



OHIO LEGISLATIVE SERVICE COMMISSION

Bill Analysis

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Sub. H.B. 572

132nd General Assembly

(As Reported by S. Insurance and Financial Institutions)

Reps. Scherer and Howse, Schuring, K. Smith, Antonio, Boccieri, Brenner, Dever, Patterson, Ramos, Anielski, Arndt, Ashford, Barnes, Boyd, Brown, Celebrezze, Clyde, Craig, Edwards, Galonski, Gavarone, Ginter, Green, Holmes, Ingram, Kelly, Leland, Lepore-Hagan, Miller, O'Brien, Patton, Pelanda, Perales, Rezabek, Rogers, Sheehy, Sykes, West

Sens. Hottinger, Beagle, Bacon, Hackett

BILL SUMMARY

Public Employees Retirement System

- Requires the Public Employees Retirement System (PERS) Board to grant a full year of service credit to a PERS member employed as a nonteaching school employee of a county board of developmental disabilities if the member performs full-time services in the position for at least nine months of the year and is paid earnable salary in each month of that year.
- Requires that service credit be granted as described above for the period beginning January 1, 2017, and ending on the bill's effective date if specified conditions are met.
- Changes the minimum service a PERS member needs to qualify for a retirement allowance or disability benefit from 60 or more calendar months of contributing service to five years of contributing service.
- Specifies that the minimum service requirement described above does not apply to a member who, on the bill's effective date, has at least 60 months of contributing service and (1) is age 60 years or older or (2) is receiving disability benefits and later applies for a retirement allowance.
- Permits PERS to make a single payment of a retirement allowance, survivor benefit, or annuity if the monthly payment would be less than \$50.

- Permits the PERS Board to waive the requirement that a disability benefit recipient file required information with the Board for any reason specified in rules adopted by the Board.

Ohio Police and Fire Pension Fund

- Provides that an appointed member of the Ohio Police and Fire Pension Fund (OP&F) Board of Trustees, including a member appointed to fill a vacancy, continues in office after the member's term expires until the member's successor takes office.
- Removes two outdated provisions related to a member of the OP&F Board who is a municipal fiscal officer.

State Teachers Retirement System

- Permits, rather than requires, the State Teachers Retirement System (STRS) Board to require a disability benefit recipient to submit to an annual medical examination.
- Requires the Board to appoint a medical review board if a recipient is determined to be no longer incapable of returning to work following an examination.
- Authorizes the STRS Board to release personal history records containing confidential information on the request of specified outside entities.
- Permits a person who holds both an STRS position and a higher paid PERS or School Employees Retirement System (SERS) position to retire from the PERS or SERS position under coordination of benefits provisions or a defined contribution plan and continue in the STRS position.
- Removes the five-year limit on the amount of prior STRS defined contribution plan service credit that a member can purchase in the defined benefit plan.
- Specifies that a retiree may not elect a joint and survivor benefit that would result in a monthly payment of \$100 or less to a beneficiary after the retiree's death unless the retiree is required to select that benefit under continuing law.
- Requires all employee and employer contributions to be remitted at intervals required by STRS.
- Removes the current law requirement that the amount of the employer contribution be certified by the Secretary of the STRS Board.



- Removes a retirant's or disability benefit recipient's sponsored dependents from being eligible for health care coverage under a STRS policy or contract.

School Employees Retirement System

- Provides that teachers and faculty members at community (charter) schools and science, technology, engineering, and mathematics (STEM) schools are not members of SERS.
- Permits SERS to provide information about a member, former member, contributor, former contributor, retirant, or beneficiary to specified outside entities.

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CONTENT AND OPERATION

PUBLIC EMPLOYEES RETIREMENT SYSTEM

Service credit for certain county developmental disabilities board employees

Change in service credit calculation

Under continuing law, a Public Employees Retirement System (PERS) member receives a full month of service credit for each month in which the member earns at least a specified amount of earnable salary. "Earnable salary" is generally all salary, wages, and other earnings paid to a member, not including payments such as leave payments or maintenance allowances. For 2018, the earnable salary amount is \$660 a month. Partial credit is granted for months in which a member earns less than that amount.¹

For service after the bill takes effect, the bill makes an exception to the earnable salary required for full service credit. It requires the PERS Board to grant a full year of service credit to a PERS member if all of the following conditions are met:

(1) The member is employed by a county board of developmental disabilities;

(2) The member's employment would be covered by the School Employees Retirement System (SERS) if the member was employed by an SERS-covered employer, such as a public school district;

(3) The member performs full-time services in the position for at least nine months of the year and is paid earnable salary in each month of that year.²

Current law grants a full year of service credit to an SERS member who is employed by an SERS-covered employer on a full-time basis for nine or more months of service within a year.³

Application of service credit calculation beginning January 1, 2017

The bill's service credit calculation applies for the period beginning January 1, 2017, and ending on the bill's effective date if both of the following apply:

¹ R.C. 145.01(R) and 145.016 and Public Employees Retirement System, *OPERS Service Credit and Contributing Months*, <https://www.opers.org/pubs-archive/leaflets/ISL-F.pdf>.

² R.C. 145.018.

³ R.C. 3309.30, not in the bill.



(1) The member received less than a full year of service credit for employment that would have qualified the member for a full year of service credit had the bill taken effect January 1, 2017;

(2) Not later than 90 days after the bill's effective date, the county board of developmental disabilities that employed the member during the period, acting through the county auditor, reports to PERS the member's name and any additional information required by PERS in the form PERS requires.⁴

Benefit eligibility

The bill changes to five years of contributing service credit the minimum service a PERS member must have to qualify for a retirement allowance or disability benefit. Under current law, a member is eligible for the allowance or benefit with 60 or more calendar months of contributing service.

A PERS member can have 60 months of contributing service without having earned five years of service credit because service credit is based on earnings, as described under "**Change in service credit calculation**," above. PERS adds the full and partial months of credit to determine a member's service credit. The bill ties the five-year requirement to the existing law under which service credit is determined. The five years of contributing service needed for a retirement allowance or disability benefit will be determined using the full and partial months of credit calculated by PERS.

The bill includes two exceptions to the five-year requirement. The existing requirement of 60 months of contributing service to qualify for a retirement allowance or disability benefit will be retained for a member who, on the bill's effective date, has at least 60 months of contributing service and is age 60 years or older. It is also retained for a member with at least 60 months of contributing service who is receiving disability benefits on the bill's effective date if at some later time the member ceases to qualify for disability benefits and applies for a retirement allowance.⁵

⁴ Section 3.

⁵ R.C. 145.01 and 145.016 and Ohio Public Employees Retirement System, "Service Credit and Contributing Months," <https://www.opers.org/pubs-archive/leaflets/ISL-F.pdf>.



Minimum monthly benefit amount

Retirement allowance or survivor benefit

Under the bill, if a retirement allowance or a survivor benefit based on a retirement allowance payable by PERS would be less than \$50 a month, instead of a monthly payment, PERS must pay the greater of the following:

(1) A refund of the member contributions on which the allowance is based;

(2) An amount equal to the actuarial present value of the allowance or benefit as determined by PERS (the actuarial present value is the amount the allowance or benefit is worth as a single payment rather than paid over time).⁶

Annuity

Current law permits a retired state retirement system member who contributed to PERS as a re-employed retirant to choose to receive a post-retirement benefit after ceasing employment as either a monthly annuity or a lump sum payment. Under the bill, the retirant receives the lump sum payment if the monthly benefit would be less than \$50, rather than less than \$25 as under current law. Similarly, if an annuity payable as a result of the member's extra voluntary deposits with PERS would be less than \$50 a month, the bill requires PERS to refund the amount deposited plus earnings allowed by PERS. Under current law, PERS is to give the refund if the annuity would be less than \$25 a month.

A member may have a combination of PERS service credit, PERS law enforcement credit, and PERS public safety credit. If a member has service credit as a PERS law enforcement officer or PERS public safety officer and other PERS service credit and qualifies for an allowance under the PERS law enforcement or public safety provisions, continuing law allows the member to receive a retirement allowance as a PERS law enforcement officer or PERS public safety officer and receive a monthly annuity based on the member's accumulated contributions for all service other than PERS law enforcement service or PERS public safety service. The bill requires, if the annuity is less than \$50 per month, PERS to refund the amount of the contributions on which the annuity is based.⁷

⁶ R.C. 145.33, 145.332, and 145.45.

⁷ R.C. 145.332, 145.384, and 145.62.



Disability benefit statement of earnings

Under continuing law, a disability benefit recipient must file an annual statement of earnings, current medical condition, and other required information with the PERS Board. The Board may waive the requirement to file an annual statement of earnings or current medical information if the Board's medical consultant certifies that the recipient's disability is ongoing. The bill adds that the PERS Board also may waive these requirements for any reason specified in rules adopted by the Board.⁸

OHIO POLICE AND FIRE PENSION FUND

Appointed board members

The Ohio Police and Fire Pension Fund (OP&F) Board of Trustees consists of both elected and appointed members. Under the bill, any appointed member of the Board, including a member appointed to fill a vacancy, holds office until the end of the term for which the member was appointed. The member continues in office until the member's successor takes office. Currently, an investment expert member appointed to fill a vacancy holds office until the end of the term the member was appointed to fill. After the term expires, the member continues in office until the member's successor takes office or until 60 days has elapsed, whichever occurs first. Under continuing law, three of the Board's seven members are appointed: the Treasurer of State's investment designee and two investment expert members.⁹

Municipal fiscal officers

The bill removes the following two provisions related to a member of the OP&F Board who is a municipal fiscal officer:

- A provision that causes a vacancy on the Board if a member who is a municipal fiscal officer ceases being a municipal fiscal officer;
- A requirement that the Governor appoint a person to fill a vacancy on the Board left by a municipal fiscal officer.¹⁰

The requirement to have a municipal fiscal officer serve on the Board was eliminated in 2004 by S.B. 133 of the 125th General Assembly.

⁸ R.C. 145.362.

⁹ R.C. 742.03.

¹⁰ R.C. 742.05.



STATE TEACHERS RETIREMENT SYSTEM

Disability benefit eligibility and calculation

The bill permits the State Teachers Retirement System (STRS) Board to require a disability benefit recipient to submit to an annual medical examination. Currently, the STRS Board must require the recipient to submit to an examination unless the Board's physician determines that the recipient's disability is ongoing. If, after an examination, a recipient is determined to be no longer incapable of returning to work, the bill requires the Board to appoint a medical review board consisting of at least three disinterested physicians to evaluate the examiner's report. The medical review board must report its findings to the STRS Board, who must terminate a recipient's disability benefit if it concurs in the medical review board's finding. The bill also requires that a recipient's disability benefit be terminated when the recipient is no longer incapable of resuming service, rather than when the recipient is no longer "physically and mentally" incapable of resuming service as under current law.

Under the bill, a service retirement benefit beginning after a disability benefit terminates is effective the first day of the next month following the termination of the disability benefit and the individual attaining eligibility for service retirement (the individual has at least five years of service credit and has attained age 65 for an unreduced benefit or age 60 for a reduced benefit). Under current law, the service retirement begins after the termination if the recipient has five years of service credit.

In determining the service retirement benefit amount for an individual who was previously receiving a disability benefit, the bill uses a three-year final average salary, rather than a five-year final average salary as under current law, to calculate a service retirement benefit effective on or after August 1, 2015, that is preceded by a disability benefit effective before that date and with no break in benefits.¹¹

Disclosure of personal history records

The bill authorizes the STRS Board to release personal history records of a member, former member, contributor, former contributor, retirant, or beneficiary to any of the following entities:

- The U.S. Social Security Administration;
- The U.S. Centers for Medicare and Medicaid Services;
- The Ohio Public Employees Deferred Compensation Program;

¹¹ R.C. 3307.48, 3307.501, and 3307.58.



- The other state retirement systems;
- The Cincinnati Retirement System;
- A municipal or township police department, a sheriff's office, the State Highway Patrol, federal law enforcement, a county prosecuting attorney, the U.S. Attorney's Office, or a state or local governmental body that enforces criminal laws and that has employees who have a statutory power of arrest;
- Any third party that STRS has contracted with to administer any part of the system.

Under continuing law, an individual's personal history record includes the individual's address, email address, telephone number, Social Security number, record of contributions, correspondence with STRS, and any other information STRS determines is confidential, as well as information identifying by name and address the amount of an allowance or benefit paid to the individual. Confidential information can only be released with an individual's permission or if STRS is statutorily permitted to share it.¹²

Retiring from a higher paid PERS or SERS position

Continuing law provides for coordination of benefits between STRS, PERS, and SERS. Coordination of benefits permits a government employee who has contributed to more than one retirement system to retire using service credit from more than one system. The employee retires under the system in which he or she has earned the most service credit.

Under current law, an STRS member can retire under STRS coordination of benefits provisions using PERS and SERS service credit, as well as STRS service credit, and continue in an STRS position. The bill permits an STRS member to continue in an STRS position after retiring under PERS or SERS coordination of benefits provisions from a higher paying PERS or SERS position. The bill also permits an STRS member to continue in STRS after retiring under a PERS or SERS defined contribution plan. PERS offers a defined contribution plan in which a retirement allowance is based solely on contributions and their earnings as an alternative to the traditional defined benefit plan

¹² R.C. 3307.20, by reference to R.C. 149.435, not in the bill.



under which the allowance is determined by a formula that uses salary and service credit. SERS has authority to establish a defined contribution plan but has not done so.¹³

Purchasing service credit

The bill removes the limit on the amount of service credit for which a member previously made contributions to the STRS defined contribution plan that the member may purchase under the defined benefit plan. Under current law, a member may only purchase five years of credit for service for which the member contributed to the defined contribution plan.¹⁴

Minimum payment to beneficiaries under joint and survivor benefit

Under continuing law, on retirement a retirant may elect to receive a single lifetime benefit paid solely to the retirant until death, or may elect a plan of payment that provides a lesser benefit payable for life and continuing after the retirant's death to one or more beneficiaries, known as a joint and survivor benefit. The bill specifies that an individual may not elect a joint and survivor benefit that would result in a monthly payment of \$100 or less to the beneficiary unless the individual is married and must elect a joint and survivor benefit.¹⁵

STRS contributions

The bill requires all employee and employer contributions to be remitted at intervals required by STRS. Under current law, teacher contributions must be remitted annually by June 30 and employer contributions must be remitted annually (the law does not specify the date by which employer contributions must be remitted). The bill also removes the current law requirement that the amount of the employer contribution be certified by the Secretary of the STRS Board.¹⁶

Health care for sponsored dependents

Continuing law allows STRS to provide health care coverage to retirants and recipients of survivor or disability benefits, including dependents. The bill removes a retirant's or disability benefit recipient's sponsored dependents from being eligible for health care coverage under a STRS policy or contract. The rules adopted by the STRS Board state that a sponsored dependent is a disabled adult child of the retirant or

¹³ R.C. 3307.351.

¹⁴ R.C. 3307.74.

¹⁵ R.C. 3307.60.

¹⁶ R.C. 3307.26 and 3307.28.



recipient who is 26 or older and meets other criteria. Under continuing law, a retiree's or disability benefit recipient's spouse and dependent children under 26 remain eligible for health care coverage. Currently, spouses, children, and disabled adult children may be eligible for STRS health care coverage; however, dependents do not receive a premium subsidy and are responsible for the full cost of the premium for that coverage.¹⁷

SCHOOL EMPLOYEES RETIREMENT SYSTEM

Definition of employee

Under the bill, any person employed as a teacher or faculty member in a community (charter) school or a science, technology, engineering, and mathematics (STEM) school is not a member of SERS. Subject to a narrow exception for certain community school teachers who contribute to Social Security, continuing law makes teachers and faculty in community and STEM schools members of STRS.¹⁸

Information sharing

The bill permits SERS to provide information about a member, former member, contributor, former contributor, retiree, or beneficiary to specified outside entities. Similar to the STRS Board under "**Disclosure of personal history records**," above, except that SERS may share information with a third party under contract with the SERS Board to administer any part of the SERS Law. Additionally, SERS is not permitted to share information with a law enforcement agency.¹⁹

Technical, conforming, and other changes

The bill also makes all of the following changes:

- Replaces "filing" information with the STRS Board with "submitting" information to the Board throughout the law governing STRS (the bill maintains current law requiring information to be filed with other entities, such as the Secretary of State).²⁰

¹⁷ R.C. 3307.39, Ohio Administrative Code 3307:1-11-01, and State Teachers Retirement System, *STRS Ohio Health Care Program Guide 2018* (effective January 1, 2018), https://www.strsoh.org/_pdfs/health-care/12-229-18.pdf.

¹⁸ R.C. 3309.01(B) and 3309.011, by reference to R.C. 3307.01, not in the bill.

¹⁹ R.C. 3309.22.

²⁰ R.C. 3307.25, 3307.251, 3307.352, 3307.44, 3307.48, 3307.562, 3307.58, 3307.60, 3307.62, and 3307.66.



- Clarifies that the interest an individual pays to STRS to restore withdrawn service credit is proportionally divided between the member's account and the Employer's Trust Fund based on the amount to restore the credit representing the employee's contributions and that of the employer's contributions.²¹
- Revises the definition of "retirant" to reflect current terminology used by SERS;²²
- Removes obsolete provisions in the law governing STRS.²³
- Makes other conforming and technical changes.²⁴

HISTORY

ACTION	DATE
Introduced	03-22-18
Reported, H. Aging & Long Term Care	06-05-18
Passed House (93-0)	06-27-18
Reported, S. Insurance & Financial Institutions	12-04-18

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²¹ R.C. 3307.71.

²² R.C. 3309.01(G).

²³ R.C. 3307.14, 3307.23 (repealed), 3307.231, 3307.241 (repealed), 3307.96 (repealed), 3307.97 (repealed), and 3307.98 (repealed).

²⁴ R.C. 145.571, 3307.05, 3307.20, 3307.351, 3307.56, 3307.562, 3307.60, 3307.761, and 3309.671.

