



# OHIO LEGISLATIVE SERVICE COMMISSION

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## Bill Analysis

Amy J. Rinehart

### **Am. H.B. 362**

132nd General Assembly

(As Reported by H. Aging and Long Term Care)

**Reps.** Carfagna and Ramos

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### **BILL SUMMARY**

- For individuals who become State Highway Patrol Retirement System (SHPRS) members on or after January 1, 2020, increases to age 52 (from 48) the minimum age at which a member is eligible to retire with an unreduced pension.
  - Reduces the minimum pension for off-duty SHPRS disability retirement on or after the bill's effective date by basing the pension on at least 12 years of service instead of at least 20 years as under current law.
  - Revises the monthly survivor pension for the surviving spouse of a deceased SHPRS member who dies on or after the bill's effective date or the surviving spouse of an SHPRS retirant who retires on or after that date.
  - To be eligible for a surviving spouse pension, requires the surviving spouse of a deceased SHPRS member or retirant who dies or retires on or after the bill's effective date to have been married to the deceased member or retirant while the member or retirant was in the active service of the State Highway Patrol.
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### **CONTENT AND OPERATION**

#### **Elimination of unreduced retirement at age 48**

For individuals who become State Highway Patrol Retirement System (SHPRS) members on or after January 1, 2020, the bill increases to age 52 (from 48) the minimum age at which a member is eligible to retire with an unreduced pension. It does this by eliminating eligibility to elect to retire with an unreduced pension at age 48 with 25 or more years of service. Members will continue to be eligible to elect to retire with a reduced pension at age 48 with 20 or more years of service credit.

The bill does not change retirement eligibility for individuals who become members before January 1, 2020.<sup>1</sup>

### **Off-duty disability pension calculation**

The bill revises the off-duty disability pension calculation for certain SHPRS members who qualify for an off-duty disability pension on or after the bill's effective date.

Under continuing law, SHPRS uses a formula to calculate a member's age and service pension or disability pension. The formula uses the member's final average salary (FAS), which is generally the average of the member's five highest years of salary. Under this formula, a member receives 2.5% of the member's FAS for each of the first 20 years of service credit, 2.25% of FAS for the next five years of service, and 2% of FAS for each additional year of service over 25.<sup>2</sup>

An SHPRS member is eligible for an off-duty disability pension if the member has at least five years of service credit according to rules adopted by the SHPRS Board.<sup>3</sup> Currently, an SHPRS member who retires on the basis of an off-duty disability receives the member's applicable age and service pension unless the member has less than 20 years of service at the time of qualifying for a disability pension. The member is then treated as if the member has 20 years of service, which results in a pension of 50% of the member's FAS ( $20 \times 2.5\% = 50\%$  of FAS). If a member has more than 20 years of service credit, the disability pension is based on the member's actual service. For example, a member with 21 years of service credit receives a pension equal to 52.25% of FAS ( $(20 \times 2.5\% = 50\%$  of FAS) +  $(1 \times 2.25\% = 2.25\%$  of FAS) = 52.25% of FAS).

A member who the Board determines qualifies for an off-duty disability pension on or after the bill's effective date receives the member's applicable age and service pension unless the member has less than 12 years of service (instead of 20 as under current law). Such a member is then treated as if the member has 12 years of service, which results in a pension of 30% of the member's FAS ( $12 \times 2.5\% = 30\%$  of FAS). If the member has 12 years or more of service, the member receives the member's applicable age and service pension.<sup>4</sup>

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<sup>1</sup> R.C. 5505.16(A) and (B), with conforming changes in R.C. 5505.162(A).

<sup>2</sup> R.C. 5505.01(L), not in the bill, and 5505.17(A).

<sup>3</sup> R.C. 5505.18(A).

<sup>4</sup> R.C. 5505.18(B)(2).

## Surviving spouse pension

The surviving spouse of a deceased SHPRS member or retirant receives a monthly pension. The pension amount for the surviving spouse of a member differs from that of the surviving spouse of a retirant and, in the case of a member's surviving spouse, varies depending on whether the member was eligible to retire. The bill revises pension amounts for the surviving spouses of members who die on or after the bill's effective date and retirants who retire on or after that date, with the greatest change concerning the surviving spouses of retirants. The bill also provides that to be eligible for the pension, a surviving spouse has to have been married to the deceased member or retirant while the member or retirant was in the active service of the State Highway Patrol. These changes also apply to surviving spouses of members who, on or after the bill's effective date, elect to participate in the SHPRS deferred retirement option plan (DROP).<sup>5</sup>

Under current law, the pension of the surviving spouse of a deceased SHPRS member is \$900 a month, except that if the member was eligible to retire, the spouse receives the greater of \$900 a month or 50% of the computed monthly pension the member would have received on retirement. The surviving spouse of a deceased retirant receives the greater of \$900 a month or 50% of the retirant's computed monthly pension.<sup>6</sup> After receiving a pension for 12 months, the surviving spouse of a member or a retirant also receives any cost of living adjustment (COLA) granted by the SPHRS Board if the surviving spouse is 60 or older or, regardless of the survivor's age, if the pension was granted before January 7, 2013. The Board has the authority to grant annual COLAs on the basis of the retirement system's annual actuarial valuation. The increase provided by a COLA cannot exceed 3% of the eligible person's pension.<sup>7</sup>

Under the bill, the surviving spouse of a member who dies or retirant who retires on or after the bill's effective date will receive a monthly pension but will not be eligible for a COLA. However, beginning in 2019, the pension will be increased by an amount related to a COLA. From the bill's effective date through December 31, 2018, the pension will be \$900 a month. In 2019 and each year thereafter, the pension will be the prior year's amount plus an amount determined by multiplying \$900 by the percentage of any COLA granted by the Board.<sup>8</sup> If, for example, the COLA percentage for 2019 was 2%, the amount added would be \$18 a month, and the 2019 amount would be \$918 a

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<sup>5</sup> R.C. 5505.17(A)(3) and 5505.59(B), with conforming changes in R.C. 5505.162.

<sup>6</sup> R.C. 5505.17(A)(3)(a) and (b) and 5505.59(B)(1).

<sup>7</sup> R.C. 5505.174.

<sup>8</sup> R.C. 5505.17(A)(3)(c).



month. In 2020, the pension would be \$918 a month plus an amount determined by multiplying \$900 by the percentage of any COLA granted by the Board. The bill does not require the surviving spouse to be age 60 to receive the increased amount.

In addition to the pension described above, under the bill, the surviving spouse of a member who dies on or after the bill's effective date and, at the time of death, was eligible to retire but had not done so will receive another monthly pension. This pension will equal the amount the surviving spouse would have received had the member retired effective the day following the date of death having elected to receive a "joint and survivor" pension under which the member receives a lesser pension for the member's life with an amount equal to 50% of the member's lesser pension to be paid to the surviving spouse for the survivor's life.<sup>9</sup> On receiving this pension for 12 months or longer and attaining age 60, a surviving spouse will also receive any COLAs granted by the Board.<sup>10</sup> The surviving spouse of an SHPRS retirant or DROP participant will not receive this pension.

The table below compares current pension amounts with those provided under the bill for the surviving spouses of members who die on or after the bill's effective date.<sup>11</sup>

<b>Members</b>		
<b>Deceased member</b>	<b>Died before bill's effective date</b>	<b>Dies on or after bill's effective date</b>
<b>Member was not eligible to retire</b>	Surviving spouse receives \$900 per month and is eligible for any annual COLA granted by the SHPRS Board if age 60 or older or, regardless of the survivor's age, the benefit began before January 7, 2013.	From bill's effective date to December 31, 2018, the surviving spouse receives \$900 per month. Beginning January 1, 2019, the surviving spouse receives the prior year's amount plus an amount that reflects any COLAs granted by the Board.
<b>Member was eligible to retire but had not retired</b>	Surviving spouse receives the greater of \$900 per month or 50% of the monthly pension the member would have received and is eligible for any annual COLA if the spouse is 60 or older or, regardless of	From bill's effective date to December 31, 2018, the surviving spouse receives \$900 per month. Beginning January 1, 2019, the surviving spouse receives the prior year's amount plus

<sup>9</sup> R.C. 5505.162(A)(2)(b) and 5505.17(A)(3)(a), (c), and (d).

<sup>10</sup> R.C. 5505.174(A)(3).

<sup>11</sup> R.C. 5505.162, 5505.17, 5505.174, and 5505.59.



<b>Members</b>		
<b>Deceased member</b>	<b>Died before bill's effective date</b>	<b>Dies on or after bill's effective date</b>
	the survivor's age, the benefit began before January 7, 2013.	an amount that reflects any COLAs granted by the Board. In addition, the surviving spouse receives another pension paying 50% of the amount the member would have received under a plan providing a lesser pension with an amount equal to 50% of the lesser pension paid to the surviving spouse (a "joint and survivor annuity" or "option 2 plan"). The surviving spouse also receives any annual COLAs granted by the Board on this pension.

### **Retirants**

The table below compares the amount a retirant's surviving spouse receives based on when the retirant retires.<sup>12</sup>

<b>Retirants</b>		
<b>Retirant</b>	<b>Retired before the bill's effective date</b>	<b>Retired after the bill's effective date</b>
Retired	Surviving spouse receives the greater of \$900 per month or 50% of the retirant's monthly pension and is eligible for an annual COLA if the spouse is 60 or older or, regardless of age, the benefit began before January 7, 2013.	From the bill's effective date to December 31, 2018, the surviving spouse receives \$900 per month. Beginning January 1, 2019, the surviving spouse receives the prior year's amount plus an amount that reflects any COLAs granted by the Board.

<sup>12</sup> R.C. 5505.162, 5505.17, and 5505.174.



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## HISTORY

### ACTION

### DATE

Introduced

09-26-17

Reported, H. Aging & Long Term Care

11-07-17

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