



# Ohio Legislative Service Commission

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## Fiscal Note & Local Impact Statement

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**Bill:** H.B. 305 of the 131st G.A.

**Date:** May 18, 2016

**Status:** As Passed by the Senate

**Sponsor:** Rep. Schuring

**Local Impact Statement Procedure Required:** No

**Contents:** Includes certain nonteaching employees of the University of Akron as members in the Ohio Public Employees Retirement System and retroactively extends eligibility for benefits from the Volunteer Peace Officers' Dependents Fund regarding volunteer peace officers who are totally and permanently disabled or killed in the line of duty

### State Fiscal Highlights

- Requiring all new nonteaching employees and certain reemployed employees of the University of Akron (UAK) to participate in the Public Employees Retirement System (PERS) would decrease UAK's retirement costs associated with any nonteaching employees initially hired on or after the bill's effective date and such reemployed employees. The employer contribution rate under PERS is currently 14%, the same rate as under the School Employees Retirement System (SERS), but SERS also imposes an employer surcharge.
- Making retroactive eligibility for death and disability benefits paid from the Volunteer Peace Officers' Dependents Fund (Fund 5SJ0) may increase expenditures from the fund. The fund is in the state treasury,<sup>1</sup> but no appropriation has been made from the fund to pay for such benefits.
- The requirement that the Director of Commerce must make determinations that initial premiums paid by members of Fund 5SJ0 are sufficient and that no additional assessments are needed before benefits are paid to eligible survivors of volunteer peace officers who were killed in the line of duty between January 1, 2012 and December 22, 2015 will be paid out of the Department of Commerce's existing budget.

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<sup>1</sup> The fund was created under S.B. 11 of the 131st General Assembly.

## Local Fiscal Highlights

- Making retroactive eligibility for death and disability benefits paid from the Volunteer Peace Officers' Dependents Fund may increase expenditures from the fund. This in turn may accelerate collection from certain political subdivisions of additional premiums, which range from \$90 to \$150, depending on property valuation within the subdivision.
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## Detailed Fiscal Analysis

### University of Akron nonteaching employees

The bill would require all nonteaching employees of the University of Akron (UAK) who are initially employed by UAK on or after the bill's effective date to participate in the Public Employees Retirement System (PERS). The bill also specifies that nonteaching employees who are employed by UAK on the effective date of this bill, whose employment terminates after that date, and who are subsequently reemployed by UAK not less than 12 months after the termination date are required to participate in PERS. UAK is the only four-year state higher education institution whose nonteaching employees are in the School Employees Retirement System (SERS) instead of PERS. The bill makes no changes regarding existing UAK nonteaching employees who are participating in SERS; they will continue to participate in SERS.

In 2015, the employer contribution rate under PERS generally is 14% of employee payrolls, the same rate as under SERS.<sup>2</sup> In addition, though, the SERS Board currently imposes a surcharge on the salaries of SERS members earning below a certain amount to pay for health care benefits. Section 3309.491 of the Revised Code permits the SERS Board to impose such surcharges, up to 2% of payroll, if an actuary employed by the Board determines the surcharges are necessary to fund the cost of future health care benefits.

### Fiscal effect

The requirement that all new nonteaching employees of UAK, and reemployed employees who meet the specified criteria, must participate in PERS would generate savings for UAK as a result of lower retirement costs that will be contributed by UAK for its new nonteaching employees hired on or after the bill's effective date and such reemployed employees. Any savings would depend on the number of new nonteaching employees hired, reemployed employees, and their total payrolls.

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<sup>2</sup> The employer contribution rates are determined by each system's actuary as the percentage necessary to fully fund benefit amounts over time, but limited to the maximum rates specified in the Revised Code.

According to the actuarial analysis of H.B. 305 (As Introduced) prepared by the SERS actuary, Cavanaugh MacDonald, the provision that requires all new nonteaching employees of UAK to participate in PERS would have no impact on SERS future pension liabilities.<sup>3</sup>

### **Volunteer peace officer dependent benefits**

The bill would retroactively allow the surviving spouse and dependent children of a volunteer peace officer who is killed in the line of duty and volunteer peace officers who are totally and permanently disabled as a result of discharging the duties of a volunteer peace officer on or after December 22, 2015 to receive benefits from the Volunteer Peace Officers' Dependents Fund (Fund 5SJ0).

S.B. 11 of the 131st General Assembly (effective March 23, 2016) created Fund 5SJ0, in the state treasury, for the purpose of paying for death benefits to survivors of volunteer, part-time, and reserve police officers, sheriffs' deputies, constables, and deputy marshals killed in the line of duty and disability benefits to such officers and deputies if they become disabled. Surviving spouses receive a lump sum award of \$1,000 plus a monthly benefit of \$300; surviving dependent children receive a benefit of \$125 monthly; disabled peace officers receive a benefit of \$300 monthly. Under S.B. 11, each county, municipality, township, township police district, and joint police district with a police or sheriff's department that employs volunteer police officers is required to become a member of the fund and contribute certain amounts toward the fund, based on the member's assessed property valuation. The contributions toward the fund will be used to provide death benefits to survivors of volunteer, part-time, and reserve police officers and sheriffs' deputies killed in the line of duty and disability benefits to such officers who are totally and permanently disabled as a result of discharging their duties.

H.B. 305 specifies that eligible survivors of volunteer peace officers who, on or after January 1, 2012, but before December 22, 2015, were killed in the line of duty may also receive benefits from Fund 5SJ0. The bill requires the Director of Commerce to make determinations that initial premiums paid by members of the Fund are sufficient and that no additional assessments are needed before benefits are paid to eligible survivors of volunteer peace officers who were killed in the line of duty between January 1, 2012 and December 22, 2015.

### **Fiscal effect**

The bill does not affect the initial contributions, made by certain political subdivisions, to the fund, but it may affect expenditures from the fund. Because of that, the bill may accelerate the collection from those political subdivisions of additional premiums, ranging from \$90 to \$150, depending on the property valuation within the

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<sup>3</sup> Under existing law, providing regular health benefits to retirees is not mandatory. However, under current law, SERS is required to reimburse a portion of the Medicare part B premium for its eligible retirees.

subdivision. LSC staff could not determine the estimated effect of the bill on expenditures from the fund due to this retroactive provision, due to an undetermined number of eligible survivors of volunteer police officers who were totally and permanently disabled or killed in the line of duty between December 22, 2015 and March 23, 2016 (the effective date of S.B. 11). In addition, determining the cost of monthly benefits paid to a spouse is a question for an actuary, and LSC does not employ any actuaries. Also, Fund 5SJ0 is in the state treasury, but no appropriation has been made from the fund to pay for such benefits. Thus, no benefits can be paid out of the fund until appropriations are made.

According to an official at the Department of Commerce, determinations regarding the sufficiency of the initial assessments to pay benefits to survivors of officers killed between January 1, 2012 and December 22, 2015 will be determined by existing staff of the Department's Fiscal Division, and so will not increase departmental administrative costs.

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