



Sub. H.B. 157

124th General Assembly
(As Passed by the General Assembly)

Reps. Schuring, Hollister, Ogg, Barrett, D. Miller, Schneider, Boccieri, Key, DeWine, Lendrum, Hagan, Carmichael, Calvert, Fessler, Grendell, Schmidt, Coates, Hughes, Salerno, Manning, Seitz, Jolivette, Setzer, Driehaus, Ford, Distel, Carey, Metzger, Kilbane, Patton, Core, Rhine, G. Smith, Britton, Sulzer, Jones, Redfern, Collier, Aslanides, Young, Olman, Reidelbach, Clancy, Niehaus, Fedor, Strahorn, Peterson, Widowfield, Roman, Oakar, Allen, Latta, S. Smith

Sens. Blessing, Mead, DiDonato, Fingerhut, McLin, Spada, Austria, Carnes, Coughlin, Espy, Furney, Randy Gardner, Robert Gardner, Hagan, Harris, Herington, Mallory, Mumper, Oelslager, Prentiss, Ryan, Shoemaker

Effective date: *

ACT SUMMARY

- Changes the method by which annual cost of living allowances (COLAs) are calculated for persons receiving them from Ohio's state retirement systems.
- Provides that, instead of a percentage based on an increase in the Consumer Price Index, the percentage used to calculate each COLA is 3%.
- Substitutes an annual 3% increase for the COLA in benefits paid to surviving children and certain dependent parents of members of the Ohio Police and Fire Pension Fund (OP&F).

** The Legislative Service Commission had not received formal notification of the effective date at the time this analysis was prepared. Additionally, the analysis may not reflect action taken by the Governor.*

- Permits a township to establish a Public Employees Retirement System retirement incentive plan for a township department, rather than only for the township as a whole.
- Requires OP&F to pay monthly survivor benefits to surviving spouses of members of former local police or firemen's pension funds whose survivor benefits were terminated or never paid due to remarriage prior to the creation of OP&F.
- Makes surviving spouses of members of local police and firemen's pension funds eligible for benefits from the Ohio Public Safety Officers Death Benefit Fund if the member was a firefighter or police officer killed in the line of duty.

CONTENT AND OPERATION

COST OF LIVING ALLOWANCES

Background

Each of Ohio's state retirement systems provides an annual cost-of-living allowance (COLA) to eligible persons who are receiving an allowance, pension, or benefit from the system.¹ Eligibility for and the basis on which the COLA is calculated differ for each system. Under prior law, the percentage used to calculate the COLA was the average percentage increase in the Consumer Price Index for the preceding year, except that the percentage could not exceed 3%. For years that the CPI exceeded 3%, the percentage above 3% was accumulated and used to increase the COLA when the applicable CPI percentage was less than 3%. For recipients who did not have an accumulation, the percentage used was the lesser of the CPI percentage change or 3%.

The act

The act makes the percentage used in calculation of each COLA 3%. The CPI percentage is no longer to be used and accumulated points are no longer to be applied.

¹ *Ohio's state retirement systems are the Public Employees Retirement System (PERS), Ohio Police and Fire Pension Fund (OP&F), School Employees Retirement System (SERS), State Teachers Retirement System (STRS), and State Highway Patrol Retirement System (SHPRS).*

Eligibility for a COLA and the method by which it is calculated differs for each state retirement system. COLA recipients and the effect of the act on the calculation of a COLA are described below.

PERS, SERS, and STRS

(secs. 145.323, 3307.67, and 3309.374)

Under provisions of the laws governing PERS, SERS, and STRS, each recipient of an allowance, pension, or benefit who has been a recipient for at least 12 months is eligible for a COLA. The act continues these provisions but makes the percentage used in the calculation of each COLA granted by PERS, SERS, or STRS 3%.

SHPRS

(sec. 5505.174)

Current SHPRS law provides that the following persons are eligible for a COLA:

- (1) Persons age 53 or older who have been receiving an age and service retirement pension or disability benefit for at least 12 months;
- (2) Persons who have been receiving a disability benefit for at least 60 months regardless of age;
- (3) Surviving spouses, surviving children, or dependent parents who have been receiving a pension for at least 12 months.

The act retains these eligibility provisions but makes the percentage used in the calculation of each COLA granted by SHPRS 3%.

OP&F

Recipients of disability benefits and retirement allowances

(secs. 742.3711, 742.3716, and 742.3717)

An OP&F member receiving a disability benefit or retirement allowance and the beneficiary of a member who elected to receive the allowance or benefit under an optional benefit plan receive a COLA, unless the member elected to have the pension or benefit calculated using the member's terminal pay.

July 24, 1986. COLAs were initially granted under OP&F to members receiving a disability benefit or retirement allowance that was based on an award

made on or after July 24, 1986. At the time the COLA was established, OP&F law was amended to discontinue the practice of including terminal pay in the calculation of OP&F disability benefits and retirement allowances. "Terminal pay" was the term used for payments made at the end of a member's active service for unpaid sick leave, vacation, and overtime. Members with 15 or more years of active service on January 1, 1989, were permitted to elect to have terminal pay used in the calculation of the benefit or allowance in lieu of receiving a COLA. A member who made the election, and any beneficiary receiving a benefit or allowance under an optional benefit plan, are permanently ineligible for a COLA.

For recipients eligible for a COLA based on a disability benefit or retirement allowance award made on or after July 24, 1986, including recipients receiving the benefit or allowance under an optional benefit plan, prior law provided that the COLA was to be calculated by multiplying the recipient's benefit or allowance by the percentage increase in the CPI, up to 3%.² The act provides that 3% is to be used instead of the CPI increase.

Pre-July 24, 1986. After a COLA was authorized for eligible recipients receiving a disability benefit or retirement allowance based on an award made on or after July 24, 1986, legislation was enacted authorizing a COLA for certain recipients of benefits or allowances for which the award was made before July 24, 1986. However, instead of a percentage of the recipient's initial benefit or allowance, the COLA was a percentage of \$12,000. Therefore, under prior law, OP&F members receiving a disability benefit or retirement allowance based on an award made before July 24, 1986, received a COLA determined by multiplying \$12,000 by the CPI percentage (up to 3%). The act changes the COLA to \$360, which is 3% of \$12,000. Members and beneficiaries receiving a benefit under an optional benefit plan receive the "actuarial equivalent" of \$360. That is, they receive an amount that is adjusted because the benefit or allowance initially awarded continues beyond the member's life.

Surviving spouses

(secs. 742.37 and 742.3718)

The surviving spouse of an OP&F member receives a monthly pension. (This pension is separate from any benefit or allowance the spouse receives under an optional benefit plan.) Beginning in 1999, the amount of this monthly pension was \$550. On July 1, 2001, and for each year thereafter, this amount was

² *An optional benefit plan is one in which the member chooses a reduced retirement allowance for the member's life with an allowance continuing after the member's death to a surviving beneficiary.*

increased by the product of \$550 multiplied by the lesser of the average change in the CPI or 3%. The act changes the increase to \$16.50 per month, which is 3% of \$550.

Surviving children and dependent parents

(secs. 742.37 and 742.3720, repealed)

OP&F pays survivor benefits to surviving children, and in certain cases surviving dependent parents, of members. Prior law specified that the benefit payable to a child was \$150 a month and to a dependent parent \$100. Cost of living allowances in 2000 and 2001 increased these amounts somewhat. The act annually increases the amount of the benefit by 3% of the amount specified under prior law. For surviving children the benefit is \$163.50 monthly until June 30, 2003. Each year thereafter the monthly amount increases by \$4.50. For a surviving dependent parent, the benefit is \$106 through June 30, 2002. Each year thereafter the monthly amount increases by \$3.

TOWNSHIP RETIREMENT INCENTIVE PLANS

(sec. 145.297)

Ohio law permits employers of members of the Public Employees Retirement System (PERS) to establish retirement incentive plans under which the employer purchases retirement service credit for eligible employees who choose to participate and agree to retire once they receive the credit. Under prior law, a township could establish a plan for its employees, but only for all township departments. The act permits a township to establish retirement incentive plans for individual departments.

PENSIONS FOR SURVIVING SPOUSES OF LOCAL POLICE AND FIRE PENSION FUND MEMBERS

Background

Police and fire pension systems

The Police and Firemen's Disability and Pension Fund, now known as the Ohio Police and Fire Pension Fund (OP&F), was created in 1967 as an amalgam of the local police and firemen's pension funds that existed under former Revised Code Chapters 521. and 741. Under the former local pension systems, survivor benefits of surviving spouses of police and firemen terminated on remarriage.

A surviving spouse of a member of OP&F is entitled to a monthly pension. Under law in effect prior to 1998 and with certain exceptions, survivor benefits

paid by OP&F to a surviving spouse terminated on remarriage. Effective in 1998, Sub. H.B. 648 of the 122nd General Assembly provided for reinstatement of survivor benefits of surviving spouses whose benefits were terminated due to remarriage.³

The act

Survivor benefits for remarried surviving spouses of local pension fund members

(sec. 742.37)

Under former Revised Code Chapters 521. and 741., surviving spouses of members of local police and fire pension funds generally received survivor benefits until remarriage. Under current law, the surviving spouse of an OP&F member is entitled to a monthly pension regardless of remarriage. The survivor benefits of the surviving spouses of members of the former local pension systems have not been reinstated.

The act requires the Board of Trustees of OP&F to pay a monthly pension to the surviving spouses of members of the local pension funds whose survivor benefits were terminated due to remarriage prior to the formation of OP&F. The Board is required to pay the pension beginning on the first day of the month immediately following receipt of an application, on a form prescribed by the Board, and evidence acceptable to the Board that the applicant's deceased spouse was a member of or contributor to a local police or firemen's pension fund. The surviving spouses granted a pension by the act will receive the same amount as other surviving spouses currently receiving benefits from OP&F. The surviving spouse of an OP&F member receives \$550 per month plus an annual cost of living adjustment.

DEATH BENEFIT FUND

(sec. 742.63)

Ohio has a separate fund for the survivors of public safety officers killed in the line of duty. The Ohio Public Safety Officers Death Benefit Fund pays benefits to the surviving spouses of members of PERS, OP&F, and the State Highway Patrol Retirement System killed while engaged in police or fire fighting duties. The act makes surviving spouses of members of or contributors to former

³ Sub. H.B. 648 also reinstated the survivor benefits of remarried surviving spouses of Public Employees Retirement System, School Employees Retirement System, and State Teachers Retirement System members.

local police and firemen's pension funds eligible for benefits from the Death Benefit Fund if the member was a firefighter or police officer killed in the line of duty.

The monthly benefit is one-half of an amount equal to the monthly salary received by the deceased member prior to the member's death, plus any salary increases the deceased member would have received prior to becoming eligible for retirement.

A benefit granted under this provision of the act is to commence on the first day of the month immediately following receipt by the OP&F Board of a completed application on a form provided by the Board and any evidence the Board may require to establish that the deceased spouse was killed in the line of duty.⁴

HISTORY

ACTION	DATE	JOURNAL ENTRY
Introduced	03-13-01	pp. 220-221
Reported, H. Retirement & Aging	06-13-01	pp. 656-657
Passed House (84-4)	06-28-01	pp. 780-784
Reported, S. Ways & Means	10-03-01	p. 932
Passed Senate (32-0)	10-03-01	pp. 935-936
House concurred in Senate amendments (83-2)	10-10-01	pp. 888-893

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⁴ Although the Death Benefit Fund is separate from OP&F, it is administered by the OP&F Board.