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Bill Analysis
Legislative Service Commission

S.B. 114
123rd General Assembly
(As Introduced)

Sen. Furney

BILL SUMMARY

- Requires the Police and Firemen's Disability and Pension Fund to recalculate under the provisions of Am. Sub. H.B. 450 of the 121st General Assembly the cost of military service credit for a member whose purchase was based on a calculation made between the date H.B. 450 was introduced and its effective date.

CONTENT AND OPERATION

Background

Under current law, a Police and Firemen's Disability and Pension Fund (PFDPF) member who commences state or local government service after military service may purchase up to five years of PFDPF service credit for the military service and up to five years of additional credit for time as a prisoner of war.

Prior to October 29, 1996, the amount charged the member for credit for military or POW service was based on the member's compensation during the first year of service as a PFDPF member. For each year of military service credit purchased, the member had to pay the total of (1) an amount determined by multiplying the member's annual compensation for full-time employment during the first year of service as a PFDPF member by the greater of the member rate of contribution in effect at the time military service began or 4% and (2) interest on that amount. Am. Sub. H.B. 450 of the 121st General Assembly, which took effect October 29, 1996, modified the calculation so that the cost of purchasing military service credit is now based on a PFDPF member's annual compensation for the

first year of full-time employment covered by any state or municipal retirement system in Ohio.¹

Since the cost of military service credit is calculated on the basis of the first year of full-time employment covered by a state or municipal retirement system, H.B. 450 may reduce the cost of credit for a PFDPF member who was covered by one of the other state or municipal retirement systems prior to becoming a PFDPF member. For example, in the case of a PFDPF member who was initially employed after military service in a position covered by the Public Employees Retirement System that paid \$10,000 annually and later became a PFDPF member in a position that paid \$20,000, prior to H.B. 450, the cost of the military service credit was based on the \$20,000 salary. Under current law, the \$10,000 salary is used in the calculation.

The bill

Under the bill, PFDPF must recalculate in accordance with the changes made by H.B. 450 the cost of purchasing military service credit for each member (1) whose initial service in Ohio following termination of military service was covered by a state or municipal retirement system other than PFDPF, and (2) who purchased or is purchasing service credit on the basis of a calculation made after the introduction of H.B. 450 (August 1, 1995), but prior to October 30, 1996. The recalculation must be made using the first year of full-time service in Ohio covered by any state or municipal retirement system following termination of military service.

In the case of a member who has purchased the credit, if the amount paid exceeds the recalculated amount, the bill requires the PFDPF to make a one-time payment to the member equal to the difference between the amount paid and the recalculated amount.

In the case of a member who is purchasing the credit under a payroll deduction plan, the bill limits the total payroll deductions to the recalculated amount. PFDPF must refund to the member in a one-time payment any amount paid in excess of the recalculated amount.

HISTORY

¹ *Ohio's state retirement systems are the Public Employees Retirement System, PFDPF, School Employees Retirement System, State Teachers Retirement System, and State Highway Patrol Retirement System. Ohio's municipal retirement system is the Cincinnati Retirement System.*

| ACTION | DATE | JOURNAL ENTRY |
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| Introduced | 03-17-99 | p. 214 |

S0114-I.123/jc

