



Ohio Legislative Service Commission

Revised

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Fiscal Note & Local Impact Statement

Bill: H.B. 305 of the 131st G.A. **Date:** May 19, 2016
Status: As Re-referred to House Finance **Sponsor:** Rep. Schuring

Local Impact Statement Procedure Required: No

Contents: Includes new nonteaching employees of the University of Akron as members in OPERS and makes an appropriation

State Fiscal Highlights

STATE FUND	FY 2016	FY 2017	FUTURE YEARS
General Revenue Fund			
Revenues	- 0 -	- 0 -	- 0 -
Expenditures	Increase of \$1.1 million	Increase of \$1.1 million	- 0 -

Note: The state fiscal year is July 1 through June 30. For example, FY 2016 is July 1, 2015 – June 30, 2016.

- 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.
- The bill appropriates \$1.1 million in each fiscal year in new GRF appropriation item 235550, University of Akron SERS Surcharge Payment, to be distributed to UAK to fund its SERS employer surcharge payments for its existing employees participating in SERS.

Local Fiscal Highlights

- No direct fiscal effect on political subdivisions.

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 twelve 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. Under the bill, existing UAK nonteaching employees who are participating in SERS will continue to participate in SERS.

In 2015, the employer contribution rate under PERS is 14% of employee payrolls, the same rate as under SERS.¹ 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.

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.²

¹ 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.

² 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.

UAK appropriation for SERS surcharge payments

As described above, under continuing law, employers contributing to SERS pay a surcharge for those members who earn less than the "minimum annual compensation amount" determined by the SERS actuary to be necessary to fund health care for members in retirement. To support UAK's SERS surcharge payments for its existing employees participating in SERS, the bill appropriates \$1.1 million in both FY 2016 and FY 2017 in new GRF appropriation item 235550, University of Akron SERS Surcharge Payment.

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