



Timothy J. Rankin

*Final Analysis*  
Legislative Service Commission

## **Sub. H.B. 373**

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

**Reps. Hughes, Womer Benjamin, Jones, Willamowski, Manning, Flowers, Ogg, Hollister, Schaffer, Boccieri, Lendrum, Brown, Schuring, Schneider, Wolpert, G. Smith, McGregor, Reidelbach, Grendell, Core, Carano, Redfern, D. Miller, Sulzer, Salerno, Widowfield, Cirelli, Perry, Hartnett, Coates, Latell, Strahorn, S. Smith, Oakar, DeBose, Key, Gilb, Latta, Carmichael, Olman, Flannery, Collier, Callender, Evans, Calvert, Hoops, Allen, Otterman, Barrett, Woodard, Kearns, Carey, Metzger, Beatty, Fedor, Rhine**

**Sens. Spada, Blessing, Roberts, Austria, Hagan, Hottinger**

**Effective date: March 24, 2003**

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### **ACT SUMMARY**

- Creates an option in the State Highway Patrol Retirement System (SHPRS) of having an age and service retirement benefit consist of a partial benefit lump sum and a reduced monthly pension.
- Increases the SHPRS employee contribution rate to 10% of a member's annual salary.
- Includes in a refund of an SHPRS member's contributions any amounts paid by the member to purchase service credit.
- Permits disability of an SHPRS member to be determined based on a psychological examination.
- Clarifies provisions of law governing the Ohio Police and Fire Pension Fund's deferred retirement option plan that concern the significance of the date of an election to participate in the plan, the election of an optional plan of payment of a pension, and other issues.
- Eliminates the requirement that a member of the Ohio Police and Fire Pension Fund have 18 months of contributing service credit to be eligible

to purchase credit for service covered by another of the state retirement systems.

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## CONTENT AND OPERATION

### STATE HIGHWAY PATROL RETIREMENT SYSTEM

#### Partial lump sum annuity option

(sec. 5505.162; ancillary sections: 5505.163 and 5505.178)

#### Existing law

A member of the State Highway Patrol Retirement System (SHPRS) may, on application for retirement, choose to receive a pension in one of two forms: (1) a single lifetime pension, or (2) the actuarial equivalent of the single lifetime pension in a lesser amount payable for the member's life and continuing after the member's death to a surviving beneficiary under one of several plans.<sup>1</sup>

#### The act

The act gives a member a third option on application for retirement. Under this option, a member may elect to receive a pension consisting of both a partial benefit lump sum, in an amount the member designates that constitutes a portion of the single lifetime pension, and the actuarial equivalent of the remainder of the single lifetime pension payable for the member's life. To be eligible for this option, a member must have attained age 51 with at least 25 years of total service or age 52 with at least 20 years of total service. An actuary employed by SHPRS must certify the actuarial equivalent and the SHPRS Board must approve the partial benefit lump sum payment and the amount to be paid as the actuarial equivalent.

The amount designated by a member must not be less than six times the monthly amount that would be payable to the member as a single lifetime pension and not more than 60 times that amount.

A member who has attained age 51 with 25 years of total service may designate an amount that does not exceed one month's pension for each month of

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<sup>1</sup> The plans provide for continuation of benefits as follows: (1) the member's lesser pension to the member's sole beneficiary, (2) a portion of the member's lesser pension to the member's sole beneficiary, or (3) on death before the expiration of a certain period from the member's retirement date, the member's lesser pension continued for the remainder of that period to the member's beneficiaries.

service beyond 25 years. A member who has attained age 52 with 20 years of total service may designate an amount that does not exceed one month's pension for each month of service beyond 20 years.

**Employee contribution rate**

(sec. 5505.15)

Prior existing law required that a member of the State Highway Patrol Retirement System contribute 9.5% of the member's annual salary to the State Highway Patrol Retirement Fund. The act increases the contribution to 10% of the member's annual salary.

**Accumulated contributions**

(sec. 5505.01)

An SHPRS member who ceases to be an employee of the State Highway Patrol for any reason except death, disability, or retirement must on application be paid accumulated contributions, less interest, standing to the credit of the member's individual account in the employees' savings fund. If a member dies and no SHPRS pension becomes payable, the member's accumulated contributions, less interest, must be paid to the member's beneficiary or survivors.

Under the act, any amounts paid by a member to purchase service credit are to be included in the refund of the member's accumulated contributions.

**Disability pension determination**

(sec. 5505.18)

In SHPRS, for a determination of disability to be made an examination must be conducted by a physician appointed by the SHRPS Board. A disability pension recipient must agree to obtain any medical treatment recommended by the Board's physician. Under the act, the examination may be either a medical or psychological examination conducted by a health care professional appointed by the Board. The recipient must agree to obtain any medical or psychological treatment recommended by the Board's health care professional.

## **OHIO POLICE AND FIRE PENSION FUND**

### **Deferred Retirement Option Plan**

(secs. 742.21, 742.212, 742.214, 742.221, 742.23, 742.24, 742.251, 742.27, 742.37, 742.371, 742.375, 742.376, 742.3711, 742.3714, 742.3716, 742.44, 742.442, 742.443, 742.444, and 742.52)

### **Background**

Sub. S.B. 134 of the 124th General Assembly requires the Ohio Police and Fire Pension Fund to establish a deferred retirement option plan (DROP). The plan will permit members of the Fund who are eligible to retire by reason of having attained age 48 and completed at least 25 years of active service to accrue pension benefits while continuing in active service for up to eight additional years. The pension of a member participating in DROP will be deferred until termination of the member's active service, and the member and employer will continue to contribute to the Fund. On terminating active service, a member who has fulfilled the plan's requirements will receive both the member's pension and DROP benefits. The DROP benefits consist of pension amounts that have accrued during the member's participation, a portion of the member's contributions during DROP participation, and, if certain conditions are met, interest on the contributions.

### **Date of election**

The act clarifies a number of provisions of existing law concerning DROP, including the following clarifications with respect to the significance of the date of the member's election to participate:

(1) The pension amount for a DROP participant is to be calculated as of the effective date of election to participate, not the date the member terminates active service (sec. 742.37).

(2) A survivor benefit paid to a surviving spouse or contingent dependent beneficiary of a DROP participant is to be based on the pension the participant would have been entitled to as of the effective date of the election to participate (sec. 742.3714).

(3) Cost-of-living increases for a DROP participant are to be based on the pension the participant would have been entitled to on the effective date of the election to participate (sec. 742.3716).



### Optional plan

Existing law allows a member of the Fund to choose an optional plan of payment of the member's pension. Instead of a pension that ends at death, a member may elect to receive a lesser amount and have that amount or a portion of it continue after the member's death to a survivor, either for the survivor's life or for a stated period. The act makes the following clarifications with regard to the election of an optional plan of payment that is made by a member at the time of electing to participate in DROP:

(1) The optional plan the member may choose is limited to the one that requires the member to specify a portion of the lesser pension amount to be paid for life to a survivor (secs. 742.44 and 742.442).

(2) The right of a member who marries or remarries to choose a new optional plan of payment is available only to retired members, not to those participating in DROP (sec. 742.3711).

(3) The death of the person who would have received the survivor pension cancels the election of the optional plan of payment. (Sec. 742.3711.)

### Additional changes

The act makes the following additional changes with regard to DROP:

(1) The requirement that a member of the Fund has received a pension for one year in order to be eligible for a cost-of-living increase is satisfied by participation in DROP (sec 742.3716).

(2) The period during which interest is paid on the amount held for a DROP participant extends until the entire amount has been distributed (sec. 742.443).

(3) The pension of a member of the Fund who participated in DROP begins *no later* than the first day of the second month after participation ends, rather than *on* that day (sec. 742.444).

The act makes two changes with regard to service credit purchases by DROP participants. It provides that once a DROP election has become effective a member may not purchase additional service credit, such as credit for military service or credit for service covered by another retirement system. It also provides that a DROP participant who purchased military service credit before electing to participate may get a refund for any credit that will not increase the member's pension (sec. 742.52).

**Purchase of service credit**

(sec. 742.214)

The act eliminates a provision that requires a member of the Fund to have 18 months of contributing service credit to be eligible to purchase credit for participation in one of the state's non-uniform retirement systems: the Public Employees Retirement System, State Teachers Retirement System, or School Employees Retirement System.

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**HISTORY**

ACTION	DATE	JOURNAL ENTRY
Introduced	09-18-01	p. 836
Reported, H. Retirement & Aging	05-15-02	pp. 1773-1774
Passed House (93-0)	05-30-02	pp. 1886-1887
Reported, S. Ways & Means	11-26-02	p. 2175
Passed Senate (31-0)	12-03-02	p. 2189
House concurred in Senate amendments (91-1)	12-04-02	pp. 2167-2168

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