



Am. Sub. S.B. 189

123rd General Assembly

(As Passed by the General Assembly)

Sens. Spada, Blessing, Johnson, Mumper, DiDonato, McLin, Armbruster, Drake, Gardner, Hagan, Latell, Latta, Nein, Oelslager, Prentiss, Schafrath, Watts, White, Horn

Reps. Olman, Vesper, Patton, Ogg, DePiero, Barnes, Hollister, Willamowski, Smith, J. Beatty, Terwilleger, Krupinski, Tiberi, Van Vyven, Clancy, O'Brien, Schuring, Distel, Harris, Metzger, Buehrer, Mottley, Amstutz, Salerno, Myers, Grendell, Carey, Young, Evans, Brading, Taylor, Roman, Winkler, D. Miller, Barrett, Perry, Hartnett, Stevens, Boyd, Sutton, Allen, Verich

Effective date: *

ACT SUMMARY

- Increases the pension for State Highway Patrol Retirement System (SHPRS) members who retire based on age and service with 20 years or more of service credit or retire on the basis of a disability.
- Recalculates and increases the pension of each current SHPRS retiree who retired with more than 20 years of service credit or retired on the basis of a disability.
- Establishes a minimum monthly pension of \$1,050 payable to current and future SHPRS retirees who receive a full benefit based on age and service or disability.
- Increases to \$900, from \$850, the minimum monthly pension payable to current and future SHPRS retirees who retire early and elect to receive a reduced benefit.

* *The Legislative Service Commission had not received formal notification of the effective date at the time this analysis was prepared.*

- Increases to \$900 the minimum monthly pension of a surviving spouse of a deceased SHPRS member.
- Increases to \$5,000 (from \$1,000) the lump-sum death benefit paid to the surviving spouse of a deceased SHPRS retiree or disability benefit recipient.
- Lowers the SHPRS employee contribution rate to 9.5% from 10%.
- Allows, for 60 days after the act's effective date, an SHPRS member who retired prior to September 21, 1994, to elect to receive the member's retirement allowance as a joint and survivor annuity in lieu of the retirement allowance the member is receiving.
- Entitles an SHPRS member to a refund of the cost of service credit that does not increase the member's pension or disability benefit.
- Requires SHPRS to submit to the Ohio Retirement Study Council and the standing committees of the General Assembly with primary responsibility for retirement legislation the system's annual actuarial valuation not later than the first day of July (rather than November) following the year for which the valuation was made.

CONTENT AND OPERATION

Background

Under current law, an SHPRS member with 25 years of service credit may retire with full benefits at age 48. A member with 20 years of service may retire with full benefits at age 52. A member who is age 48 or older with 20 years of service may retire prior to age 52 with a reduced benefit. A member with less than 25 years of service who retires on the basis of a disability incurred in the line of duty is deemed to have 25 years of service credit for the purposes of the pension calculation.

Pension calculations

Future retirees

(secs. 5505.17 and 5505.18)

Under prior law, the pension of a State Highway Patrol Retirement System (SHPRS) member who retires with full benefits or on the basis of a disability is the sum of 2.5% of the member's final average salary (FAS) for each of the first 20 years of service and 2% of FAS for each year of service (or fraction of a year) above 20.¹ For example, the annual pension of a member with 29 years of service and a FAS of \$42,000 was \$28,560--the sum of $(.025 \times \$42,000 \times 20) + (.02 \times \$42,000 \times 9)$.

An SHPRS pension could not exceed 78% of the member's FAS or a limit established by the U.S. Internal Revenue Code.

The act changes one aspect of the SHPRS pension calculation. Under the act, the pension of an SHPRS member who retires with 25 years or more of service continues to be 2.5% of the member's FAS for each of the first 20 years and 2% of FAS for each year of service (or fraction of a year) above 25. However, for each year (or fraction of a year) over 20 but under 25, the member receives 2.25% of FAS.

Under the act, a member with 29 years of service and an FAS of \$42,000 receives an annual pension of \$29,085--the sum of $(.025 \times \$42,000 \times 20) + (.0225 \times \$42,000 \times 5) + (.02 \times \$42,000 \times 4)$. This is an annual increase of \$525 over the prior formula.

The act permits an SHPRS pension for a member who retires with 25 or more years of service or on the basis of a permanent and total on-duty disability to be up to 79.25% of the member's FAS (or the limit established by the Internal Revenue Code).

Recalculation of pension for current retirees

(sec. 5505.176)

The act provides for recalculation and an increase in the pension of each current SHPRS retiree who retired with more than 20 years of service credit. SHPRS is to do the recalculation by multiplying the member's pension by the

¹ "Final average salary" is the average of the highest salary paid to a member for any three consecutive or nonconsecutive years (Revised Code section 5505.01; not in the act).

product obtained by multiplying by one-quarter of one per cent the member's years (or fraction of a year) of service in excess of 20 years, but less than 25 years. For example, the act increases by \$218.75 the annual pension of a retiree with 28.5 years of service who is currently receiving \$25,000: ($\$25,000 \times .0025 \times 3.5$). The new pension amount is the base for all future cost of living adjustments.

Minimum pension

Age and service retirees

(secs. 5505.16, 5505.17, and 5505.171)

Under continuing law, an SHPRS member may retire with a full benefit if the member has 25 years of service credit and is at least age 48 or has 20 years of service and is at least age 52. The act establishes a minimum monthly pension of \$1,050 for all current and future SHPRS retirees receiving a full benefit.

An SHPRS member with 20 years of service may, on or after the date the member attains age 48 but before the member attains age 52, elect to retire early and receive a reduced benefit. Under prior law, the minimum benefit of a member who elected a reduced benefit was \$850. The act increases to \$900 the minimum benefit for all future retirees and for current retirees receiving a reduced benefit on June 5, 1996.

Disability retirees

(sec. 5505.18)

Under continuing law, the pension of a member who retires on the basis of a disability incurred in the line of duty is calculated based on the greater of the member's contributing service or 25 years of service. In no case was the pension to be less than 60% of FAS. Under the act, a disability retiree receives the greater of \$1,050 or a pension calculated under the formula for age and service retirees. The act increases the minimum percentage of FAS to 61.25%, which is consistent with the new pension calculation described above (see "**Future retirees**").

Surviving spouses

(sec. 5505.17)

Under continuing law, a surviving spouse of a deceased SHPRS member or retirant is eligible for a monthly pension. In the case of an SHPRS member who at the time of death was receiving or eligible to receive a pension, the surviving spouse receives the greater of the minimum monthly pension or 50% of the computed monthly pension the member was receiving or would have received had

a pension commenced. In the case of an SHPRS member who at the time of death was not eligible for a pension, the surviving spouse receives the minimum monthly pension.

The act raises the minimum monthly pension of all current and future surviving spouses to \$900 (from \$850).

Death benefit

(sec. 5505.30)

Under continuing law, a lump-sum death benefit is paid to the surviving spouse of a deceased SHPRS member who at the time of death is receiving a pension or disability benefit. If there is no surviving spouse, the payment is made to the deceased member's estate. The act increases the payment to \$5,000 (from \$1,000).

Employee contribution rate

(sec. 5505.15)

Under continuing law, an SHPRS member contributes a percentage of the member's annual salary to the State Highway Patrol Retirement Fund. The act reduces the employee contribution rate to 9.5% (from 10%).

Opportunity for retired SHPRS members to elect a joint and survivor annuity

(sec. 5505.163)

Under continuing law, a married SHPRS member who is eligible to retire may elect a retirement allowance based on the member's life (a single life annuity) or may elect to receive the actuarial equivalent of the member's retirement allowance in a lesser amount payable for the member's life and continuing after death to the member's spouse (a joint and survivor annuity).

For 60 days after the act's effective date, a married SHPRS member who retired prior to September 21, 1994, may choose to change the member's election to a joint and survivor annuity in lieu of the retirement allowance the member is currently receiving. The amount payable under the joint and survivor annuity must be approved by the SHPRS Board and certified by the Board's actuary to be the actuarial equivalent of the member's retirement allowance.

The procedure for making the election is as follows:

(1) Not later than 60 days after the act's effective date, the member must file with the Board notice that the member wishes to make the election.

(2) The Board must advise the member of the choices available under a joint and survivor annuity and have a determination made of the monthly benefits payable under the joint and survivor annuity selected by the member.

(3) Not later than 120 days after the act's effective date, the member is required to file a statement, on a form provided by the Board, that the member elects to receive benefits under the joint and survivor annuity identified in the statement.

A request or form that is mailed to the Board is considered filed on its postmark date. Any election and payment of a joint and survivor annuity is in addition to any pension payable to a retirant's survivors.

Refund of the cost of service credit

(sec. 5505.29)

The act provides that an SHPRS member who purchased service credit for any of the following reasons, is entitled to a refund of the amount or portion of the amount paid to purchase the credit if the purchased credit (or portion of credit) does not increase a pension or disability benefit payable to the member:

(1) Service in the military;

(2) Restoration of canceled service credit;

(3) Service in Public Employees Retirement System, School Employees Retirement System, State Teachers Retirement System, or Ohio Police and Fire Pension Fund;

(4) Interrupted service, when requested by the Governor, to accept employment with another agency of the state.

The SHPRS Board is required to provide the refund to the retirant or, in the case of a deceased member, the surviving spouse. The refund cancels an equivalent amount of service credit.

Annual actuarial valuation

(sec. 5505.12)

Under continuing law, the SHPRS Board is required to have prepared annually by or under the supervision of an actuary an actuarial valuation of the pension assets, liabilities, and funding requirements of the system. The actuary is required to prepare a report of the valuation and the SHPRS Board is required to submit the report to the Ohio Retirement Study Council and the standing committees of the House of Representatives and Senate with primary responsibility for retirement legislation no later than the first day of November following the year for which the valuation is made.²

The act requires the SHPRS Board to submit the report by the first day of July following the year for which the valuation was made (or six months after the end of the fiscal year).

HISTORY

ACTION	DATE	JOURNAL ENTRY
Introduced	09-30-99	p. 1016
Reported, S. Ways & Means	11-10-99	p. 1162
Passed Senate (33-0)	11-10-99	p. 1166
Reported, H. Health, Retirement & Aging	01-20-00	pp. 1533-1536
Passed House (96-0)	01-26-00	pp. 1561-1562
Senate concurred in House amendments (33-0)	02-16-00	p. 1393

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² SHPRS' fiscal year is a calendar year and, thus, the report must be submitted not later than ten months after the end of the fiscal year.