



OHIO LEGISLATIVE SERVICE COMMISSION

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Fiscal Note & Local Impact Statement

Bill: H.B. 572 of the 132nd G.A.

Status: As Enacted

Sponsor: Reps. Scherer and Howse

Local Impact Statement Procedure Required: No

Subject: To revise the laws governing the Public Employees Retirement System, the Ohio Police and Fire Pension Fund, the State Teachers Retirement System, and the School Employees Retirement System

State & Local Fiscal Highlights

- No direct fiscal effect on the state or political subdivisions. The bill does not make any changes to the existing employer contribution rates to the Public Employees Retirement System (PERS), Ohio Police and Fire Pension Fund (OP&F), State Teachers Retirement System (STRS), or School Employees Retirement System (SERS).

Detailed Fiscal Analysis

The bill makes several changes to the law governing four state retirement systems – the Public Employees Retirement System (PERS), Ohio Police and Fire Pension Fund (OP&F), State Teachers Retirement System (STRS), and School Employees Retirement System (SERS). The bill does not make changes to the existing employer contribution rates under any of these retirement systems, thus it has no direct fiscal impact on the state or local governments. As explained below, some changes may affect the liabilities of the systems, raising a possibility of indirect fiscal effects on the state or political subdivisions.

PERS

Full service credit for certain employees of county boards of developmental disabilities

The bill 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 (DD), (2) the member's employment is in a position that would be covered by SERS if the member was employed by an SERS-covered employer, such as a public school district, and (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.¹

Under existing law, a 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, for example, \$630 per month in 2017. Partial service credit is granted for months in which a member earns less than that amount.

The bill's requirement applies to PERS members who met both of the following conditions for the period between January 1, 2017 and the bill's effective date: (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 under this provision if it had taken effect January 1, 2017, and (2) not later than 90 days after the bill's effective date, the county board of developmental disabilities that employed such member during that period, acting through the county auditor, reports the member's name and identifying information to PERS.

This provision has no direct fiscal effect on the state or political subdivisions. The bill does not make any changes to the employer contribution rates to PERS. Currently, the state and political subdivisions contribute 14% of pay for each regular employee and 18.1% for each law enforcement or public safety employee. This provision would enhance benefits for this group of PERS members, thereby minimally increasing PERS's expenditures related to their future pensions and benefits. The estimated number of such members is about 1,300 statewide, according to the testimony of the Superintendent of the Franklin County Board of Developmental Disabilities.² An increase in PERS's expenditures and liabilities theoretically could, over a period of years, cause an actuary to determine that an increase in the rates of employer contributions to PERS would be required to cover necessary expenditures to pay future pensions and benefits. That in turn would indirectly increase future expenditures for employers that are currently contributing to PERS. Due to the relatively small number of members involved and the marginal increase in benefits for those members, the increase in liabilities would also be relatively small.

Benefit eligibility

The bill modifies the service credit requirement and eligibility determination to qualify for an age and service retirement allowance or a disability benefit. Under existing law, a member is eligible for the allowance or benefit with 60 or more calendar

¹ This provision mirrors current law that 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.

² A copy of the testimony by Mr. Jed Morison, Superintendent of the Franklin County Board of Developmental Disabilities, to House Aging and Long Term Care Committee, dated December 13, 2017, is available at <http://www.ohiohouse.gov/committee/aging-and-long-term-care>. The testimony was on a different bill, H.B. 413, which included this provision.

months of contributing service, because 60 months is specified to constitute "five or more years of total service credit." The bill specifies that the equivalency of 60 months of service credit and five years of service credit applies only when a member (1) has attained 60 years of age as of the effective date of the bill, or (2) is receiving a disability benefit as of that date. By limiting the applicability of the time equivalency to these circumstances, the bill effectively requires some members to work longer to achieve five or more years of service credit.

This provision may decrease PERS liabilities related to age and service retirement allowances and disability benefits.

Monthly benefit

The bill requires PERS to pay a lump sum payment to a member if the monthly amount of the member's annual single lifetime allowance that is first payable on or after the effective date of the bill is less than \$50. The lump sum payment would be the greater of (1) a refund of the member's contributions on which the allowance is based, or (2) an amount equal to the actuarial present value of the allowance as determined by PERS. The bill also specifies that the lump sum payment option applies to post-retirement benefit for a re-employed retiree when the member leaves his or her re-employment and would begin to receive an annuity payment related to a member's extra voluntary deposits with PERS. Under existing law, such re-employed retirees may choose to receive a post-retirement benefit after leaving employment as either a monthly annuity or a lump sum payment. Under current law, PERS is required to give a refund if the annuity is less than \$25 a month.

These provisions may decrease administrative costs for PERS.

Disability benefit statement of earnings

The bill modifies the circumstances for the PERS Board to waive the filing requirement by a disability benefit recipient if the circumstances are specified in rules adopted by the Board. Currently, a disability benefit recipient must file an annual statement of earnings, current medical condition, and other required information with the Board. The Board may waive such requirement if the Board's medical consultant certifies that the recipient's disability is ongoing.

OP&F

Board members

The bill makes changes to the term of office for certain members of the OP&F Board and removes certain requirements related to a member of the Board who is the fiscal officer of a municipal corporation. These provisions have no direct or indirect fiscal effect.

SERS

Information sharing and definition of employee

The bill specifies that SERS may provide information about its members, contributors, retirees, or beneficiaries if requested by the Social Security Administration, U.S. Centers for Medicare and Medicaid Services, Ohio Public Employees Deferred Compensation Program, other state retirement systems, Cincinnati Retirement System, a law enforcement agency, or SERS's third party contractors. Under existing law, an individual's personal information is confidential.

The bill specifies that 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.

These provisions have no direct or indirect fiscal effect.

STRS

Disability benefit eligibility and calculation

The bill allows the STRS Board, instead of requires as under current law, to make any disability benefit recipient submit to an annual medical examination by a physician selected by the Board. The bill also removes an exception allowing certain recipients to forgo the medical examination under current law. The bill requires the Board to appoint a medical review board composed of at least three disinterested physicians to evaluate the examiner's report if a recipient is determined to be no longer incapable of returning to work following an examination. The medical review board must report its finding to the Board. Under current law, the Board may terminate a disability benefit based on the medical examiner's opinion; the bill requires the medical review board to concur before a disability benefit may be terminated.

The bill modifies the final average salary (FAS) used for calculating certain benefits. Under the bill, a three-year FAS is used to calculate a service retirement benefit effective on or after August 1, 2015, when the retirement benefit was preceded by a disability benefit effective before that date and with no break in benefits; under current law a five-year FAS is used.

These provisions may increase STRS liabilities and expenditures related to such benefits.

Under current law 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 if the recipient has five years of service credit. The bill adds to this a requirement that such a recipient must have attained age 65. This provision may minimally reduce STRS liabilities and expenditures.

STRS contributions

The bill requires each employer to remit all employee and employer contributions at intervals as required by STRS, instead of annually by June 30 for

teacher contributions. The bill removes the requirement that the amount of the employer contribution must be certified by the secretary of the STRS Board.

Restoration and purchase of service credit

The bill clarifies the interest that an individual would pay to STRS to restore his or her withdrawn service credit. The bill also removes the five-year limit on the amount of service credit for which a member made contributions to STRS defined contribution plan that can be purchased under the defined benefit plan.

Minimum survivor benefits

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.

Multiple positions at retirement

The bill allows an STRS member to continue in an STRS position after retiring from a higher paying PERS or SERS position under PERS or SERS coordination of benefits provisions. The bill also allows an STRS member to continue in STRS after retiring under a PERS or SERS defined contribution plan.

Other provisions

The bill removes a retiree's or disability benefit recipient's sponsored dependents from being eligible for health care coverage under an STRS policy or contract because STRS no longer provides coverage to these individuals.

The bill allows the STRS Board to release personal history records if requested by certain entities as specified under the bill.³

³ The entities to which information may be disclosed are essentially the same as those listed in the SERS section of this Fiscal Note.