



## **Sub. H.B. 244**

124th General Assembly  
(As Passed by the House)

**Reps. Niehaus, Carey, Cates, Clancy, Seitz, Brinkman, Gilb, Evans, Grendell, Setzer, Schaffer, Flowers, Carmichael, Lendrum, Schuring, Schmidt, Reinhard, Willamowski, Metzger, Hagan, Sullivan, Allen, Sulzer, Britton, Carano, Coates, Hollister, Rhine, Kearns, Core, G. Smith, Latta, Goodman, Buehrer, Flannery, Reidelbach, Otterman, Olman, Hughes, Barrett, Metelsky, Hoops, Barnes, Schneider, Salerno, Fessler**

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### **BILL SUMMARY**

- Changes the reporting requirements and penalties assessed against employers for failure to meet deadlines for submitting certain contributions and reports to the Ohio Police and Fire Pension Fund (OP&F).
- Reduces existing penalties accrued against employers for failing to submit timely reports or contributions if the employer has submitted the reports by the bill's effective date and pays the reduced penalty by March 1, 2002.
- Provides for employers who paid penalties under existing law to receive a partial refund or an equivalent credit towards other amounts owed OP&F.

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### **CONTENT AND OPERATION**

#### **Overview**

The laws governing the Ohio Police and Fire Fund (OP&F) require employers of OP&F members to submit certain payments and reports at specified intervals. An employer that fails to do any of the following is subject to a penalty: (1) transmit employee contributions and accompanying reports to OP&F monthly, (2) transmit employer contributions quarterly, (3) submit a copy of the report of the physical examination of a newly hired employee not later than 30 days after the employee becomes an OP&F member or for any other member not later than

28 days after a request from OP&F, or (4) submit a form containing information for calculation of a member's pension not later than 90 days after OP&F sends the form to the employer. A rule adopted by OP&F requires employers to also transmit to OP&F amounts deducted from payrolls for purchases of service credit (Ohio Administrative Code 742-5-08).<sup>1</sup>

### **Employee and employer contributions**

(secs. 742.32, 742.35, 742.352, and 742.56)

#### **Deadlines**

Current law requires each OP&F member to contribute 10% of the member's salary to OP&F as the employee contribution. The employer is responsible for deducting employee contributions from members' salaries and transmitting them to OP&F monthly with an accompanying report of contributions (R.C. 742.32). Amounts deducted for purchase of service credit by a member must be reported and included with employee contributions (R.C. 742.56). The employer is also required to make employer contributions. These must be transmitted to OP&F quarterly (R.C. 742.35).

A penalty of 5% of the total amount due for a reporting period is assessed when the reports or payments are not transmitted within a specified number of days after the last day of the reporting period. The penalty is assessed if the report and payment of employee contributions and deductions for service credit are transmitted 30 or more days after the last day of the reporting period. For employer contributions, a penalty is assessed on any amount that remains unpaid 60 days after the end of the reporting period. OP&F may charge interest on unpaid amounts (R.C. 742.352).

Under current law, if an employer fails to make deductions from an employee's salary or to pay the employer contribution, OP&F can certify the amount due to the county auditor for payment from any funds held by the county treasurer for distribution to the employer.

The bill modifies the current reporting requirements and deadlines for transmitting contributions and deductions and changes the late payment penalties. It requires that the report of employee contributions be in a form specified by OP&F and include the name of each member who contributed and the portion of the amount transmitted attributable to that member. A penalty is to be assessed if the report, in the required form, is transmitted after the last day of the month

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<sup>1</sup> *OP&F members may purchase service credit by payroll deduction for several types of service other than service as an OP&F member, including military service.*

following the last day of the reporting period. As under current law, the penalty is to be added to and collected on the next succeeding regular employer billing. Under the bill, if the penalty is not paid 60 days (rather than three months as under current law) after it is added to the employer billing, interest is charged. Unlike current law, interest is charged on both the amount due and the penalty, rather than only on the penalty.

The bill establishes requirements for transmitting and reporting amounts deducted from a member's salary for purchase of service credit that are similar to those for employee contributions. The employer must transmit the amounts deducted on or before the last day of the month following the last day of the reporting period during which the deductions are made. The deductions must be accompanied by a report, in the form required by OP&F, and include the name of each member for whom deductions were made and the deduction attributable to the member. A penalty is to be assessed if the employer fails to transmit the deductions or report on or before the date that is 30 days after the last day of the reporting period. As with unpaid employee contributions, the amount of deductions not transmitted to OP&F can be certified to the county auditor for payment from funds due the employer.

Current law requires an employer to transmit quarterly installments to OP&F. Under the bill, if an employer fails to make a payment on or before the date that is 60 days after the last day of the calendar quarter, a penalty is to be assessed and, as under current law, interest may be charged.

### **Penalties**

The bill authorizes the OP&F Board to adopt rules to do all the following concerning penalties for failure to meet the deadlines for transmitting contributions, deductions, and reports:

- (1) Establish penalty amounts, not exceeding those specified in the bill;
- (2) Establish standards to determine whether an employer has submitted a report in the form required by the Board;
- (3) Lengthen the periods of time for compliance with the reporting requirements.

If the Board does not adopt rules specifying lesser penalty amounts, the penalties are the amounts show in the following table.

<b>LATE CONTRIBUTION PENALTIES</b>	
<i>Days Past Deadline</i>	<i>Penalty Amount</i>
1 – 10	\$100
11 – 30	The greater of \$1,000 or 1% of payment
31 – 180	The greater of \$3,000 or 2% of payment
181 – 210	The greater of \$7,500 or 5% of payment
211 or more	The greater of \$7,500 or the total of 5% of payment plus \$50 for each day beyond 210

**Reports of employment physical examinations and pension-related information**

(secs. 742.351, 742.353, and 742.38)

**Deadlines**

Current law requires an employer to notify OP&F of a member's intent to retire. OP&F must send the employer a form for reporting the member's termination date and information to be used to calculate and pay the pension. The employer must complete the form and return it to OP&F within 60 days. If the employer fails to return the form within that time, OP&F must send a certified notice that the form must be submitted within 30 days. A penalty of \$100 per day accrues against an employer who fails to submit the form within 30 days after the end of the initial 60 day period.

Current law also requires employers to forward to OP&F copies of reports of physical examination of new employees who become OP&F members. For those hired since OP&F established standards for physical examinations, the report must be forwarded not later than 30 days after the employee becomes a member. For other members, the employer must forward the report, or a statement that a report is not available, not later than 28 days after receiving a request from OP&F. The penalty for failure to submit the report or statement within the required time period is a fine of \$100 per day. The amount of an unpaid penalty can be certified to the county auditor for payment from funds due the employer.

**Penalties**

Like provisions concerning overdue contributions and reports, the bill authorizes the OP&F Board to adopt rules governing the penalties for physical examination and retirement reports. The rules may establish penalty amounts, standards for determining whether reports are in a form acceptable to the Board,

and lengthen deadlines for submitting reports. If the Board does not establish lower penalties, the penalties for late submission of physical examination and retirement reports are as shown in the following table.

<b>LATE REPORT PENALTIES</b>	
<i>Days Past Deadline</i>	<i>Penalty Amount</i>
1 – 10	\$100
11 – 30	\$1,000
31 – 180	\$3,000
181 – 210	\$7,500
211 or more	\$7,500, plus \$3.37 for each day beyond 210

**Reduction of penalties**

(Section 3)

**Amount and conditions**

The bill requires the OP&F Board to reduce some of the penalties incurred before its effective date for failing to meet deadlines for transmitting employee and employer contributions and reports, and copies of reports of employee physical examinations.

The Board is to reduce by 50 percent a penalty incurred between January 1, 2000, and the bill's effective date for failing to meet a deadline for employee or employer contributions and reports if both of the following occur:

(1) The Board receives the payment and report in the form required by its rules not later than the date that is six months after the date the report and payments were due;

(2) The employer pays the reduced penalty by March 1, 2002.

A fine incurred for failure to submit the report of the physical examination of an employee who became or becomes a member after the effective date of standards the Board has established for physical examinations is to be reduced 90 percent if both of the following occur:

(1) The Board has received the report prior to the bill's effective date;

(2) The employer pays the reduced fine by March 1, 2002.

If an employer has submitted reports by the bill's deadline, but does not pay a reduced fine or penalty by March 1, 2002, the Board is to reinstate it to the original amount. If that amount is not paid, OP&F is to certify it to the county auditor for payment from funds in the county treasury to be distributed to the employer.

The bill provides that provisions of current law requiring the Attorney General to take action to collect money owed the state do not apply to the fine and penalty reductions required by the bill.

**Refund or offset**

Under the bill, if an employer has paid the full amount of a fine or penalty that could have been reduced, the Board must either refund the amount of the reduction or use the amount to reduce any outstanding amounts the employer owes OP&F.

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**HISTORY**

ACTION	DATE	JOURNAL ENTRY
Introduced	05-03-01	p. 403
Reported, H. Retirement and Aging	06-13-01	p. 657
Passed House (99-0)	06-19-01	pp. 669-670

H0244-PH.124/jc