PERS was not only to create uniformity among the retirement systems but also to avoid the potential creation of additional liabilities to PERS. For example, members who initially retire from PERS with less than 10 years of service credit and are subsequently employed in a PERS-covered position would likely choose to forego their allowance, reestablish membership in PERS and accrue additional service credit in order to satisfy the present ten-year eligibility requirement for post-retirement health care benefits. The underlying rationale for the money purchase benefit established in 1991 was to avoid the creation of any additional liabilities to the retirement systems on account of post-retirement employment. Though reemployed retirees are permitted to collect their pension

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<sup>7</sup>Elected officials are required to contribute to Social Security on or after July 1, 1991 if they elect **not** to become contributing member of PERS due a change in federal law. However, once PERS membership is chosen, elected officials may **not** subsequently elect Social Security in lieu of PERS coverage unless they cease to be a public employee and apply for a refund of their accumulated contributions. Also, elected officials who are retired from PERS may **not** subsequently elect Social Security, but are subject to PERS law relative to post-retirement employment.

<sup>8</sup>Elected officials who first establish membership in PERS on or after January 1, 2001 are subject to the following limitations due to a change in federal tax law: (1) the purchase of 35% additional elective service is limited to those elected officials who have at least five years of service in PERS; and (2) the purchase of 35% additional elective service is limited to a maximum of five years (H.B 416 -eff. 10/13/00).

### **Am. Sub. H.B. 84 - Rep. Schmidt**

while drawing a salary under the money purchase benefit structure established under H.B. 382 (eff. 6/30/91), they are not considered members of the retirement system and are **not** entitled to any additional benefits otherwise provided by the retirement system on account of such employment, including disability benefits, health care benefits, cost-of-living allowances, etc.

#### **Fiscal Impact**

According to the PERS actuary, Gabriel, Roeder, Smith & Company, H.B. 84 would have a small favorable financial effect on the actuarial condition of PERS, though enactment of the bill would have no immediate effect on either contribution rates or actuarial liabilities. The ORSC actuary, Milliman & Robertson, Inc., concurs with this actuarial cost statement.

#### **ORSC Position**

At its meeting of April 4, 2001 the Ohio Retirement Study Council voted to recommend that the 124th Ohio General Assembly approve H.B. 84 as limited to elected officials who retire from PERS and are reelected or appointed to the same office for the remainder of their term or the term immediately following, thereby restoring the prior reemployment restrictions that existed prior to S.B. 144 to this limited group of PERS retirees. The ORSC also voted to recommend that the 124th Ohio General Assembly approve the amendment included in the substitute version of the bill relative to the tax treatment under an alternative retirement plan for higher education employees.

#### **Effective Date**

July 31, 2001 (Emergency)

**Am. Sub. H.B. 94 - Rep. Carey**

Am. Sub. H.B. 94 generally makes appropriations for the operation of the state and education for the biennium beginning July 1, 2001 and ending June 30, 2003. This analysis describes only those provisions of the bill that relate to the Ohio public retirement systems.

The bill would eliminate appropriations to the Public Employees Retirement System (PERS), the State Teachers Retirement System (STRS), the School Employees Retirement System (SERS) and the State Highway Patrol Retirement System (HPRS) for funding various ad hoc increases previously enacted by the legislature prior to 1982; all ad hoc increases subsequently enacted by the legislature since 1982 have been funded by the state retirement systems through regular employee and employer contributions and investment earnings thereon.

The bill would continue the following appropriations to the Ohio Police and Fire Pension Fund (OP&F) for funding various ad hoc increases previously enacted by the legislature prior to 1982, the annual \$1.2 million state contribution historically made to OP&F, and the benefits payable under the Ohio Public Safety Officers Death Benefit Fund.<sup>9</sup>

<b>Appropriation Item</b>	<b>Fiscal Year 2002</b>	<b>Fiscal Year 2003</b>
090-524 Police and Fire Disability Pension	\$43,000	\$40,000
090-534 Police & Fire Ad Hoc Cost of Living	\$280,000	\$260,000
090-544 Police and Fire State Contribution	\$1,200,000	\$1,200,000
090-554 Police and Fire Survivor Benefits	\$1,550,000	\$1,500,000
Police and Fire Death Benefits	\$23,000,000	\$24,000,000

The bill would provide that the appropriations for the Ohio Public Safety Officers Death Benefit Fund shall be disbursed by the Treasurer of State annually at the beginning of each fiscal year (previously quarterly) to the OP&F Board. By the twentieth day of June of each year, the Board shall certify to the Treasurer the amount disbursed in the current fiscal year and return to the Treasurer moneys received from this appropriation item, but not disbursed.

The bill would also amend the alternative retirement plan for higher education employees relative to the employer supplemental contributions payable to PERS, STRS or SERS to mitigate any negative fiscal impact resulting from the alternative retirement plan upon the defined benefit plans of these retirement systems. Under the bill, the employer supplemental contribution rate for the alternative retirement plan for higher education shall not exceed the rate established by each retirement system to mitigate any negative fiscal impact resulting from the establishment of their own defined

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<sup>9</sup>Created in 1976, the Ohio Public Safety Officers Death Benefit Fund provides benefits to the survivors of various public safety officers who die in the line of duty or from injuries sustained in the line of duty. The Death Benefit Fund is financed by the state, but administered by OP&F. It is a separate benefit program from that of the state retirement systems.



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contribution plans. Currently, the ORSC actuary is required to determine the employer supplemental contribution rate under the alternative retirement plan for higher education employees for each retirement system; the retirement system's actuary determines the employer supplemental contribution rate under the defined contribution plans recently authorized for PERS, STRS and SERS. The following table shows the current rates under the alternative retirement plan for higher education employees and the rate under the STRS defined contribution plan which becomes effective July 1, 2001:<sup>10</sup>

<b>Retirement System</b>	<b>ARP Supplemental Rate</b>	<b>DC Supplemental Rate</b>
STRS	5.76%	3.50%
SERS	3.10%	Not Available
PERS	0.00%	Not Available

The bill would further amend STRS law to clarify that a retired teacher who is employed in a position for which contributions are required to be made to STRS shall not be eligible to serve in the retired teacher position on the STRS board during such employment. Under existing law, retired teachers who are subsequently employed in a position covered by STRS are required to make contributions upon such employment.

**Staff Comments**

The bill would eliminate the appropriations to PERS, STRS, SERS and HPRS to fund the cost of previous ad hoc post-retirement increases granted prior to 1982; the cost of all ad hoc increases granted thereafter have been funded by the retirement systems through regular retirement contributions and investment earnings thereon. These subsidies have gradually declined each year as the number of beneficiaries has declined due to mortality, and would have eventually ceased altogether upon the death of the last eligible beneficiary.

By way of background, these subsidies were made at a time when several ad hoc increases were enacted for older retirees and their beneficiaries whose annual benefits were deemed to be less than adequate and when the Ohio retirement systems' funded status was deemed to be less than optimal. In 1969, for example, HPRS had approximately twenty-five cents worth of assets for every one dollar in liabilities, compared to ninety-five cents in 1999. Moreover, PERS became the first Ohio retirement system to become fully funded in 1999, meaning that its assets equalled or exceeded its accrued liabilities. SERS also achieved fully-funded status in 2000, with the other Ohio retirement systems showing continued progress toward this goal. A recent actuarial study prepared by Milliman & Robertson in 1998 confirms that the funded status of the retirement systems has improved significantly, largely due to the major expansion of their investment authority over the last decade and a strong economy in recent years.

The Ohio retirement systems' improved funded status served as a major catalyst for the enactment

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<sup>10</sup>The ARP supplemental contribution rate is 0.00% for PERS due to its fully-funded status at the time the rates were determined by the ORSC actuary for each retirement system. Also, PERS and SERS have not yet established their DC plans and, therefore, no DC supplemental contribution rate has been determined for these retirement systems.

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of several major benefit improvements for each retirement system in the past two years. In OP&F, the benefits for all surviving spouses were increased, along with an annual cost-of-living allowance (COLA). In PERS, STRS and SERS, the benefit formulas were increased, along with ad hoc increases for current retirees and their beneficiaries. In HPRS, the benefit formula was increased for members with at least 20 years of service, along with an increase in the minimum monthly benefit amount for all benefit recipients.

In conjunction with the recently enacted benefit improvements, the PERS board acted to provide a temporary employer contribution rate reduction for calendar year 2000. In SERS, the employer health care surcharge was capped, providing immediate financial relief for school districts with lower-salary employees. In HPRS, the employee contribution rate was reduced by one-half of one percent; the HPRS board also acted to reduce the employer contribution rate by an equal amount.

As part of its actuarial study in 1998, Milliman & Robertson strongly recommended that the legislature and retirement systems review current funding policies that were designed in large part to amortize their once sizable unfunded liabilities and begin to establish new policies that are designed to address their improved funded status in the decision making process, such as whether to improve benefit levels, reduce contribution levels, or some combination of both. Accordingly, whether the retirement systems should continue to receive these general revenue fund subsidies for pre-1982 ad hoc post-retirement increases is an appropriate and timely issue for legislative review.

The attached actuarial analysis prepared by Milliman & Robertson estimates the financial effect of eliminating the general revenue fund subsidies for pre-1982 ad hoc post-retirement increases on the Ohio retirement systems' funded status, funding period, and ability to finance post-retirement health care benefits. The following table shows the respective decreases in the funded status of each retirement system on account of the recently enacted benefit improvements as well as the proposed elimination of the current subsidies for pre-1982 ad hoc post-retirement increases:

Retirement System	Funded Status				
	Prior to Benefit Increases	Decrease due to Benefit Increases	Subsequent to Benefit Increases	Decrease due to Elimination of Pension Subsidy	Subsequent to Elimination of Pension Subsidy
PERS	103.08%	<b>3.09%</b>	99.99%	<b>0.01%</b>	99.98%
STRS	95.97%	<b>4.00%</b>	91.97%	<b>0.01%</b>	91.96%
SERS	102.23%	<b>3.73%</b>	98.50%	<b>0.01%</b>	98.49%
HPRS	96.81%	<b>2.07%</b>	94.74%	<b>0.03%</b>	94.71%
OP&F	88.16%	<b>NA</b>	88.16%	<b>0.11%</b>	88.05%

The subsequent table shows the increase in the funding period for each retirement system if the current subsidies for pre-1982 ad hoc post retirement increases were eliminated:

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<b>Retirement System</b>	<b>Current Funding Period</b>	<b>Increase in Funding Period</b>	<b>Subsequent Funding Period</b>
<b>PERS</b>	0.0 years	<b>0.0 years</b>	0.0 years
<b>STRS</b>	23.1 years	<b>0.0 years</b>	23.1 years
<b>SERS</b>	25.0 years	<b>0.2 years</b>	25.2 years
<b>HPRS</b>	20.0 years	<b>0.1 years</b>	20.1 years
<b>OP&amp;F</b>	26.8 years	<b>1.6 years</b>	28.4 years

The actuarial analysis concludes that the current state subsidies can be eliminated for PERS, STRS, SERS and HPRS without violating the maximum 30-year funding period established by S.B. 82 or jeopardizing their ability to continue providing post-retirement health care benefits. However, the analysis concludes that it is unlikely that OP&F will be able to afford to give up these subsidies for many years without jeopardizing either its ability to continue meeting the maximum 30-year funding period or providing post-retirement health care benefits. Therefore, it would be appropriate to continue the current subsidies for OP&F as provided under the bill.

*The bill should be amended to include those sections of PERS, STRS, SERS and HPRS law (i.e., R.C. §§ 145.321, 145.326, 145.3210, 3307.693, 3307.695, 3307.698, 3309.371, 3309.376, 3309.371, 5505.171, and 5505.173) and eliminate the language therein that requires the systems to certify to the Treasurer of State the amount required to be paid in the preceding year and that requires the Treasurer to pay to the systems the amount so certified. The bill should also be amended to conform the language relative to the distribution of appropriated moneys for the Ohio Public Safety Officers Death Benefit Fund to current practice, whereby the money is actually distributed by the Treasurer at the beginning of each fiscal year as opposed to the beginning of each quarter.*

In an unrelated amendment to the alternative retirement plan for higher education employees, the bill would provide that the employer supplemental contribution rate shall not exceed the rate established under the DC plans recently authorized for PERS, STRS and SERS. (The STRS DC plan shall become effective on July 1, 2001; the DC plans for PERS and SERS have not yet been established.) Currently, the employer supplemental contribution rate for higher education employees choosing the ARP in lieu of STRS is 5.76%; in lieu of SERS, 3.10%; and in lieu of PERS, 0.00%. The current employer supplemental contribution rate for STRS members choosing the DC plan in lieu of the DB plan will be 3.5%, which is 2.26% less than the current ARP rate. *As competing plans, the lower supplemental contribution under the DC plan than under the ARP provides an arguably unfair incentive for individuals to choose the DC plan over the ARP, since more of the employer contribution will be allocated to the individual's retirement account. Since the very purpose of both the ARP supplemental contribution and the DC supplemental contribution is to mitigate any negative fiscal impact upon the defined benefit plans of PERS, STRS and SERS, it would seem fairer to create a single composite rate covering both employees who join the ARP or DC plan. This alternative would assure that the traditional DB plans of the retirement systems suffer no financial harm as a result of the ARP or DC plan. It would also be consistent with the "cost sharing" approach that is utilized by the retirement systems' actuaries to determine the contribution rates for all members and employers by averaging "lower than average cost" members with "higher than average cost" members. Such approach would greatly simplify*

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*administration for both employers and the retirement systems, and would serve to stabilize budgeted costs.*

### Fiscal Impact

The ORSC actuary, Milliman USA, reviewed the bill and found that it would be unlikely that OP&F could afford to give up the state subsidies for many years. Milliman believes that the current state subsidies can be eliminated for PERS, STRS, SERS, and HPRS without violating the 30-year funding requirements of S.B. 82 or jeopardizing their ability to continue to provide health insurance. However, it would be appropriate to continue the current subsidies to OP&F as is provided by H.B. 94.

### ORSC Position

At its meeting of May 9, 2001 the Ohio Retirement Study Council recommended that the 124th Ohio General Assembly approve those provisions of Sub. H.B. 94 that relate to state retirement systems upon the adoption of the following amendments:

- Include those sections of PERS, STRS, SERS and HPRS law relative to ad hoc increases and eliminate the language therein that requires the systems to certify to the Treasurer of State the amount required to be paid by the state in the preceding year and that requires the Treasurer to pay to the systems the amount so certified; (As enacted, this amendment was **not** adopted; however, it was subsequently incorporated in Sub. H.B. 299)
- Conform the language relative to the distribution of appropriated money for the Ohio Public Safety Officers Death Benefit Fund to current practice, whereby the money is actually distributed by the Treasurer at the beginning of each fiscal year as opposed to the beginning of each quarter; (As enacted, this amendment was adopted)
- Create a single composite employer supplemental contribution rate covering both individuals who choose an ARP or DC plan, as determined by the retirement system's actuary. (As enacted, this amendment was **not** adopted)

### Effective Date

June 6, 2001 (Emergency); certain provisions effective September 5, 2001.

## **Sub. H.B. 157 - Rep. Schuring**

Sub. H.B. 157 would change the current determination of the annual cost-of-living allowance (COLA) under the Public Employees Retirement System (PERS), the State Teachers Retirement System (STRS), the School Employees Retirement System (SERS), the Ohio Police & Fire Pension Fund (OP&F), and the Highway Patrol Retirement System (HPRS).

Current law requires the retirement boards of all five state retirement systems to determine annually the average percentage change in the Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W). Whenever the CPI-W increases, the retirement boards are required to pay a cost-of-living allowance (COLA) to eligible recipients receiving a benefit for at least 12 months equal to the actual percentage increase or such increase plus any prior accumulations in the benefit recipient's COLA bank, up to a maximum of three percent (3%).<sup>11</sup> The COLA is calculated on the original benefit amount (unless the legislature establishes a new base). Any percentage increase in the CPI-W in excess of the maximum 3% is accumulated in the benefit recipient's COLA bank and combined with the percentage increase in the CPI-W in succeeding years.<sup>12</sup> Pursuant to the Attorney General's Opinion 87-044, benefit recipients begin accumulating any excess percentages in their respective COLA banks upon first becoming eligible for a COLA.

The bill would eliminate the COLA bank and require the retirement boards to pay an annual 3% simple COLA to all eligible benefit recipients, regardless of the actual percent change in the CPI-W. In the case of OP&F, the monthly benefit would increase to \$566.50, plus \$16.50 each year thereafter, for surviving spouses; \$163.50, plus \$4.50 each year thereafter, for surviving children; and \$109.00, plus \$3.00 each year thereafter, for each dependent parent (\$218.00, plus \$6.00 each year thereafter, for a sole dependent parent). These amounts are the equivalent of a 3% increase on the original base amounts recently established under H.B. 194 (eff. 7/1/99) and H.B. 275 (eff. 3/17/00) for OP&F surviving beneficiaries.

As amended by the Senate Ways and Means Committee, the bill would also make the following changes:

- Permit a township to establish an early retirement incentive (ERI) plan for a designated department of the township under PERS. Current PERS law permits a township to

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<sup>11</sup>Members of the Ohio Police & Fire Pension Fund who retired prior to July 24, 1986 are eligible for an annual COLA equal to the actual percentage increase multiplied by \$12,000 or such increase plus any prior accumulations in the member's COLA bank multiplied by \$12,000, up to a maximum of \$360 per year.

The State Highway Patrol Retirement System provides the same COLA to eligible recipients who not only have received a benefit for at least 12 months but also have attained age 53; surviving beneficiaries are eligible for the same COLA upon receiving a benefit for twelve months (60 months for disabled retirees), regardless of age.

<sup>12</sup>For example, the CPI-W increased by 3.5% for calendar year 2000. Individuals whose effective date of retirement is on or after July 1, 2000 but before June 30, 2001 will receive the maximum 3% COLA and the excess 0.5% will be accumulated in their individual COLA bank that may be drawn upon in future years in which the CPI-W increases by less than 3%. Therefore, assume the CPI-W increases by only 2.5% for calendar year 2001. These individuals will once again receive the maximum 3% COLA (2.5% actual CPI-W increase + 0.5% accumulation in COLA bank = maximum 3% COLA), leaving their individual COLA bank with a zero balance.

## **Sub. H.B. 157 - Rep. Schuring**

establish an ERI plan for the township as a whole. This change is consistent with existing PERS law that permits a municipal corporation to establish an ERI plan for a particular agency of the municipal corporation.

- Make surviving spouses of members of or contributors to a former local police and firemen's relief and pension fund whose benefits were terminated or never paid due to remarriage eligible for survivor benefits under the statewide OP&F which became operational in 1967, replacing the 454 local police and firemen's relief and pension funds in Ohio. The bill would also make them eligible for benefits under the Ohio Public Safety Officers Death Benefit Fund, provided the member was "killed in the line of duty." Such benefits shall commence upon the first day of the month following receipt by OP&F of an application and sufficient evidence indicating that the spouse's benefits were terminated or never granted due to remarriage or that the deceased member was killed in the line of duty, as the case may be.

### **Staff Comments**

The following methods of retirement income protection are provided by the state retirement systems: (1) Annual Cost-of-Living Allowances (COLA); (2) Comprehensive Retiree Health Care Plans; and (3) Ad Hoc Legislative Post-Retirement Increases.

The annual COLA is generally payable upon receiving a benefit for at least 12 months, calculated upon the original benefit amount (unless the legislature establishes a new base), and limited to a maximum of three percent.

The retiree health care plans are perhaps the most valuable in terms of retirement income protection. They provide comprehensive hospital, medical and prescription drug coverage. They also provide for full or partial reimbursement of the cost of Medicare Part B monthly premiums. Unlike other forms of retirement income protection, retiree health care benefits are neither taxable nor subject to the Social Security government offset provisions.

In addition, the legislature has granted various ad hoc post-retirement increases from time to time in an effort to offset in part the loss in the original purchasing value of retirement benefits during periods of high inflation. These ad hoc increases are generally included in the benefit recipient's base for purposes of calculating future COLAs.

The proposed change in the current COLA provisions raises a number of public policy issues. Moving to a fixed 3% annual COLA would increase benefit payments under each of the five retirement systems relative to current law. The fact that the retirement systems' actuaries assume that a 3% COLA will be paid each year does not mean that the proposed change will have no cost. To the extent that future benefit payments under a fixed 3% COLA exceed current payments under existing law, the provision will increase long-term costs. For eight of the last nine years, the average percentage change in the CPI-W has been below 3%, thus resulting in actuarial gains (savings) to the retirement systems. These gains are available to offset actuarial losses resulting from adverse experience in other areas, such as continual improvements in life expectancy that increase long-term benefit costs, *or* to accelerate the amortization of any unfunded liabilities.

The following table prepared by Milliman & Robertson shows the estimated magnitude and growth in these gains over the last nine years:

**Sub. H.B. 157 - Rep. Schuring**

(Amounts in Millions)

<b>FY Ending</b>	<b>PERS</b>	<b>OP&amp;F</b>	<b>STRS</b>	<b>SERS</b>
1993	\$22.4	\$4.9	\$31.1	\$4.2
1994	\$20.9	\$4.7	\$36.4	\$5.0
1995	\$20.7	\$5.3	\$41.9	\$5.3
1996	\$0.9	\$0.3	\$1.6	\$0.2
1997	\$1.8	\$0.5	\$3.9	\$0.4
1998	\$23.1	\$6.0	\$45.4	\$5.3
1999	\$80.1	\$20.7	\$126.3	\$18.1
2000	\$63.3	\$15.6	\$223.8	\$14.2
2001	\$0.00	\$0.00	\$0.00	\$0.00
<b>Total</b>	<b>\$233.2</b>	<b>\$58.0</b>	<b>\$510.4</b>	<b>\$52.7</b>

The gains shown in the above table reflect the savings over the remaining lifetime of the retirees and beneficiaries. These actuarial gains (savings) total \$854.3 million for the nine-year period.

The proposed change would also benefit recent retirees whose benefits have been eroded by inflation the least more than older retirees whose benefits have been eroded by inflation the most, thus creating an issue of equity. Under existing law, older retirees are in effect guaranteed a 3% COLA for life due to significant accumulations in their COLA banks from prior years of inflation over and above 3%, whereas recent retirees who retired on or after July 1, 1990 have accumulated only one-half of one percent (0.5%) in their COLA banks due to very low inflation over the past decade. To provide a COLA that exceeds the effect of inflation on an individual's benefit seems inequitable to individuals who have been retired longer and provided less than a full adjustment to their benefits.

The attached COLA report prepared by Milliman & Robertson describes various alternative approaches toward providing retirement income protection. In contrast to the proposed change in the COLA provisions under the bill, both S.B. 190 and H.B. 628 which were recently enacted by the legislature for STRS and PERS, respectively, would restore the purchasing value of their retirees' benefits to 85% of the original benefit as adjusted for the cumulative percentage change in the CPI-W. This legislative approach is intended to help those older retirees whose benefits have been eroded by inflation the most.

In its *Report on the Solvency of the Health Care Stabilization Fund* dated November 1, 2000, the OP&F actuary indicates that the OP&F health care fund will be exhausted in 2015 despite increases in the employer contributions allocated to the fund and increases in retiree health care premiums payable to the fund effective 7/1/01. This is a significant change from financial projections made in the previous year's report. The OP&F actuary largely attributes the declining financial condition of the OP&F health care fund to escalating prescription drug costs.

## **Sub. H.B. 157 - Rep. Schuring**

Recognizing the importance of retiree health care benefits to the overall financial security of OP&F members in retirement, Milliman & Robertson concludes that OP&F could not afford to have future actuarial gains under the present COLA provisions eliminated under H.B. 157 for the very same reasons that OP&F could not afford to have its state subsidies eliminated under H.B. 94.<sup>13</sup> (The state subsidies were eliminated for the other four state retirement systems under H.B. 94.) Milliman & Robertson also concludes that the other four state retirement systems could afford the proposed COLA changes included in H.B. 157. However, this raises an issue of whether the COLA provisions for all five state retirement systems should remain uniform in operation. Changing the COLA provisions in four of the five state retirement systems may create pressure to make a similar change in OP&F, regardless of its negative financial impact upon the ability of OP&F to continue providing retiree health care benefits in the future.

### **Fiscal Impact**

The ORSC actuary, Milliman USA, reviewed the bill and found that increasing pension benefits by fixing the COLA adjustments at 3% will serve to further increase the pressure on OP&F's ability to continue to finance health care benefits at a time when the health care stabilization fund is already projected to be exhausted by 2015. Thus, they believe that such a change would not be appropriate for OP&F. The COLA adjustment could be fixed at 3% for PERS, STRS, SERS, and HPRS without violating the 30-year funding requirement of S.B. 82 or jeopardizing their ability to continue to provide health insurance. Hence, this change would be affordable for those four systems.

### **ORSC Position**

At its meeting of June 13, 2001 the Ohio Retirement Study Council voted to recommend that the 124th Ohio General Assembly approve H.B. 157.

### **Effective Date**

February 1, 2002

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<sup>13</sup>The present value of actuarial gains (savings) under the present COLA provisions is estimated to be \$58.0 million for OP&F over the last nine years; the present value of state subsidies payable to OP&F was estimated to be \$20.0 million.)



## **Sub. H.B. 158 - Rep. Schuring**

Sub. H.B. 158 would make the following changes to the Law Enforcement Division of the Public Employees Retirement System (PERS-LE):

- Move full-time regional transit authority police officers and state highway patrol police officers to PERS-LE.

Currently, membership in PERS-LE is limited to sheriffs, deputy sheriffs, township constables and police officers, drug agents, department of public safety enforcement agents, park officers, forest officers, wildlife officers, state watercraft officers, preserve officers, natural resources law enforcement staff officers, park district police officers, conservancy district officers, full-time municipal police officers not in OP&F, Ohio veterans' home police officers, special police officers for mental health institutions, special police officers for institutions for the mentally retarded and developmentally disabled, state university law enforcement officers, Hamilton County Municipal Court bailiffs; House sergeant-at-arms, and assistant House sergeants-at-arms.

- Permit all members of PERS-LE except Hamilton County municipal court bailiffs and those whose primary duties do not include preserving the peace, protecting life and property, and enforcing the laws of their jurisdiction to retire at age 48 with 25 years of service without a reduction in benefits.

Under current law, only sheriffs, deputy sheriffs, and township constables and police officers are permitted to retire at age 48 with 25 years of service without a reduction in benefits. All other members of PERS-LE are not eligible for normal age and service retirement until age 52 with 25 years of service. However, they are eligible to retire with a reduced benefit at age 48 with 25 years of service.

- Establish the employee contribution rate for all members of PERS-LE except Hamilton County municipal court bailiffs at 10.1%. Under the bill, the employee contribution rate for Hamilton County municipal court bailiffs would remain unchanged.

Currently, the contribution rate for members of PERS-LE who are eligible to retire with full benefits at age 48 is 10.1%. The contribution rate for all other members of PERS-LE is currently 9.0%.

- Make survivorship coverage eligible immediately upon employment.

Current law requires members of PERS-LE to have at least eighteen months of service credit before their surviving spouses are eligible to receive survivorship benefits.

- Allow all members of the Law Enforcement Division to be eligible to receive the enhanced refund upon termination of employment.

Currently, members who are eligible to retire at age 48 with 25 years of service (sheriffs, deputy sheriffs, and township constables and police officers) are not eligible to receive the enhanced refund upon termination of employment.

## **Staff Comments**

## **Sub. H.B. 158 - Rep. Schuring**

**Regional transit authority police officers and state highway patrol police officers moved to PERS-LE** - The law enforcement division of PERS was created by the Ohio General Assembly in 1975 (H.B. 1312, eff. 3-4-75). The General Assembly recognized that certain law enforcement officers deserved special retirement benefits due to the nature of their employment. At that time only sheriffs and deputy sheriffs were included in the law enforcement division, which allowed them to remain members of PERS, but to retire with benefits similar to those provided by the Ohio Police and Fire Pension Fund (OP&F) and the Highway Patrol Retirement System (HPRS).

One rationale for creating a separate program for sheriffs and deputy sheriffs rather than moving them to OP&F or HPRS was the concern that they might not have the career security that would enable them to attain the required number of years of law enforcement service needed to receive an age and service benefit due to the fact sheriffs are elected officials and, at that time, few sheriff departments had civil service protection. Although only employment as a law enforcement officer may be counted for purposes of retirement under the law enforcement division, the division has a special “back up” provision for members who do not have enough years of law enforcement service to qualify for law enforcement benefits. If law enforcement personnel do not have enough years of law enforcement service to qualify for PERS-LE benefits, they are eligible to retire under the general employees PERS program, which requires only five years of service to qualify for a benefit.

Township constables and police officers were the second group of employees to be moved to the law enforcement division of PERS (H.B. 509, eff. 12-27-79). Prior to their move, the ORSC studied whether they should be transferred to PERS-LE or OP&F. The study concluded there were “no sufficiently important distinctions between the work of members of [OP&F] and the Sheriffs/Deputy Sheriffs program to justify one program or the other as more appropriate for township police. Municipal police, deputy sheriffs, and township police are all peace officers. They are required to have the same basic training; their powers and duties are similar. (*Pension Benefits for Township Police, May 1979, p. 7*) The study concluded that township constables and police officers should be included in PERS-LE rather than OP&F because a large number of them may need regular PERS coverage to qualify for a benefit and the benefits (with the exception of survivor and disability coverage) in PERS-LE were better than those in OP&F at that time.

The original intent of the law enforcement program was to provide benefits for law enforcement officers whose duties and training were similar to those of police officers, but who, at that time, did not have the career security needed to receive a retirement benefit from OP&F. The first groups of employees eligible for benefits under the law enforcement division (sheriffs, deputy sheriffs, and township constables and police) were required to have as primary duties preserving the peace, protecting life and property, and enforcing the laws of the state. As later groups have been added to the division, the emphasis for eligibility has shifted from the primary duties of the employee to the type of training the employee has received. While the training of a member of the law enforcement division is important, it is the duties of the officer of preserving the peace, protecting life and property, and enforcing the laws of their jurisdiction that justify a higher benefit formula and lower retirement age.

Sub. H.B. 158 would move regional transit authority police officers and state highway patrol police officers to PERS-LE. These employees currently are members of the general employees division of PERS. The bill would allow current regional transit authority police officers and state highway patrol police officers to make an election within 90 days of the bill’s effective date to retire under the general employees division of PERS or the law enforcement division. Individuals employed in

## **Sub. H.B. 158 - Rep. Schuring**

those positions after the effective date of the bill automatically would be members of the law enforcement division.

Pursuant to R.C. §306.35, regional transit authority police officers have the power and duty to act as peace officers within transit facilities owned, operated, or leased by the transit authority to protect the transit authority's property and the person and property of passengers, to preserve the peace, and to enforce all laws of the state and ordinances and regulations of political subdivisions in which the transit authority operates. Similarly, state highway patrol police officers are empowered pursuant to R.C. §5503.09 to preserve the peace and enforce the laws of the state with respect to persons and property under their jurisdiction and control. Both groups are also required to complete peace officer basic training. This is consistent with most of the other groups who are currently in PERS-LE.

The following persons are required by R.C. §109.77 to have a certificate awarded by the executive director of the Ohio peace officer training commission attesting to the person's satisfactory completion of an approved state, county, municipal, or department of natural resources peace officer basic training program in order to receive an original appointment on a permanent basis:

- A peace officer of any county, township, municipal corporation, regional transit authority, or metropolitan housing authority;
- A natural resources law enforcement staff officer, park officer, forest officer, preserve officer, wildlife officer, or state watercraft officer of the department of natural resources;
- An employee of a park district under section 511.232 [511.23.2] or 1545.13 of the Revised Code;
- An employee of a conservancy district who is designated pursuant to section 6101.75 of the Revised Code;
- A state university law enforcement officer;
- A special police officer employed by the department of mental health pursuant to section 5119.14 of the Revised Code or the department of mental retardation and developmental disabilities pursuant to section 5123.13 of the Revised Code;
- An enforcement agent of the department of public safety whom the director of public safety designates under section 5502.14 of the Revised Code;
- A special police officer employed by a port authority under section 4582.04 or 4582.28 of the Revised Code.
- An Ohio veterans' home police officer designated under Revised Code section 5907.02.

Additionally, there are other groups of employees who are required by other sections of the Revised Code to complete a peace officer basic training program. For example, state highway patrol police officer and House sergeant-at-arms are not required by R.C. §109.77 to obtain a peace officers basic training certificate, but they are required to complete peace officer basic training pursuant to R.C. §5503.09 and R.C. §101.311, respectively.

Many of the employees covered by the law enforcement division of PERS also are covered by the Ohio Public Safety Officers Death Benefit Fund (DBF). The DBF is designed to provide income protection for the survivors of public employees in occupations that are potentially life-threatening on a day-to-day-basis. Although not all covered employees are required to complete peace officer basic training, they are all involved in public safety and potentially life-threatening occupations. However, not all employees covered by the DBF are eligible for law enforcement retirement benefits.

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The following chart indicates which employees are covered by the DBF and which of those are also members of PERS-LE:

<b>Death Benefit Fund</b>	<b>PERS-LE</b>
member of the Ohio police and fire pension fund	
member of the state highway patrol retirement system	
a county sheriff	sheriffs
deputy sheriff	deputy sheriffs
a full-time regular police officer in a municipal corporation or township	township constables and police officers, municipal police officers not in OP&F
a full-time regular firefighter employed by the state, an instrumentality of the state, a municipal corporation, a township, a joint fire district, or another political subdivision	
a full-time park district ranger or patrol trooper	park district police officers
a full-time law enforcement officer of the department of natural resources	forest officers, preserve officers, wildlife officers park officers, state watercraft officers, natural resources law enforcement staff officers
a full-time department of public safety enforcement agent	department of public safety enforcement agents
a full-time law enforcement officer of parks, waterway lands, or reservoir lands under the control of a municipal corporation	
a full-time law enforcement officer of a conservancy district	conservancy district officers
a correction officer at an institution under the control of a county, a group of counties, a municipal corporation, or the department of rehabilitation and correction	
a state university law enforcement officer	state university law enforcement officers
or a member of a retirement system operated by a municipal corporation who at the time of death was a full-time law enforcement officer of parks, waterway lands, or reservoir lands under the control of the municipal corporation	
	drug agents

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	Ohio veterans' home police officers
	special police officers for mental health institutions
	special police officers for institutions for the mentally retarded and developmentally disabled
	Hamilton County Municipal Court bailiffs

**Reduction in normal retirement age** - Generally, the PERS-LE program, OP&F, and HPRS have maintained similar eligibility requirements and benefit levels for retiring law enforcement and safety personnel. These retirement programs provide for earlier retirement ages and higher benefit formulas than the state pension plans covering non-uniformed employees (PERS, STRS, SERS).

The following chart provides a comparison of OP&F, HPRS, PERS-LE Group A<sup>14</sup>, PERS-LE Group B<sup>15</sup>, and the regular division of PERS:

	OP&F	HPRS	PERS-LE GROUP A	PERS-LE GROUP B	PERS
Normal Age and Service Retirement	Age 48 with 25 or more years of service (YOS), age 62 with 15 or more YOS	Age 48 with 25 or more YOS, age 52 with 20 or more YOS	Age 52 with 25 or more YOS, age 62 with 15 or more YOS	Age 48 with 25 or more YOS, age 62 with 15 or more YOS	Age 65 with 5 or more YOS, any age with 30 or more YOS
Early Retirement	Not applicable	Age 48 with 20 but less than 25 YOS	Age 48 with 25 or more YOS	Not applicable	Age 60 with 5 or more YOS

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<sup>14</sup>PERS-LE Group A consists of all members of PERS-LE except sheriffs, deputy sheriffs, and township constables and police officers.

<sup>15</sup>PERS-LE Group B consists of sheriffs, deputy sheriffs, and township constables and police officers.

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	OP&F	HPRS	PERS-LE GROUP A	PERS-LE GROUP B	PERS
Benefit Formula	2.5% x final average salary (FAS) x 20 YOS; 2% x FAS x next 5 YOS; 1.5% x FAS x YOS over 25	2.5% x FAS x first 20 YOS; 2.25% x next 5 YOS; 2.0% x YOS over 25	2.5% x FAS x 25 YOS; 2.1% x FAS x YOS over 25	2.5% x FAS x 25 YOS; 2.1% x FAS x YOS over 25	2.2% x FAS x 30 years; 2.5% x FAS x YOS over 30
Employee Contribution	Police: 10.00% Fire: 10.00%	9.50%	9.00%	10.10%	State: 8.50% Local: 8.50%
Employer Contribution	Police: 19.50% Fire: 24.00%	23.50%	16.70%	16.70%	State: 13.31% Local: 13.55%
Coverage for Survivors of Active Members	Survivor eligible at any age	Survivor eligible at any age	Survivor eligible at age 62 unless member had dependent children, member had 10 YOS, or spouse is adjudged mentally or physically incompetent.	Survivor eligible at age 62 unless member had dependent children, member had 10 YOS, or spouse is adjudged mentally or physically incompetent.	Survivor eligible at age 62 unless member had dependent children, member had 10 YOS, or spouse is adjudged mentally or physically incompetent.

The normal retirement age was reduced from 52 to 48 with 25 years of service for members of OP&F in 1988 (H.B. 389 eff. 9-9-88) and for members of HPRS in 1989 (H.B. 340 eff. 11-2-89). The normal retirement age was lowered in 2000 from 52 to 48 with 25 years of service for sheriffs, deputy sheriffs, and township constables and police officers in PERS-LE (H.B. 416, eff. 01-01-01). This provision would maintain the traditional parity among the PERS-LE, OP&F and HPRS retirement programs in this regard.

The only group currently in PERS-LE who would not be eligible to retire at age 48 would be the Hamilton County municipal court bailiffs. Under the bill they would not be considered law enforcement officers and their normal retirement age would remain at 52 with 25 years of service, although they still would be able to retire with a reduced benefit at age 48 with 25 years of service. However, they would still be required to have as their primary duties to preserve the

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peace, to protect life and property, and to enforce the laws of the state.

Currently the Hamilton County Clerk of Courts requires all Hamilton County *criminal* municipal court bailiffs to complete peace officer basic training. Hamilton County *civil* municipal court bailiffs are not in PERS-LE because they are not required to complete peace officer basic training and do not have as their primary duties to preserve the peace, to protect life and property, and to enforce the laws of the state. Revised Code section 145.01 requires the bailiffs in the law enforcement division to complete a “peace officer training school as required by division (C) of section 109.77 of the Revised Code.” It appears this is a mistake and should read “as required by division (D) of section 109.77.” Division (D) requires them to complete a basic training course for bailiffs.<sup>16</sup>

**Peace Officer Basic Training**

The requirements for the peace officer basic training program are adopted by the Peace Officer Training Commission. Currently, the Commission requires applicants to complete a minimum of 550 hours in order to receive a peace officer basic training certificate. The current basic training includes the following topics:

<b>TOPIC</b>	<b>REQUIRED HOURS</b>
Administration	21
Legal	77
Human Relations	76
Firearms	60
Driving	24
Subject Control	34
First Aid	16
Patrol	49
Civil Disorders	17
Traffic	91

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<sup>16</sup>Hamilton County Bailiffs were moved to PERS-LE by H.B. 379 (eff. 11-6-96). When H.B. 379 was first introduced, division (C) of section 109.77 required bailiffs to receive a certificate attesting. Prior to the passage of H.B. 379, R.C. 109.77 was amended by H.B. 566 (eff. 10-16-96), which renumbered division (C) to division (D). This change was not made in H.B. 379.

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<b>TOPIC</b>	<b>REQUIRED HOURS</b>
Investigation	55
Physical Conditioning	30
Total	550

**Bailiff Training**

The Peace Officer Training Commission also is responsible for adopting training requirements for bailiffs. The current training for bailiffs includes 160.5 hours in the following topics:

<b>TOPIC</b>	<b>REQUIRED HOURS</b>
Administration	14
Legal	8
Human Relations	7.5
Firearms	43
Defensive Tactics	44
Medical Issues	8
Investigation	4
Introduction to Court Security	4
General Court Security Issues	16
Physical Security & Screening	2
Jury Procedures	3
Emergency Procedures & Special Considerations	4
High Risk Trials	3
Total	160.5

**Corrections Officers**

The training required for corrections officers depends on whether the officer is employed at a



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state corrections facility or a local jail.

**State Corrections Officer Training**

In order to be employed as a corrections officer at a state facility, an individual is required to complete training established by the Department of Rehabilitation and Corrections (DRC). The DRC requires all staff at state facilities (including corrections officers) to complete a three week training course at the Corrections Training Academy, one week at the institution where they will be working for orientation and two weeks at the institution for on-the-job-training. In addition, corrections officers spend an additional week at the Academy receiving training in unarmed self-defense and firearms certification. According to officials at the Corrections Training Academy, corrections officers receive approximately 120 hours of training during that time period. The training for corrections officers consists of the following major areas:

<b>TOPIC</b>	<b>REQUIRED HOURS (APPROX)</b>
Administration	19
Safety and Health	7
Mental Health	8
Communications and Relations	12
Physical Skills	55
Security	27
Total	128

**Ohio Peace Officer Training Commission Corrections Basic Training for Local Jails**

The Peace Officer Training Commission establishes the training curriculum for corrections basic training for local jails. The curriculum requires corrections officers at local jails to have 120 hours training in the following subjects:

<b>TOPIC</b>	<b>REQUIRED HOURS</b>
Training Overview & Orientation	1
Legal	17
Jail Security	26
Human Relations	26

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Special Inmate Needs	19
Technical Skills	31
Total	120

**OP&F Police Officer Training**

Police officers covered by OP&F are required to complete, at a minimum, peace officer basic training. However, local police departments are free to require additional training for their police officers. For example, the Cincinnati police department requires a total of 880 hours of training at the Cincinnati Police Academy.

**Highway Patrol Training**

By way of comparison, the training requirements for Ohio State Troopers, who are members of HPRS, are more stringent than those required in order to receive a peace officer training certificate. State Trooper Cadets are required to complete a 37 week course at the Ohio State Highway Patrol Academy. The training is separated into three parts: (1) cadet training (24 weeks), (2) on-the-job field training (12 weeks), and (3) post graduate training (1 week). The cadet training consists of the following:

<b>TOPIC</b>	<b>REQUIRED HOURS</b>
Administration	210
Legal	57
Human Relations	71
Firearms	103
Driving	48
Investigations	45
Crash Investigation	71
Patrol	105
Traffic Enforcement	97
Civil Disorders	25

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Unarmed Self-Defense/Officer Safety	95
Prisoner Booking and Handling	2
First Aid	16
Physical Conditioning	72
Total	1,017

**Employee contribution rate** - When the normal retirement age was lowered in OP&F (H.B. 389) and HPRS (H.B. 340), the employee contribution rate was increased as part of the funding of the additional liabilities created under those bills. The employee contribution rate was increased from 9.5% to 10% for police and firefighters and from 9% to 10.5% for state troopers. Additionally, when the normal retirement age for sheriffs, deputy sheriffs, and township constables and police officers was lowered to age 48 with 25 years of service, the employee contribution rate for those members was increased to pay for the additional liability created by the change (H.B. 416). At that time the employee contribution rate for those law enforcement officers was set at 1.1% higher than the employee contribution rate for all other members of PERS-LE, which raised it from 9.0% to 10.1%. The 1.1% increase was the additional amount necessary, when combined with the employer rate of 16.7%, to fund the cost of the additional liability.

**Survivorship Coverage** - The bill would provide survivorship coverage to surviving spouses of members of PERS-LE immediately upon employment. Currently, members of PERS-LE, like members of the state and local divisions of PERS, must have at least eighteen months of service credit in order for their spouses to be eligible for survivorship coverage. The change in eligibility is consistent with OP&F and HPRS. *This provision was not included in the bill as introduced. It was amended into the bill in the House Retirement and Aging Committee.*

**Enhanced refund for all law enforcement personnel** - Last session S.B. 144 (eff. 9-14-00) was enacted, which provided an enhanced refund to members of PERS who withdrew their contributions upon termination of employment. That bill allowed members to receive annual compound interest on their contributions. Members with at least five years of service but less than ten years of service receive an additional 33% of the member's "eligible contributions," while members with at least ten years of service receive an additional 67% of the member's "eligible contributions." However, sheriffs, deputy sheriffs, and township constables or police officers who would be eligible to retire with full benefits prior to age 52 were excluded from this provision. (This provision was clarified in H.B. 535, eff. 3-15-01.)

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*As introduced, the bill would have made all PERS-LE members eligible to receive an enhanced refund upon termination of employment except sheriffs, deputy sheriffs, and township constables and police officers. As amended in the Senate Ways and Means Committee, H.B. 158 would eliminate this distinction and allow all members of the law enforcement division to be eligible to receive the enhanced refund upon termination of employment.*

### **Fiscal Impact**

The PERS actuary, Gabriel, Roeder, Smith & Company (GRS), prepared an actuarial analysis of the bill. GRS found that the 16.70% rate is sufficient to finance benefits while maintaining an amortization period for unfunded actuarial accrued liabilities that is less than 30 years, provided that the member rate for current Group A participants is increased from 9.0% to 10.1%. The ORSC actuary, Milliman USA, reviewed the bill and concluded it might be possible to combine the affected groups into a single pool that could be funded within the 30 year constraint imposed by S.B. 82.

Additionally, GRS found the proposal would have no immediate effect on retiree health rates. However, the retiree health program would be absorbing some additional costs, which would slightly accelerate the date when a rate and/or benefit adjustment would be needed to maintain balance in the retiree health program.

### **ORSC Position**

At its meeting of June 13, 2001, the Ohio Retirement Study Council voted to recommend that the 124th General Assembly approve H.B. 158 upon the adoption of the following amendments:

- Offer current members of PERS-LE Group A listed in this bill the option of remaining under the current retirement provisions of normal retirement at age 52 with 25 years of service with the enhanced refund provision or moving to Group B which allows normal retirement at age 48 with 25 years of service but no enhanced refund provision.
- Statutorily require all members of PERS-LE to complete peace officer basic training in order to be members of PERS-LE and allow all members of PERS-LE to retire at age 48 with 25 years of service if they are required to have as their primary duties to preserve the peace, to protect life and property, and to enforce the laws of their jurisdiction, as certified by their employer. All current members of PERS-LE in this bill meet these criteria except Hamilton County municipal court bailiffs who are not statutorily required to complete peace officer basic training.
- Make PERS-LE survivor coverage eligible immediately upon employment. This is consistent with the provisions of the other two uniformed systems.

These amendments were incorporated into the bill in the House Retirement and Aging Committee on June 13, 2001 and the Senate Ways and Means Committee on October 2, 2001.

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At the October 11, 2001 Senate Ways and Means Committee meeting, the bill was amended to allow all members of PERS-LE to be eligible to receive an enhanced refund upon termination of employment.

**Effective Date**

February 1, 2002

## **Sub. H.B. 244 - Rep. Niehaus**

Sub. H.B. 244 would make the following changes to the Ohio Police and Fire Pension Fund (OP&F):

- Change the penalties assessed against employers who fail to submit to OP&F certain statutorily required payments and reports.
- Reduce penalties against employers who submit the reports by the bill's effective date and pay the reduced penalty by June 1, 2002.

### **Staff Comments**

**Delinquent Employee and Employer Contributions and Reports** - The OP&F board was first authorized to assess penalties on past due employee and employer contributions in 1998 with the passage of H.B. 648 (eff. 9-16-98). These provisions were intended to indemnify the OP&F against losses resulting from delinquent contributions.

Employee Contributions: Current law requires employers to submit to the fund a report of employee contributions the employer deducted, along with the actual contributions. If the employer fails to submit the employee contributions and the required report within 30 days after the end of the reporting period, the employer is subject to a penalty for late payment equal to 5% of the total amount due. The penalty is 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.

Under this bill, the report must include the name of each member for whom deductions were made and the portion of the payment attributed to that member. The deadline for sending in the employee contributions and the report would be changed from 30 days after the end of the reporting period to the last day of the month following the last day of the reporting period. For example, if the reporting period ended June 30, the contributions and report would be due by July 31. If the penalty is not paid within 60 days, rather than three months, interest may be charged on the total amount due and the amount of the penalty from the date the amount is due to the date of payment.

Employer Contributions: Current law also provides that employer contributions that remain unpaid after 60 days are subject to the penalty of 5% of the total amount due. The fund may charge interest at a rate determined by the board on past due amounts and penalties from the date the contributions are due to the date of payment.

Under this bill, if the employer contributions are not submitted within 60 days after the last day

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of the calendar quarter, a penalty will be assessed.

Unless the board adopts rules specifying lesser penalty amounts, the penalty for late submission of either employee or employer contributions and the accompanying reports is changed to the following:

Days Past Deadline	Penalty Amount
1-10	\$100
11-30	The greater of \$1,000 or 1% of total payroll reported
31-180	The greater of \$3,000 or 2% of total payroll reported
181-210	The greater of \$7,500 or 5% of total payroll reported
211 or more	The greater of \$7,500 or 5% of total payroll reported, plus \$50 for each day beyond 210

**Payroll Deduction for the Purchase of Service Credit** - H.B. 244 changes the deadline for transmitting amounts deducted from a member's salary for the purchase of service credit. Currently, OP&F board rules require the employer to report the amount of the deductions and submit the amounts deducted with the regular monthly payment of employee contributions. There is no penalty for late transmission. This bill statutorily establishes a deadline for transmitting the deductions as the last day of the month following the last day of the reporting period and assesses the same penalty as is assessed for late transmission of employee or employer contributions. Additionally, the bill provides that upon certification by the OP&F board that the employer is delinquent in transmitting the amounts due, the county auditor is authorized to pay OP&F the delinquent payments.

**Retirement Form** - Last year, H.B. 628 (eff. 9-14-00) was enacted, which required the OP&F board, on receipt of an application for retirement, to request from the employer verification of the member's termination date and any other information necessary to calculate and pay a retirement benefit. The request form must be received by the fund not later than 60 days after the form is sent to the employer. If the fund does not receive the completed form from the employer, the fund sends notice by certified mail to the employer that *unless* the form is received by the fund not later than 30 days after the initial due date, a fine will be assessed against the employer. The OP&F board is required to assess a \$100 per day fine beginning on the 31st day after the

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notice is mailed and ending on the day before receipt of the information. The purpose of the assessment is to enforce the employer's obligations under OP&F law so OP&F can process retirement applications in a timely manner.

H.B. 244 changes the penalty from \$100 per day to the following, unless the board adopts rules establishing lower penalties:

Days Past Deadline	Penalty Amount
1-10	\$100
11-30	\$1,000
31-180	\$3,000
181-210	\$7,500
211 or more	\$7,500 plus \$3.37 for each day beyond 210

The maximum amount an employer may be penalized during a calendar year is \$20,000.

**Pre-employment Physicals** - H.B. 648 also required the OP&F board to adopt rules establishing minimum statewide medical testing and diagnostic standards for physical examinations of prospective members of the fund. The standards include evaluation of the existence of any heart, cardiovascular or respiratory diseases. These provisions are intended to assist the OP&F 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.

The standards took effect on December 1, 1998 and since then the employer has been required to incorporate them into the physical examination of all employees who become members of the fund after the effective date of these standards. The employer must 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 must 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.

Additionally, H.B. 648 provided that upon application for disability by an employee who became 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 of fire department. The employer must forward the examination to the board or, if no



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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 must assess a penalty of \$100 per day against the employer.

H.B. 244 changes the penalty assessed for missing the deadline and the deadline for submitting the pre-employment physical for all employees who become members of the fund after the effective date of the minimum standards from 30 days to 60 days after the employee becomes a member of the fund. Under the bill the deadline for submitting the pre-employment physical or statement that the employer does not have a copy of the report for employees who became members of the fund prior to the adoption of the standards would remain the same, but the penalty is changed.

The penalty for missing the deadline in submitting the pre-employment physical or statement that the employer does not have a copy of the report is changed from \$100 per day to the same as that charged for failing to submit a retirement form. The bill provides that the total penalties paid by an employer for failing to submit the retirement form and the pre-employment physical cannot exceed \$20,000 in a calendar year. Additionally, the county auditor is given the authority to pay the penalty.

### **Reduction of Penalty -**

Pre-employment Physicals - The bill requires OP&F to reduce by 90% any penalty incurred prior to the effective date of the bill by reason of an employer failing to meet the deadline for submitting pre-employment physicals for all employees who become members of the fund after the effective date of the standards. If, after the reduction, the penalty exceeds \$30,000, OP&F must reduce the penalty to \$30,000. However, if the penalty is not paid by June 1, 2002, the original penalty will be reinstated. If an employer paid the penalty prior to the effective date of this bill, the penalty will be reduced and the board can either refund the amount of the reduction or reduce any outstanding amounts owed by the employer.

Employer and Employee Payments and Reports - The bill also requires the OP&F board to reduce by 50% the penalties incurred between January 1, 2000 and ending on the effective date of this bill by reason of the employer's failure to submit the required reports for submitting the employee and employer contribution reports if the board receives the report within six months after it was due. However, if the penalty is not paid by June 1, 2002, the original penalty will be reinstated. If an employer paid the penalty prior to the effective date of this bill, the penalty will be reduced and the board can either refund the amount of the reduction or reduce any outstanding amounts owed by the employer. Under the bill, there is no requirement that the employer submit the required payments with the report in order for the fine to be reduced. Furthermore, the bill does not address the reduction of penalties assessed by reason of submitting late employer

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contributions, which do not require a report to be submitted. *Therefore, the bill should be amended to clarify that the fine will be reduced if the employer submits the report and the required payment for employee contributions and/or the required payment for employer contributions within six months after it was due. (This amendment was adopted in the House Retirement and Aging Committee.)*

### **Fiscal Impact**

According to the OP&F actuary, Watson Wyatt, the bill would cause a negligible change in Fund assets and no change in actuarial liabilities. Therefore, they consider H.B. 244 to be cost-neutral.

### **ORSC Position**

At its meeting of June 13, 2001, the Ohio Retirement Study Council voted to recommend that the 124th General Assembly approve H.B. 244 upon the adoption of an amendment that would clarify that the fine will be reduced by 50% if the employer submits the report and the required payment for employee contributions and/or the required payment for employer contributions within six months after it was due.

This amendment was adopted in the House Retirement and Aging Committee.

### **Effective Date**

February 19, 2002

### **Sub. H.B. 299 - Rep. Carey**

Sub. H.B. 299 generally makes capital appropriations. This analysis describes only the provisions of the bill that relate to the Ohio public retirement systems.

The main operating appropriations act, Am. Sub. H.B. 94, eliminated the General Revenue Fund appropriations for subsidies to the Public Employees Retirement System (PERS), State Teachers Retirement System (STRS), School Employees Retirement System (SERS), and State Highway Patrol Retirement System (HPRS) for funding various ad hoc increases enacted by the legislature prior to 1982. Prior to the elimination of these subsidies, the systems were required to certify to the Treasurer of State the ad hoc pension increases the retirement system granted to members in the preceding year so they could receive those appropriations from the General Revenue Fund. Sub. H.B. 299 eliminates this requirement since these systems no longer receive money from the General Revenue Fund.

### **Fiscal Impact**

This bill has no fiscal impact on the retirement systems.

### **ORSC Position**

The ORSC took no position on this bill.

### **Effective Date**

June 29, 2001 (Emergency)

### **Sub. H.B. 373 - Rep. Hughes**

The ORSC actuary, Milliman USA, reviewed the bill and found Sub. H.B. 373 makes the following changes to the Highway Patrol Retirement System (HPRS):

- Establishes a partial lump sum option payment (PLOP), in addition to the current optional plans of payment, for eligible HPRS members;
- Changes the determination process for disability retirement;
- Includes any amounts paid by the member to purchase service credit upon a refund of the member's accumulated contributions;
- Increases the employee contribution from 9.5% to 10% of the member's salary.

Details of the above changes follow.

**Partial Lump Sum Option Payment (PLOP)** - The act establishes, in addition to the existing optional payment plans, a partial lump sum option payment (PLOP) for members eligible under HPRS. To be eligible to elect the PLOP, the member must have attained age 51 with at least 25 years of service or age 52 with at least 20 years of service. Currently, HPRS members may elect at the time of service retirement one of the following optional plans of payment:

- A single life annuity that provides the maximum retirement allowance payable for the life of the retired member only;
- A joint and survivor annuity that provides for the actuarial equivalent of the member's single life annuity for the life of the retired member and 100% of such annuity continuing after death for the life of the member's sole designated beneficiary;
- A joint and survivor annuity that provides for the actuarial equivalent of the member's single life annuity for the life of the retired member and 50% or some other portion of such annuity continuing after death for the life of the member's sole designated beneficiary;
- An annuity certain that provides for the actuarial equivalent of the member's single life annuity for the life of the member and continuing to the member's designated beneficiaries, provided the guaranteed period selected by the member at retirement has not expired.

Under the act, eligible HPRS members could elect a PLOP that provides for a partial lump sum payment in an amount designated by the member and the remainder as a monthly single life annuity payable for the life of the retired member. The total amount of the lump sum payment and the monthly annuity shall be the actuarial equivalent of the member's single life annuity the member would have received had the PLOP not been elected. The lump sum payment designated by the member shall be no less than six times nor more than 60 times the member's monthly single life annuity otherwise payable. Furthermore, an eligible member who has attained age 51 with at least 25 years of service and who elects the PLOP may designate an amount that does not exceed an amount equal to one month's annuity for each month of service beyond 25 years; similarly, an eligible member who has attained age 52 with at least 20 years of service and who elects the PLOP may designate an amount that does not exceed an amount equal to one month's annuity for each month of service beyond 20 years.

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**Disability Retirement** - The act permits disability retirement under HPRS to be determined based upon a medical or psychological examination conducted by a health care professional(s) appointed by the retirement board. The board may adopt rules specifying the types of health care professionals that may be appointed to assist the board in making disability determinations. Currently, the disability statutes limit such determination based upon a medical examination conducted by a physician(s) (i.e, MD or DO) which excludes a psychologist, for example. Under the act, the disability standard would remain the same; that is, "... a member who becomes totally and permanently incapacitated for duty in the employ of the state highway patrol ..."

**Accumulated Contributions** - The act includes any amounts paid by the member to purchase service credit as part of the member's accumulated contributions, thereby providing for payment of such amounts upon any refund of the member's accumulated contributions. Under current law, "accumulated contributions" are limited to amounts deducted from the member's salary. The proposed change is consistent with the laws governing the other retirement systems.

**Employee Contribution Rate** - The act increases the employee contribution rate from 9.5% to 10% of the member's salary (effective March 24, 2003). The employee contribution rate is fixed by statute and, therefore, requires legislation to change it.

Under current HPRS law, the employer contribution rate is set by the board based upon the recommendations of its actuary, but may not exceed three times the employee contribution rate. Due to several years of lower than assumed investment earnings and higher than assumed retiree health care costs, the HPRS actuary recommended an increase in both the employer and employee contribution rates in order to maintain the actuarial soundness of HPRS. The HPRS board took action to increase the employer contribution rate from the current 23.5% to 24.5% of payroll, effective July 1, 2003.

The act also makes the following changes to OP&F:

- Clarifies that OP&F members who elect to participate in the deferred retirement option plan (DROP) shall be ineligible to purchase or otherwise obtain additional service credit on or after the effective date of such election; shall have their monthly pension calculated based upon the service credit and final average salary as of the effective date of such election; shall have the annual cost-of-living allowance based upon their monthly pension amount calculated as of the effective date of such election; shall be eligible for their first COLA one year following the effective date of such election; and shall begin receiving their pension *no later than* the first day of the second month following termination of DROP participation rather than on such day.
- Clarifies that the death of a DROP participant's spouse following the effective date of the election cancels any optional plan of payment providing continuing benefits to such spouse and returns the participant to a single life annuity; that any optional plan of payment shall be based upon the DROP participant's monthly pension calculated as of the effective date of the election; that the optional plan of payment available for DROP participants is limited to Option 2 under existing law which provides 50% or some other portion of the participant's reduced pension for the life of the designated beneficiary; and that the right of a member who marries or remarries after normal service retirement to choose a new optional plan of payment under existing law is limited to retired members, excluding DROP participants.

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- Clarifies that annual accrued interest on DROP accounts continues until the day before the date distributions from the participant's DROP account are completed rather than upon termination of DROP participation.
- Eliminates the 18-month service credit requirement under existing OP&F law for members to receive credit for service previously purchased or transferred to PERS, STRS or SERS.

### **Staff Comments**

One of the ORSC staff recommendations made in the final report to the Joint Legislative Committee to Study Ohio's Public Retirement Plans (12/11/96) was the need to provide greater portability and benefit options for Ohio's public employees. Since then, several legislative measures have been favorably recommended by the ORSC and enacted into law pursuant to this recommendation, including: the creation of an alternative defined contribution plan for employees of public institutions of higher education (H.B. 586 - eff. 3/31/97); the creation of alternative defined contribution plans for PERS, STRS and SERS members (H.B. 628 - eff. 9/21/00; S.B. 190 - eff. 7/13/00; S.B. 270 - eff. 4/9/01); the portability of service credit between the Cincinnati Retirement System and the state retirement systems (H.B. 535 - eff. 4/1/01); and the most recent creation of a deferred retirement option plan for OP&F members (S.B. 134 - eff. 7/22/02) and a partial lump sum payment option for PERS, STRS and SERS members at the time of retirement (S.B. 247 - eff. 10/1/02).

The proposed PLOP under H.B. 373 for HPRS members is similar to the PLOP recently enacted under S.B. 247 for PERS, SERS and STRS members. It is designed to be cost neutral to HPRS since the PLOP, like the current payment options available to retiring members, shall be the actuarial equivalent of the monthly retirement allowance the member would have received had the PLOP not been elected. Moreover, it is designed to encourage HPRS members to work beyond normal age and service retirement - similar to the deferred retirement option plan (DROP) recently established under S.B. 134 for OP&F members.

### **Fiscal Impact**

The proposed changes in the substitute bill are designed to be cost-neutral and, therefore, would have no actuarial impact upon HPRS. To the extent that the proposed PLOP encourages HPRS member to work longer than would otherwise be the case, there may actually be cost savings, particularly with respect to retiree health care costs since the employer would remain responsible for health care coverage during the member's continued employment.

### **ORSC Position**

At its meeting of May 8, 2002, the Ohio Retirement Study Council voted to recommend that the Ohio General Assembly approve the following cost-neutral components of H.B. 373:

- the proposed partial lump sum option payment;
- the proposed changes in the determination of disability retirement.

and that the Ohio General Assembly defer action on the remaining provisions of the bill until the results of the actuarial valuation as of December 31, 2001 are complete.

### **Effective Date**

March 24, 2003

### **Am. Sub. H.B. 405 - Rep. Peterson**

Am. Sub. H.B. 405 generally makes appropriations to the general revenue fund. This analysis describes only those provisions of the bill that relate to the five Ohio public retirement systems: the Public Employees Retirement System (PERS), the State Teachers Retirement System (STRS), the School Employees Retirement System (SERS), the Ohio Police and Fire Pension Fund (OP&F), and the Highway Patrol Retirement System (HPRS).

Current law provides that permanent public employees who are members of the Ohio organized militia or members of other reserve components of the United States armed forces and who are called into active duty for more than 31 days due to an executive order issued by the President of the United States or an act of Congress may receive differential pay from their employers during the period designated by the order or act. The act expands this to include employees who are members of the Ohio organized militia or members of other reserve components of the United States armed forces who are called to active duty because of an order to perform duty issued by the Governor of Ohio.

Additionally, this act corrects a typographical error in Am. Sub. S.B. 164. Section 3 of Am. Sub. S.B. 164 provides for a lump sum payment of any differential payment the employee is entitled to receive prior to November 20, 2001 (the effective date of the act). However, these lump sum payments were not excluded from state retirement contributions due to a typographical error. This act excludes from state retirement contributions differential pay that is paid in a lump sum pursuant to Section 3 of Am. Sub. S.B. 164.

#### **Fiscal Impact**

A detailed fiscal analysis of this bill was not completed.

#### **ORSC Position**

The Ohio Retirement Study Council took no action on Am. Sub. H.B. 405

#### **Effective Date**

December 13, 2001 (Emergency)

## **H.B. 675 - Rep. Peterson**

H.B. 675 generally makes capital appropriations. This analysis describes only the provisions of the bill that relate to the Ohio public retirement systems.

Under current law, there is only one veteran's home operated by the state. This bill allows for the establishment of multiple veterans' homes throughout the state. Accordingly, references to the Ohio Veterans' home are changed to refer to "veterans' homes" and references to "Ohio Veterans' Home police officers" are changed to "veterans' homes police officers" or "a veterans' home police officer."

### **Fiscal Impact**

This bill has no fiscal impact on the retirement systems.

### **ORSC Position**

The ORSC took no position on this bill.

### **Effective Date**

December 13, 2002 (Emergency)



REPORTS ON SENATE BILLS ENACTED

124TH GENERAL ASSEMBLY

JANUARY 1, 2001 - DECEMBER 31, 2002

## **Am. Sub. S.B. 115 - Sen. Hottinger**

Am. Sub. S.B. 115 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 and eliminate the remarriage penalty; 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.

Additionally, the bill would increase the monthly benefit from \$200 to \$300 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 Am. Sub. S.B. 115, the monthly benefits would be increased from \$200 to \$300 for

### **Am. Sub. S.B. 115 - Sen. Hottinger**

spouses and from \$65 to \$125 for children. As introduced, the monthly benefits would *not* have been increased for disabled volunteer firefighters which would remain at \$200. From a public policy standpoint, it is 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. (This amendment was adopted in the House State and Local Government Committee.)*

Am. Sub. S.B. 115 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 be amended to eliminate the "remarriage penalty" for surviving spouses. (This amendment was adopted in the House State and Local Government Committee.)*

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 be amended to eliminate the definition of "dependent" which is not only unnecessary but also inconsistent with the other governing statutes. (This amendment was adopted in the House State and Local Government Committee.)*

### **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

**Am. Sub. S.B. 115 - Sen. Hottinger**

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 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.

The first three recommended amendments were adopted in the House State and Local Government Committee. The last recommended amendment was not adopted.

**Effective Date**

March 19, 2003

### **Sub. S.B. 119 - Sen. Austria**

Sub. S.B. 119 would provide for complete portability of service credit covered by one of the five state retirement systems and the Cincinnati Retirement System, including military service credit, when members make multiple transfers between the non-uniform employee retirement systems (PERS, STRS, SERS) and the uniform employee retirement systems (OP&F, HPRS). Such service credit purchased or transferred under existing law, along with any contributions made or transferred for the credit, would follow the individual from one Ohio retirement system to another Ohio retirement system in order to preserve the individual's total service credit for purposes of calculating retirement benefits.

Existing law governing the purchase or transfer of service credit between the non-uniform retirement systems and the uniform retirement systems fails to address the situation where an individual makes multiple membership changes between the non-uniform retirement systems and the uniform retirement systems during the individual's public career in Ohio. The bill would address this situation by providing for complete portability of such service credit, together with the requisite contributions to cover the liability to the retirement system paying the benefit.

Additionally, the bill was amended to require employers to file reports regarding the employment of peace officers to the Ohio Peace Officer Training Commission.

### **Staff Comments**

By way of background, Sub. H.B. 648 (eff. 9/16/98) provided that in the direct transfer of service between the non-uniform employee retirement systems (PERS, STRS, SERS) and the uniform employee retirement systems (OP&F, 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.

Sub. H.B. 648 also provided 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 one payment, subject to board rule.

Prior to Sub. H.B. 648, no employer contributions were transferred between the non-uniform retirement systems and the uniform retirement systems. Thus, Sub. H.B. 648 was intended to address in large measure the additional liabilities resulting from these types of transfers/purchases

**Sub. S.B. 119 - Sen. Austria**

of service credit.

S.B. 119 builds upon the model established in Sub. H.B. 648 to ensure that individuals that make multiple membership changes between the non-uniform systems and the uniform systems are provided the opportunity to retain all service credit previously purchased or transferred. S.B. 119 also ensures that the retirement system paying the benefit is provided the requisite contributions, as described above, to cover the additional liability resulting therefrom.

**Fiscal Impact**

The bill would have no negative fiscal impact upon the retirement systems.

**ORSC Position**

At its meeting of June 20, 2001 the ORSC voted to recommend that the 124th Ohio General Assembly approve S.B. 119.

**Effective Date**

February 20, 2002

### **Sub. S.B. 134 - Sen. Blessing**

Sub. S.B. 134 provides for the establishment of a deferred retirement option plan (DROP) under the Ohio Police and Fire Pension Fund (OP&F).<sup>17</sup> Details of the DROP follow.

The act requires the OP&F board to establish and administer a DROP and, in establishing and administering the DROP, to meet all of the federal tax qualification requirements applicable to governmental plans. The board shall adopt rules to implement the DROP, and shall specify the initial implementation date of the DROP. The rules may also specify a period during which members may rescind their election to participate in the DROP.

Participation in the DROP is limited to members who meet the minimum age 48 and twenty-five years of service requirement for normal service retirement under existing law. These members may elect to participate in the DROP by completing and submitting a form provided by OP&F. The election shall be irrevocable from the date the form is received by OP&F to the date employment is terminated, unless rescinded as permitted by board rule. The election shall become effective on the first day of the employer's first payroll period immediately following receipt of the form by OP&F. At the time of election, the member shall **not** be required to specify the number of years the member will participate in the DROP, **but** must agree to terminate employment and begin receiving the member's normal service retirement benefit not later than eight years after the effective date of the election or be subject to forfeiture of the member's DROP account.

While participating in the DROP, the member shall **not** accrue any additional service credit in OP&F or be eligible for health insurance coverage provided by OP&F. The member shall continue to make the same contributions as under existing law (10.00%); the employer shall continue to make the same contributions as under existing law (19.50% - police, 24.00% -fire). The member's DROP account shall accrue the following amounts:

- The member's monthly retirement allowance calculated on the member's service credit and average annual salary (excluding terminal pay) prior to the effective date of the member's election to participate in the DROP;
- Annual cost-of-living allowances (COLAs) granted by OP&F;
- 50% of the employee contributions made during the first two years of participation in the DROP; 75% of the employee contributions made during the third year; and 100% of the employee contributions made during the fourth and succeeding years; and
- Annual compound interest on the above amounts at a rate determined by board rule.

(The balance of the employee contributions made, but not accrued, to the member's DROP account

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<sup>17</sup>Generally, participation in a DROP is limited to members who are otherwise eligible for normal service retirement. The member continues to be employed for some defined period during which the member's monthly service retirement benefit is credited to the member's DROP account, along with annual compound interest at some specified rate. Upon termination of employment, the member receives a lump sum distribution of the member's DROP account or some alternative distribution thereof, and begins receiving a monthly service retirement benefit based on the member's final average salary and service credit calculated at the time the member elects participation in the DROP.

**Sub. S.B. 134 - Sen. Blessing**

during the first three years shall be credited to the Police Officers' Contribution Fund or Firefighters' Contribution Fund, as appropriate; all employer contributions made on behalf of DROP participants shall be credited to the Police Officer Employers' Contribution Fund or Firefighter Employers' Contribution Fund, as appropriate.)

The member's participation in the DROP shall terminate upon the earliest of the following occurrences:

- Termination of employment;
- Last day of the eight-year period;
- Acceptance of a disability award; or
- Death.

If the member terminates employment on or after the first day of the fourth year after the effective date of the member's election, the member shall be entitled to the entire accrued benefit in the member's DROP account, including annual compound interest. If the member terminates employment prior to the first day of the fourth year after the effective date of the member's election, the member shall be entitled to the accrued benefit in the member's DROP account, excluding annual compound interest. The member shall select one of the following methods of distribution:

- Single lump sum payment; or
- Periodic payments as determined by board rule. (The act allows members who select periodic payments to change their selection at least once during each calendar year.)

Distributions of the accrued benefit in the member's DROP account shall not commence prior to the first day of the fourth year after the effective date of the member's election.

The member's retirement allowance based on his or her years of service and average annual salary prior to participation in the DROP shall commence on the first day of the second month after the member ceases to participate in the DROP. (The member shall also select a plan of payment at that time, unless the member selected a payment plan at the time of the member's DROP election.)

Should the member fail to terminate employment at the end of the eighth year after the effective date of the member's election to participate in the DROP, the member shall forfeit the accrued benefit in the member's DROP account, be granted service credit for the period the member was participating in the DROP, and have the retirement allowance calculated as though the member had never made the election.

Should the member accept a disability award while participating in the DROP, the member shall forfeit the accrued benefit in the member's DROP account, be granted service credit for the period the member was participating in the DROP, and have the disability award calculated as though the member had never made the election.

Should the member die while participating in the DROP, the accrued benefit in the member's DROP account shall be paid to the surviving spouse or, if none, the member's designated



### **Sub. S.B. 134 - Sen. Blessing**

beneficiary or, if none, the member's estate. The surviving spouse or designated beneficiary may choose either a single lump sum payment or periodic payments as described above. Any amounts payable to the member's estate shall be made in a lump sum payment. The surviving spouse is eligible for the 50% Joint and Survivor Annuity and the flat monthly survivor benefit payable under existing OP&F law. If eligible, the surviving child(ren) or dependent parent(s) may receive the flat monthly survivor benefits payable under existing OP&F law. (If the member dies in the line of duty, the surviving spouse, children and dependent parents of the deceased member qualify for monthly survivor benefits payable under the Ohio Public Safety Officers Death Benefit Fund.) The effective date of the survivor benefits described above shall be the first day of the month after the member's death.

The act requires an actuarial investigation of the DROP at least once every five years to determine whether the DROP, as established or modified, has a negative financial impact upon OP&F and, if so, make recommendations to eliminate any negative financial impact. If the actuarial investigation indicates that the DROP has a negative financial impact, the OP&F board may modify the DROP or cease to allow future members from electing to participate in the DROP. The rights and obligation of members who elected to participate in the DROP shall not be altered by any board action. As amended by the Senate Ways & Means Committee, the police and fire employer contribution rates shall not be increased as a result of any negative fiscal impact resulting from the DROP upon OP&F. The actuarial investigation required under the act may be included as part of the quinquennial experience study of OP&F required under existing law. If not so included, the actuarial investigation shall be submitted separately to the Ohio Retirement Study Council and the standing committees of house and senate with primary responsibility for retirement legislation not later than the first day of November following the last fiscal year in which the investigation covers.

### **Staff Comments**

DROPs have recently gained widespread recognition in the public sector. DROPs were introduced in Louisiana in the early 1980s and spread rapidly throughout the South among municipal police and firefighter pension funds. In recent years, DROPs have become popular in all parts of the country and among all branches of government service. Four statewide pension funds include DROPs, including the teacher and general employee retirement systems in Louisiana and Texas, and others are considering them.

As part of the report of the Joint Legislative Committee to Study Ohio's Public Retirement Plans dated December 11, 1996, one of the recommendations included therein, but not acted upon by the legislature, was to increase the normal retirement age in both the uniform and non-uniform retirement systems. This recommendation was made in response to the continual improvements in life expectancies experienced among the memberships of all five retirement systems in Ohio which directly increase each retirement system's benefit costs, including post-retirement health care costs. Since then, the legislature has enacted S.B. 190 (eff. 7/13/00) upon the favorable recommendation of the ORSC which, among other things, provides a financial incentive for teachers to work beyond normal service retirement (30 years at any age); that is, STRS members who remain teaching for 35 years receive an annual retirement allowance of 88.5% of their final average salary as opposed to 66% after 30 years. This incentive is designed to help retain experienced teachers during the current and near future teacher shortage and to help control rising health care costs in STRS.

The DROP proposed under S.B. 134 would provide a similar financial incentive for police officers and firefighters to work beyond normal service retirement (25 years at age 48) by offering them the opportunity to receive a lump sum distribution not otherwise available upon retirement. Similarly,

### **Sub. S.B. 134 - Sen. Blessing**

the DROP could help not only employers smooth the transition of experienced employees and their replacements but also OP&F save on post-retirement health care costs. The concept of the DROP is generally consistent with the objective of the above-referenced recommendation to get members to work beyond the current normal service retirement requirements.

The act grants only the OP&F board the authority to establish a DROP. This necessarily raises a public policy issue of whether the other four retirement systems should be granted similar authority to adopt DROPs for their respective memberships. Based upon the experience in other states that have established DROPs for their police officers and firefighters, there will likely be considerable interest from other groups of public employees to have the opportunity to participate in a DROP.

### **Fiscal Impact**

The ORSC actuary, Milliman USA, reviewed the bill and found that S.B. 134 would be affordable in the sense that it would satisfy the 30-year funding requirements of S.B. 82 based on the actuarial assumptions utilized by Watson Wyatt if 0.25% to 0.50% of the employer contribution rate were allocated from health care to pensions. If actual experience is favorable, offering a DPOP could assist OP&F in managing the health care program within current contribution limitations. Additionally, if actual experience is unfavorable, the Board will have the flexibility to modify or cease offering the DROP.

### **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. 134 upon the adoption of the following amendments:

- That the actuarial investigation of the DROP be submitted to the ORSC not later than the first day of November following the last year of the period covered by the investigation;
- That the surviving spouse receive the greater of the 50% joint survivor annuity or the plan of payment elected by the member at the time the member elects to participate in the DROP should the member die while participating in the DROP;
- That the words “the effective date of” be inserted in line 711 after the first “to”.

All of the above amendments have been incorporated in the act.

### **Effective Date**

July 23, 2002

### **Am. Sub. S.B. 164 - Sen. Jacobson**

Am. Sub. S.B. 164 generally provides for the payment of specified compensation to certain public employees called to active duty for more than 31 days; requires public employers, under group policies, contracts, and plans, to continue the health benefit coverage of employees called to active duty; to authorize, in accordance with the act, the conveyance of specified state-owned real estate. This analysis describes only those provisions of the bill that relate to the five Ohio public retirement systems: the Public Employees Retirement System (PERS), the State Teachers Retirement System (STRS), the School Employees Retirement System (SERS), the Ohio Police and Fire Pension Fund (OP&F), and the Highway Patrol Retirement System (HPRS).

The act provides that public employees who are members of the Ohio organized militia or members of other reserve components of the United States armed forces and who are called into active duty for more than 31 days due to an executive order issued by the President of the United States or an act of Congress may receive differential pay from their employers during the period designated by the order or act. Permanent public employees who are employed by the state are entitled to receive differential pay equal to the difference between the employee's gross monthly wage or salary as a permanent public employee and the sum of the permanent public employee's gross uniformed pay and allowances received that month. Permanent public employees employed by a political subdivision are entitled to receive differential pay equal to the **lesser** of the following: the difference between their gross monthly wage and their gross monthly military pay **or** \$500 per month.

The act excludes this differential pay from state retirement contributions.

Section 3 of the act provides that employees are entitled to receive these payments retroactively to the later of October 1, 2001 or the date a leave of absence begins after a call to active duty by a Presidential executive order or act of Congress. Payments to which an employee is entitled prior to the effective date of the act (November 20, 2001) are paid in a lump sum. However, unlike the differential pay to which an employee is entitled after the effective date of the act, these lump sum payments are not excluded from state retirement contributions due to a typographical error.

#### **Fiscal Impact**

A detailed fiscal analysis of this bill was not completed.

#### **ORSC Position**

The Ohio Retirement Study Council took no action on Am. Sub. S.B. 164.

#### **Effective Date**

November 20, 2001 (Emergency)

### **Sub. S.B. 247 - Sen. Blessing**

Sub. S.B. 247 establishes, in addition to the existing optional payment plans, a partial lump-sum option payment (PLOP) under the Public Employees Retirement System (PERS), the State Teachers Retirement System (STRS) and the School Employees Retirement System (SERS). Currently, members of PERS, STRS and SERS may elect at the time of service retirement one of the following optional plans of payment:<sup>18</sup>

- a single life annuity that provides the maximum retirement allowance payable for the life of the retired member only;
- a joint and survivor annuity that provides for the actuarial equivalent of the member's retirement allowance for the life of the retired member and 50% of such allowance continuing after death for the life of the member's spouse;
- a joint and survivor annuity that provides for the actuarial equivalent of the member's retirement allowance for the life of the retired member and 100% of such allowance continuing after death for the life of the member's designated beneficiary;
- a joint and survivor annuity that provides for the actuarial equivalent of the member's retirement allowance for the life of the retired member and some specific dollar amount or portion of such allowance continuing after death for the life of the member's designated beneficiary; and
- an annuity certain that provides for the actuarial equivalent of the member's retirement allowance for the life of the retired member and continuing to the member's designated beneficiary until the expiration of the guaranteed period selected by the member at retirement.

Under the act, members of PERS, STRS or SERS could elect a PLOP that provides a partial lump-sum payment in an amount designated by the member and the remainder as a monthly retirement allowance under one of the plans of payment elected above. The total amount of the lump sum payment and the monthly retirement allowance shall be the actuarial equivalent of the retirement allowance the member would have received had the PLOP not been elected. The lump sum payment designated by the member shall be not less than six times nor more than 36 times the monthly retirement allowance the member would have received had the PLOP not been elected, and shall not result in an allowance that is less than 50% of the monthly allowance otherwise payable.

The act requires the PERS, STRS and SERS boards to establish the PLOP no later than July 1, 2004. The act also permits the surviving spouse or other sole dependent beneficiary of a PERS, STRS or SERS member whose death occurs prior to receipt of a service retirement benefit to elect the PLOP in lieu of the 100% joint and survivor annuity otherwise provided under current law. Payments made under a PLOP shall be subject to division upon termination of marriage.

The act makes the following changes to all five state retirement systems (PERS, STRS, SERS, the Ohio Police and Fire Pension Fund, and the Highway Patrol Retirement System):

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<sup>18</sup>The automatic plan of payment for married members is a 50% joint and survivor annuity unless the spouse provides written consent to the member's election of another plan of payment.

**Sub. S.B. 247 - Sen. Blessing**

- Makes the authority of the retirement boards to provide post-retirement health care benefits through a health maintenance organization (HMO) permissive rather than mandatory.

The act makes the following changes to PERS, STRS and SERS:

- Allows members to withdraw their accumulated contributions under the defined benefit plan(s) of one or more retirement systems if they are participating in a defined contribution plan in another retirement system, provided they withdraw their contributions under all defined benefit plans due to the lack of coordination between defined benefit and defined contribution plans. Currently, such members are allowed to withdraw their accumulated contributions in one retirement system only if they also withdraw their contributions in the other retirement systems.

The act makes the following changes to PERS and STRS:

- Makes the spousal consent requirement under the PERS and STRS alternative defined contribution plan the same as under the PERS and STRS traditional defined benefit plan.

The act makes the following changes to PERS:

- Permits reemployed retirants to choose the actuarial equivalent of the single life annuity provided under current law in a lesser amount for the retirant's life and continuing after death to a surviving beneficiary designated by the retirant. The death of the spouse or other designated beneficiary shall cancel the optional plan of payment and the retirant shall receive the actuarial equivalent of the single life annuity effective the first day of the month following receipt by the PERS board of the notice of death. In the event of marriage termination, the retirant may cancel the optional plan of payment only with the written consent of the spouse or pursuant to court order. Following marriage or remarriage, the retirant may elect an optional plan of payment based upon the actuarial equivalent of the single life annuity effective the first day of the month following receipt by the board of the election.
- Allows PERS retirees whose PERS-covered reemployment commenced prior to the changes in the reemployment statutes effective June 30, 1991 to make a one-time election, no later than 90 days after the effective date of the bill, to resume their original monthly retirement allowance, receive a lump sum payment of the suspended annuity portion of their original retirement allowance and have all contributions made during such reemployment period used in the calculation of the money purchase annuity otherwise payable to PERS reemployed retirees under the revised reemployment statutes.
- PERS law regarding the establishment of defined contribution plans is amended to require eligible members to file the election form with PERS rather than the employer within the 180-day election period provided under current law; to clarify the eligibility provisions with respect to other system retirants, hamilton county municipal court bailiffs and individuals employed in more than one position subject to PERS coverage; to authorize a portion of the employer contribution to be allocated to a voluntary employees' beneficiary association, medical savings account, or similar arrangement for the provision of retiree health care benefits and to cover expenses for administering the defined contribution plan(s); to authorize a "hybrid" plan that combines features of a defined benefit plan and a defined

### **Sub. S.B. 247 - Sen. Blessing**

contribution plan with different eligibility requirements, benefit formulas and service costs established by the board; and to authorize participants to transfer between plans at intervals and conditions specified under the plan, including a transfer from a defined contribution plan to the defined benefit plan with an appropriate adjustment in service credit should any additional liability as determined by the actuary not be covered by the participant that elects such transfer.

The act makes the following changes to STRS:

- Amends the definition of “superannuate” to exclude former teachers receiving benefits on account of disability from the hybrid defined benefit/defined contribution plan established on July 1, 2001 pursuant to S.B. 190 (eff. 7/13/00). This change provides consistent treatment of all disability benefit recipients receiving benefits under STRS for purposes of board elections and reemployment restrictions.
- Provides for the 50% employer match under the existing STRS enhanced refund option on member contributions made during a leave-of-absence that begins and ends in the same fiscal year (July 1 - June 30).
- Includes transferred or purchased service under the Cincinnati Retirement System as contributing service under STRS for purposes of calculating service retirement benefits.

The act makes the following changes to OP&F:

- Conforms the survivor benefit language for spouses and dependent children to reflect the actual operation of the cost-of-living allowance under OP&F.
- Makes OP&F law permissive rather than mandatory relative to the redeposit of previously withdrawn contributions upon subsequent employment covered under OP&F.

### **Staff Comments**

One of the ORSC staff recommendations made in the final report to the Joint Legislative Committee to Study Ohio’s Public Retirement Plans (12/11/96) was the need to provide greater portability and benefit options for Ohio’s public employees. Since then, several legislative measures have been favorably recommended by the ORSC and enacted into law pursuant to this recommendation, including: the creation of an alternative defined contribution plan for employees of public institutions of higher education (H.B. 586 - eff. 3/31/97); the payment of interest on the member’s accumulated contributions plus matching employer contributions for vested members upon application for a refund in STRS and PERS (H.B. 586; S.B. 144 - eff. 9/14/00); the creation of alternative defined contribution plans for PERS, STRS and SERS members (H.B. 628 - eff. 9/21/00; S.B. 190 - eff. 7/13/00; S.B. 270 - eff. 4/9/01); the portability of service credit between the Cincinnati Retirement System and the state retirement systems (H.B. 535 - eff. 4/1/01); and the most recent creation of a deferred retirement option plan for OP&F members (S.B. 138 - awaiting Governor’s signature).

S.B. 247 would also provide greater benefit options for PERS, STRS and SERS members at the time of retirement by allowing them to choose a partial lump sum payment and the remainder as a monthly retirement allowance. The bill is designed to be cost neutral to the retirement systems since the PLOP, like the current payment options available to retiring members, shall be the actuarial

## **Sub. S.B. 247 - Sen. Blessing**

equivalent of the benefit the member would have received had the PLOP not been chosen.

### **Fiscal Impact**

The actuarial analyses prepared by PERS, STRS and SERS indicate that the bill would have no actuarial impact upon the retirement systems, provided the reductions in monthly benefits otherwise payable are the actuarial equivalent of the partial lump sum payment. Milliman USA concurs with such analyses.

### **ORSC Position**

At its meeting of April 17, 2002, the Ohio Retirement Study Council voted to recommend that the 124th Ohio General Assembly approve Sub. S.B. 247 which incorporates the following amendments:

- The maximum partial lump sum option payment is further limited so that the member's remaining monthly retirement benefit is not less than 50% of the monthly benefit otherwise payable had the member not elected the PLOP;
- PERS surviving spouses or sole dependent beneficiaries are permitted to elect the PLOP in lieu of the 100% joint and survivor annuity otherwise payable under current law in order to maintain the current uniformity among PERS, STRS and SERS in this regard;
- PERS and SERS members are allowed to withdraw their accumulated contributions under a defined benefit plan if they are participating in a defined contribution plan under another retirement system, provided they withdraw their accumulated contributions under all defined benefit plans due to the lack of any coordination between the defined benefit and defined contribution plans of the three retirement systems;
- PERS law is amended to require the establishment of the PLOP no later than July 1, 2004, as provided under STRS and SERS.
- PERS, SERS, OP&F and HPRS laws are amended so that each board's authority is permissive and identical with respect to providing retiree health care coverage through HMOs.

In addition, the Ohio Retirement Study Council reviewed and voted to recommend the following amendments relative to the retirement systems which have been incorporated into Sub. S.B. 247 and which have no actuarial impact upon the retirement system(s) involved:

- OP&F law is amended to make permissive rather than mandatory the redeposit of previously withdrawn contributions upon subsequent employment covered under OP&F;
- PERS law is amended to allow PERS retirees whose PERS-covered reemployment commenced prior to the changes in the reemployment statutes effective June 30, 1991 to make a one-time election, no later than 90 days after the effective date of the bill, to resume their original monthly retirement allowance, receive a lump sum payment of the suspended annuity portion of their original retirement allowance and have all contributions made during such reemployment period used in the calculation of the money purchase benefit otherwise payable to PERS reemployed retirees under the revised reemployment statutes;

**Sub. S.B. 247 - Sen. Blessing**

- PERS law regarding the establishment of defined contribution plans is amended to authorize a portion of the employer contribution to be allocated to a voluntary employees' beneficiary association, medical savings account, or similar arrangement for the provision of retiree health care benefits; to authorize a "hybrid" plan that combines features of a defined benefit plan and a defined contribution plan with different eligibility requirements, benefit formulas and service costs established by the board; and to authorize participants to transfer between plans at intervals and conditions specified under the plan, including a transfer from a defined contribution plan to the defined benefit plan with an appropriate adjustment in service credit should any additional liability as determined by the actuary not be covered by the participant that elects such transfer.

**Effective Date**  
October 1, 2002



# SUBJECT INDEX OF PENSION BILLS INTRODUCED

## 124TH GENERAL ASSEMBLY

JANUARY 1, 2001 - DECEMBER 31, 2002

The Subject Index of Pension Bills Introduced provides a listing of pension bills under subject heading and a key word description within the main heading. Bills that cover more than one subject are listed under all appropriate headings.

The pension systems affected by the bill are also indicated. "All systems" means the Public Employees Retirement System (PERS), the State Teachers Retirement System (STRS), the School Employees Retirement System (SERS), the Ohio Police and Fire Pension Fund (OP&F), and the Highway Patrol Retirement System (HPRS). "VFFDF" and "DBF" respectively refer to the Volunteer Fire Fighters' Dependents Fund and the Ohio Public Safety Officers Death Benefit Fund.

The main subject headings are listed at the beginning of the index for quick reference. The bills that became law are indicated by an asterisk.

## Subject Headings

Age and Service	Death Benefit	Membership
Alternative Retirement Plan	Defined Contribution Plan	Penalties
Appropriations	Definitions	Reemployment
Benefit Options	Disability	Service Credit
Benefits	Early Retirement	Social Security
Boards	Incentive	Survivors
Contributions	Health Care	Taxation
Cost-of-Living	Investments	Technical Changes

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### **Age and Service**

Active military duty - ALL SYSTEMS - HB 392, SB 173, SB 164\*, HB 405\*  
Age 48 with 25 years of service - PERS-LE - HB 158\*  
Deferred retirement option plan - OP&F - SB 134\*  
Partial lump sum option plan - HPRS - HB 373\*; PERS, STRS, SERS - HB 535, HB 247\*

### **Alternative Retirement Plan**

Supplemental contributions - PERS, STRS, SERS - HB 94\*

### **Appropriations**

General Revenue Fund subsidies eliminated - PERS, STRS, SERS, HPRS - HB 94\*, HB 299\*  
Quarterly disbursements for Ohio Public Safety Officers Death Benefit Fund - DBF - HB 94\*

### **Benefit Options**

Joint and survivor option for reemployed retirant - PERS - SB 247\*  
Partial lump sum option plan - HPRS - HB 373\*; PERS, STRS, SERS - HB 535, HB 247\*

### **Benefits**

Reduction for bribery - ALL SYSTEMS - SB 289

### **Boards**

Composition of - STRS - HB 151  
Membership restricted - STRS - HB 94\*

### **Contributions**

Cincinnati Retirement System - STRS - HB 535, SB 247\*  
Employee rate - PERS-LE - HB 158\*; HPRS - HB 373\*  
Redeposit - OPF - SB 247\*  
Refund - HPRS - HB 373\*; STRS - HB 535, SB 247\*  
Refund with Interest - PERS-LE - HB 158\*; HPRS - HB 373

### **Cost-of-Living**

Flat 3% increase - ALL SYSTEMS - HB 157\*

**Death Benefit**

Available to survivors of local pension fund members - OP&F - HB 157\*

**Defined Contribution Plan**

Contributions - PERS - SB 247\*

Disability - PERS, STRS - SB 247\*

Eligibility - PERS - SB 247\*

Individual accounts - PERS - SB 247\*

Medical savings account - PERS - SB 247\*

Spousal consent - STRS - HB 535; PERS, STRS - SB 247\*

**Definitions**

Deputy sheriff - PERS-LE - HB 601

Township constable - PERS-LE - HB 601

Law enforcement officer - PERS-LE - HB 601

Superannuate - STRS - HB 535

**Disability**

On-duty presumptions - OP&F - HB 323, SB 100

Psychological examination - HPRS - HB 373\*

**Early Retirement Incentive**

Township department - PERS - HB 157\*

**Health Care Benefits**

Health insuring corporations - ALL SYSTEMS - SB 247\*

HMO's - STRS - HB 535

**Investments**

Financial disclosure statements - ALL SYSTEMS - SB 289

Ohio investment companies - ALL SYSTEMS - SB 289

Venture capital investment fund - PERS, STRS, SERS - HB 173

**Membership**

County and Independent agricultural society employees - PERS - HB 404

Correction officers - PERS-LE - HB 601

House sergeant-at-arms - PERS-LE - HB 94\*

Municipal park rangers - PERS-LE - HB 215

Public safety officer - PERS-LE - HB 601

Regional transit authority police officers - PERS-LE - HB 158\*

State highway patrol police officers - PERS-LE - HB 158\*

**Penalties**

Reduced - OP&F - HB 244\*

**Reemployment**

Benefits election - PERS - SB 247\*

Elected officials - PERS - HB 84\*, HB 629

**Service Credit**

Multiple transfers - SB 119\*

Purchase of credit from another state system - OPF - HB 373\*

**Social Security**

Oppose mandatory coverage for public employees - ALL SYSTEMS - SCR 7\*

Reduce offset and windfall provisions - ALL SYSTEMS - SCR 19, HCR 41

**Survivors**

Annual cost of living adjustment - OP&F - HB 157\*, SB 247\*

Benefits increased - VFFDF - HB 267, SB 115\*

Benefits paid to surviving spouse of local pension fund - OP&F - HB 157\*, HB 298

Death benefit available to survivors of local pension fund members - DBF - HB 157\*

Partial lump sum option plan - PERS, STRS, SERS - SB 247\*

**Taxation**

Exempt up to \$10,000 retirement benefits - SB 57, HB 528

**Technical changes**

Definitions - PERS - SB 247\*

Veteran's home - PERS - HB 675\*

# STATUS OF PENSION LEGISLATION

## 124TH GENERAL ASSEMBLY

JANUARY 1, 2001 - DECEMBER 31, 2002

The Status of Pension Legislation provides a record of legislative action taken on pension bills at each step of the legislative process from the date of introduction, assignments in each House of the General Assembly, testimony, the date reported by the committees, the date passed by each House, the date reported by a conference committee and/or concurred in by the other House, to the effective date of the bill. Also provided are a brief description of the subject of the pension bill and the ORSC position on the bill. An index of abbreviations used in the status report is on the final page.

**OHIO RETIREMENT STUDY COUNCIL**

**STATUS OF PENSION LEGISLATION**

**124TH GENERAL ASSEMBLY**

**JANUARY 1, 2001 - DECEMBER 31, 2002**

**HOUSE BILLS**

HSE BILL	INTRO	Actuarial Received	Subject, Sponsor, and System	Cont Pers	ORSC Pos	Hse Cmte	Testimony - Reported Out - Floor Vote	INTRO SEN	Sen Cmte	Testimony - Reported Out - Floor Vote	Conf Cmte	Concurrence	Eff Date
84	02-08-01	PERS: 03-16-01	Reemployment restriction for elected officials Schmidt - PERS	GK	A 04-04-01	RA 02-14-01 Schuring	02-21-01----03-14-01----03-21-01---- 03-28-01Sub----04-04-01----04-24-01 FI Vo: Y=96 N=0	04-25-01	WM 05-08-01 Blessing	05-15-01----05-29-01----06-05-01---- 06-12-01Sub---6-19-01 Amend; FI Vo: Y=33 N=0		6-20-01	07-31-2001 E
94	02-14-01		Biennial operating appropriations, eliminates general revenue fund subsidies, moves sergeant at arms to PERS-LE, restricts STRS board membership. Carey - All Systems	GK	AA 05-09-01	FA Carey	05-01-01 Sub----05-02-01 Amend; FI Vo: Y=59 N=40	05-03-01	FFI 05-08-01 White	05-23-01 Amend; Flo Vo: Y=21 N=12	05-24-01	05-30-01	06-06-2001 E
151	03-08-01	STRS: 04-23-01	Changes composition of board Manning - STRS	GK	P	RA 03-14-01 Schuring	03-21-01----03-28-01----04-04-01---- 05-09-01----05-16-01----						
157	03-13-01	PERS:04-24-01 STRS: 04-23-01 SERS: 04-20-01 OP&F: 05-11-01 HPRS: 05-31-01	Provides flat 3% COLA Schuring - All Systems	GK	A 06-13-01	RA 03-14-01 Schuring	03-28-01----04-04-01----04-25-01---- 05-09-01----05-16-01----05-23-01---- 06-06-01----06-13-01----06-28-01 FI Vo: Y=82 N=4	07-03-01	WM 09-11-01 Blessing	09-18-01----09-25-01----10-02-01 Sub----10-03-01 FI Vo: Y=32 N=0		10-10-01	02-01-2002
158	03-13-01	PERS: 06-13-01	Reduces retirement age from 52 to 48 for members of PERS-LE Schuring - PERS-LE	AE	AA 06-13-01	RA 03-14-01 Schuring	03-28-01----04-04-01----04-25-01---- 05-09-01----05-16-01----05-23-01---- 06-06-01----06-13-01 Sub----06-19-01 Amend; FI Vo: Y=99 N=0	06-20-01	WM 06-21-01 Blessing	09-18-01----09-25-01----10-02-01 Amend----10-11-01 Amend----10-16-01 Sub; FI Vo: Y=33 N=0		10-17-01	02-01-2002
173	03-21-01	STRS: 06-15-01	Creates venture capital investment fund Calvert - PERS, STRS, SERS	GK	P	FA 03-27-01 Carey	04-03-01----						
215	04-12-01	PERS: 06-04-01	Includes municipal park rangers in PERS-LE Willamowski - PERS-LE	AE	AA 03-13-02	RA 04-24-01 Schuring	05-09-01----05-16-01----05-23-01---- 05-30-01----03-20-02 Amend--05-14-02 Sub; FI Vo: Y=95 N=0	05-14-02	WM 05-15-02 Blessing	05-22-02----05-28-02 Amend----05-29-02 Sub----			
244	05-03-01	OP&F: 06-01-01	Changes penalties assessed against employers Niehaus - OP&F	AE	AA 06-13-01	RA 05-09-01 Schuring	05-16-01----05-23-01----05-30-01---- 06-06-01----06-13-01 Sub----06-19-01 FI Vo: Y=99 N=0	06-20-01	WM 06-21-01 Blessing	09-18-01----09-25-01 Amend----09-27-01 Sub----10-02-01 FI Vo: Y=31 N=0		10-10-01	02-19-2002
267	05-22-01		Increases survivor benefits for volunteer firefighters' spouses Flowers - VFFDF *Identical to S.B. 115	GK	AA 10-10-01	SG 05-24-01 Young	05-29-01----						
275	05-29-01		Transfer administration of Medicaid, Hospital Care Assurance, & Children's Insurance Programs to the Department of Health Care Administration R. Miller - All Systems	BI	N	HF 05-31-01 Jolivette							
298	06-14-01	OP&F:08-13-01	Provides survivor benefits to remarried spouses of former members of local pension funds established under former R.C. §741 Ford - OP&F **Amended into H.B. 157	AE	P	RA 06-19-01 Schuring	09-19-01----						

HOUSE BILLS

HSE BILL	INTRO	Actuarial Received	Subject, Sponsor, and System	Cont Pers	ORSC Pos	Hse Cmte	Testimony - Reported Out - Floor Vote	INTRO SEN	Sen Cmte	Testimony - Reported Out - Floor Vote	Conf Cmte	Concurrence	Eff Date
299	06-14-01		Budget correction bill; eliminates references to general revenue fund subsidies Carey - PERS, STRS, SERS, HPRS	BI	N	FA Carey	06-20-01 FI Vo: Y=96 N=0	6-21-01	FFI Carnes	06-27-01 Sub; Amend; FI Vo: Y=32 N=0		06-28-01	06-29-2001 E
323	06-28-01	OP&F: 08-24-01	Changes on-duty disability presumptions Sykes - OP&F *Identical to S.B. 100	AE	P	CL Williams 09-19-01							
373	09-18-01	HPRS: 10-18-01 Supplementals: 03-04-02 04-17-02	Retirement Benefits "PLOP" Hughes - HPRS	GK	AA 05-08-02	RA 10-02-01 Schuring	10-17-01----10-24-01----1-15-02----03-20-02----05-14-02 Sub----05-30-02 FI Vo: Y=93 N=0	06-04-02	WM 06-18-02 Blessing	11-12-02----11-21-02 Amend----11-26-02 Sub----12-3-02 FI Vo: Y=31 N=0		12-04-02	03-24-2003
392	10-03-01		Provides compensation to certain public employees called to active military duty Fedor - All Systems	AE	P	RA 10-10-01 Schuring	10-17-08----10-24-01 Referred to VA----						
404	10-16-01		Includes certain county and independent agricultural society employees in PERS Faber - PERS	GK	AD 05-08-02	RA 10-17-01 Schuring	10-24-01----1-15-02----1-22-02---1-30-02----						
405	10-16-01		Budget Correction bill; corrects language from S.B. 164 Peterson - All Systems	BI	N	FA Carey	10-30-01----10-31-01 FI Vo: Y=53 N=46	11-01-01	FFI Carnes	11-01-01----11-07-01----11-08-01----11-15-01 FI Vo: Y=20 N=10	11-15-01	12-05-01	12-13-2001 E
528	02-27-02		Exempts from personal income tax up to \$10,000 in state and federal government and military retirement Oakar	BI	N	WM Kilbane	04-24-02----05-15-02----						
535	03-12-02	SERS: 03-15-02 STRS: 03-15-02 PERS: 04-02-02	Retirement Benefits "PLOP" McGregor-PERS, STRS, SERS	GK	AA 04-17-02	RA 03-13-02 Schuring	03-20-02----04-24-02----						
601	06-11-02		Creates special provisions for public safety officials Willamowski - PERS	AE	P	RA 06-18-02 Schuring							
629	08-29-02		Reemployment restriction for certain elected officials Olman - PERS	GK	P	RA 11-12-02 Schuring	11-20-02						
675	12-03-02		Capital appropriations; makes technical changes to PERS law Calvert - PERS	BI	N	FA 12-3-02 Carey	12-3-02----12-4-02 FI Vo: Y=93 N=3	12-04-02	FFI 12-05-02 Carnes	12-5-02----12-10-02 FI Vo: Y=28 N=3			12-13-2002 (E)
HCR 4	02-14-02		Memorialize Congress to lessen the effect of the Social Security Windfall and Offset provisions Coates	AE	P	RA 02-14-02 Schuring							



**SENATE BILLS**

SEN BILL	INTRO	Actuarial Received	Subject, Sponsor, and System	Cont Pers	ORSC Pos	Sen Cmte	Testimony - Reported Out - Floor Vote	INTRO HSE	Hse Cmte	Testimony - Reported Out - Floor Vote	Conf Cmte	Concurrence	Eff Date
57	02-27-01		Exempts up to \$10,000 in retirement benefits from personal income tax Coughlin	BI	N	WM 02-8-01 Blessing							
100	05-01-01	OP&F: 08-24-01	Changes on-duty disability presumptions DiDonato - OP&F *Identical to H.B. 323	AE	P	WM 05-08-01 Blessing							
115	05-22-01		Increases survivor benefits for volunteer firefighters' spouses Hottinger - VFFDF *Identical to H.B. 267	GK	AA 10-10-01	SLG 05-23-01 Coughlin	06-06-01----06-13-01----09-03-02---- 11-12-02 Sub----11-13-02 FI Vo: Y=32 N=0	11-14-02	11-14-02 SG Young	11-20-02----12-03-02 Amend----12-05-02 Amend FI Vo: Y=93 N=1		12-10-02	03-19-2003
119	05-29-01	OP&F: 08-15-01	Permits multiple transfers of service credit and contributions Austria - All Systems	GK	A 06-20-01	WM 05-30-01 Blessing	06-05-01----06-12-01----06-19-01 Sub----06-21-01 FI Vo: Y=32 N=0	06-26-01	RA Schuring	09-19-01----10-03-01----10-17-01 Amend----10-24-01 FI Vo: Y=92 N=0		11-14-01	2-20-2002
134	06-14-01	OP&F: 07-19-01	Establishes a deferred retirement option plan (DROP) Blessing - OP&F	GK	AA 10-10-01	WM 06-19-01 Blessing	06-19-01----10-16-01----11-13-01 Amend----11-14-01 FI Vo: Y=30 N=0	11-15-01	RA 1-7-02 Schuring	1-15-02----1-22-02---1-30-02 Amend; Sub---2-26-02 FI Vo: Y=92 N=2		02-27-02	07-23-2002
164	09-25-01		Provides compensation to certain public employees called to active military duty. Jacobson - All Systems	AE		JCI Jacobson	Sub 10-11-01 FI Vo: Y=32 N=0	10-11-01	SG Young	10-25-01 Sub----10-30-01 Amend; FI Vo Y=95 N=0		11-14-01	11-20-2001 E
173	10-03-01		Provides compensation to certain public employees called to active military duty. Mumper - All Systems	AE	P	SLG 10-04-01 Spada	10-10-01----10-17-01----						
238	02-19-02		Reduces retirement allowance or benefit payable on a conviction of or plea of guilty offense of bribery Hagan - All Systems	AE	P	WM 02-20-02 Blessing	02-26-02---						
247	03-07-02	SERS: 03-15-02 STRS: 03-15-02 PERS: 04-02-02	Retirement Benefits "PLOP" Blessing - PERS, STRS, SERS	GK	AA 04-17-02	WM 03-12-02 Blessing	03-20-02----04-16-02----04-23-02 Sub----04-24-02 FI Vo: Y=32 N=0	04-25-01	RA 05-14-02 Schuring	05-22-02----05-29-02 Amend; Sub---- 06-19-02 FI Vo: Y=91 N=0		06-19-02	10-01-02
289	08-15-02		Restricts brokers the systems can use for investment transactions Blessing - All Systems	GK	P	WM 11-12-02 Blessing	11-12-02----12-03-02----						
SCR 7	02-27-01		Urges Congress to oppose federal legislation requiring Ohio's public employees to participate in Social Security Armbruster	AE	A 04-04-01	REF Harris	02-28-01 voice vote	03-01-01	SG 03-06-01 Young	03-20-01----03-21-01----05-08-01 FI Vo: Y=99 N=0			
SCR 19	06-27-01		Memorializes Congress to support HR 644 to reduce the Social Security offset provision Furney	AE	P	WM 06-28-01 Blessing							



## HOUSE COMMITTEES

ANR Agriculture & Natural Resources  
NPR Natural Resources, Parks & Recreation  
Subcommittee  
CC Civil & Commercial Law  
CL Commerce & Labor  
CRJ Criminal Justice  
EDB Economic Development and Small  
Business  
HUR Housing & Urban Revitalization  
Subcommittee  
JAT Jobs, Aerospace & Technology  
Subcommittee  
ED Education  
EE Energy & Environment  
FA Finance & Appropriations  
AD Agriculture & Development  
Subcommittee  
HE Higher Education Subcommittee  
HS Human Services Subcommittee  
PSE Primary & Secondary Education  
Subcommittee  
TJ Transportation & Justice Subcommittee  
FI Financial Institutions  
HF Health & Family Services  
CFS Children & Family Services  
Subcommittee  
INS Insurance  
LGT Local Government & Townships  
PU Public Utilities  
RA Retirement & Aging  
VA Veterans Affairs Subcommittee  
RR Rules & Reference  
SG State Government  
EES Elections & Ethics Subcommittee  
TPS Transportation & Public Safety  
WM Ways & Means

## SENATE COMMITTEES

AGR Agriculture  
ETA Economic Development, Technology  
& Aerospace  
ED Education  
ENE Energy, Natural Resource &  
Environment  
FFI Finance & Financial Institutions  
HHA Health, Human Services & Aging  
HSA Human Services & Aging  
Subcommittee  
HT Highways & Transportation  
ICL Insurance, Commerce & Labor  
CL Commerce & Labor Subcommittee  
JCR Judiciary on Criminal Justice  
JCI Judiciary on Civil Justice  
REF Reference  
RUL Rules  
SLG State & Local Government &  
Veterans Affairs  
WM Ways & Means  
PEN Ways & Means Subcommittee on  
Pensions

## LEGISLATIVE ACTION

A Amended  
S Substitute  
P Postponed Indefinitely  
R Rereferred  
V Vetoed  
E Emergency  
CR Concurrence Refused

## ORSC POSITION

A Approved  
D Disapproved  
AA Approved with Amendment  
AD Action Deferred  
P Pending  
N No Action Necessary

## ORSC CONTACT PERSON

GK Glenn Kacic  
AE Anne Erkman  
BI Bill of Interest

