Lauren R. Nichelson *Legislative Service Commission*

Sub. S.B. 247*

124th General Assembly
(As Reported by H. Retirement and Aging)

Sens. **Blessing, Amstutz, Armbruster, Austria, Carnes, Coughlin, Randy Gardner, Robert Gardner, Harris, Herington, Mallory, Mead, Prentiss, Shoemaker, Spada**

Reps. **Ogg, Flowers, Barrett, Brown, Schaffer, Lendrum, Schuring**

BILL SUMMARY

RETIREMENT BENEFIT--PARTIAL LUMP SUM OPTION

- Creates an option of having a retirement benefit consist of a lump sum and a reduced monthly payment for members of the Public Employees Retirement System (PERS), State Teachers Retirement System (STRS), and School Employees Retirement System (SERS).
- Creates an option of having a survivor benefit consist of a lump sum and a reduced monthly payment for surviving spouses and designated beneficiaries of former PERS, STRS, and SERS members.

PUBLIC EMPLOYEES RETIREMENT SYSTEM DEFINED CONTRIBUTION RETIREMENT PLAN

- Alters provisions governing the PERS defined contribution retirement plan.

STATE TEACHERS RETIREMENT SYSTEM

- Permits a person who has contributions on deposit with STRS to withdraw accumulated contributions even though the person is

* *This analysis was prepared before the report of the House Retirement and Aging Committee appeared in the House Journal. Note that the list of co-sponsors and the legislative history may be incomplete.*

participating in PERS or SERS if the participation is in a defined contribution plan.

- Adds amounts paid for credit for time while on a leave of absence to the amount used in calculating the additional amount given a member on refund of the member's accumulated contributions.

- Adds credit obtained by transfer from the Cincinnati Retirement System to the kinds of service credit used in determining whether an STRS member has 30 years of service.

- Changes the procedure for spousal consent under a defined contribution plan.

- Provides that a teacher who is receiving a disability benefit under a defined contribution plan may not be reemployed as a teacher and continue to receive the benefit.

CHANGES TO THE LAWS GOVERNING THE OHIO POLICE AND FIRE PENSION FUND

- Makes changes to the cost of living increase granted to surviving spouses and children of deceased members of the Ohio Police and Fire Pension Fund (OP&F).

- Makes permissive the redeposit of contributions previously withdrawn by an OP&F member when the member returns to employment with the same police or fire department.

PUBLIC EMPLOYEES RETIREMENT SYSTEM

- Allows certain PERS retirants who became reemployed prior to June 30, 1991, in positions covered by PERS to make a one-time election to receive a retirement allowance during reemployment.

- Permits reemployed retirants to receive the retirement allowance that accrues during reemployment as an annuity that continues after the retirant's death to a survivor.

HEALTH INSURANCE OPTIONS FOR RETIREES OF OHIO PUBLIC PENSION SYSTEMS

- Eliminates the requirement that PERS, STRS, SERS, OP&F, and the State Highway Patrol Retirement System (SHPRS) offer retirants the alternative of receiving health insurance coverage through enrollment with a health insuring corporation.

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CONTENT AND OPERATION

LUMP SUM OPTION

Lump sum option

(secs. 145.46, 3307.60, and 3309.46)

Existing law

On application for retirement, a member of the Public Employees Retirement System (PERS), State Teachers Retirement System (STRS), or School Employees Retirement System (SERS) may choose to receive a retirement benefit in one of two forms: (1) a single lifetime benefit, or (2) a joint and survivor benefit, which is the actuarial equivalent of the single lifetime benefit 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.[1]

Operation of the bill

The bill gives a member a third option on application for retirement. Under this option, a member may elect to receive a benefit consisting of both a lump sum, in an amount the member designates that constitutes a portion of the benefit the member would otherwise receive, and the remainder of the benefit payable for the member's life or payable to the member for life and continuing after death to a surviving beneficiary. The amount designated by the member must be not less than six times the monthly amount that would be payable to the member and not more than 36 times that amount. In PERS and SERS, the lump sum is based on the monthly payments under the plan of payment chosen by the member. In STRS, it is based on the member's single lifetime benefit.

After a member designates the lump sum, the retirement systems are to determine the amount of the remainder of the benefit. In PERS and SERS, the amount remaining under the plan of payment selected by the member--either a single lifetime benefit or a joint and survivor benefit--is payable in reduced monthly installments. In STRS, after the lump sum is subtracted from the member's single lifetime benefit the member will select either the single lifetime benefit or a joint and survivor benefit for the remainder, which will be paid in monthly installments.

Regardless of the approach used by the systems, the total amount paid as a lump sum and a monthly benefit must be the actuarial equivalent of the amount that would have been paid had the lump sum not been selected and must not cause the monthly allowance to be less than 50% of the monthly allowance that the member would have received had the member not elected the lump sum.

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[1] *The plans vary by retirement system, but generally provide for the 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, (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, or (4) a payment plan combining any of the features of options 1, 2, and 3.*

Election of partial lump sum for PERS, STRS, and SERS surviving spouses and designated beneficiaries

(secs. 145.45, 3307.60(C), and 3309.45)

Under existing law, death of a public retirement system member or retirant may entitle the surviving spouse or other dependent beneficiary to survivor benefits. If an STRS member who is eligible to retire dies before electing a plan of payment of retirement benefits (either a single life annuity or a joint and survivor benefit), the former member's surviving spouse or dependent beneficiary receives survivor benefits as if the member had elected to receive a lesser benefit for life continuing after death to the spouse or beneficiary. Similarly, the spouse or beneficiary of a PERS or SERS member who was eligible for service retirement at the time of death receives a lesser benefit payable for the life of the spouse or dependent beneficiary.

Under the bill, the surviving spouse or dependent beneficiary of a former STRS member is entitled to the member's lesser benefit, payable for the life of the spouse or beneficiary, if the former member was eligible for service retirement at the time of death, even if the member chose a different plan of payment. Beginning on a date specified by the STRS Board, which cannot be later than July 1, 2004, the bill also gives the spouse or beneficiary the option of receiving a lump sum followed by reduced monthly payments for life. The spouse or beneficiary may designate a lump sum that constitutes a portion of what would have been the former member's single life annuity.[2] The monthly amounts that follow are then reduced to the actuarial equivalent of the remainder of the former member's single life annuity and paid for life to the spouse or beneficiary.

The bill operates slightly differently for surviving spouses and dependent beneficiaries of former PERS and SERS members. As under current law, the spouse or beneficiary is entitled to the member's lesser benefit if the PERS or SERS member was eligible for a service retirement allowance at the time of death, but had not yet retired. Like STRS, beginning on a date specified by the SERS Board, which cannot be later than July 1, 2004, the bill adds the option for the spouse or beneficiary to take this benefit as a lump sum followed by reduced monthly payments for life. The difference from STRS is that the spouse or

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[2] *The single life annuity is the amount paid if a former member receives payments under a plan that does not include survivor benefits. A plan that includes survivor benefits has lesser payments during the former member's life but continues the same or lower payments to a surviving spouse or beneficiary. Payments are calculated so that a plan that includes survivor benefits (a joint and survivor benefit) is the actuarial equivalent of the single life annuity.*

beneficiary may designate a lump sum that constitutes a portion of the member's lesser benefit, rather than the member's single life annuity. However, like STRS, the total amount expected to be paid to the survivor must be the actuarial equivalent of the total amount expected to be paid if no lump sum is taken.

In PERS, STRS, and SERS the lump sum must equal not less than six monthly payments and not more than 36 monthly payments and must not cause the monthly allowance to be less than 50% of the monthly allowance that the surviving spouse or dependent beneficiary would have received had the lump sum not been elected.

Withdrawal of accumulated contributions

(secs. 145.40, 145.402, 3307.561, and 3309.43)

In general, a PERS, STRS, or SERS member may withdraw accumulated contributions from one of those retirement systems if the member ceases to be employed in a position covered by that system. However, a member may not withdraw accumulated contributions from the member's account in one of the systems if the member also has an account with one of the others unless the member also withdraws the contributions the member has made to the other system.

The bill permits a member of one of the systems to withdraw contributions from that system without withdrawing them from another system if the member is a participant in a defined contribution plan under the other system.[3]

Division of marital property

(sec. 3105.80)

Ohio law provides for division of marital property on termination of a marriage. Marital property includes retirement benefits or an interest in retirement benefits acquired by both or either of the spouses during marriage from employment covered by a state retirement system. Under the bill an order dividing PERS, SERS, or STRS retirement benefits as marital property applies to benefits received under the partial lump sum option established by the bill.

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[3] *See "**Background**" under "**Waiver of spousal consent**" for a description of defined contribution plans.*

PERS DEFINED CONTRIBUTION RETIREMENT PLAN

Background

Under current law, PERS members participate in a defined benefit plan. The defined benefit plan entitles an eligible member to a retirement allowance based on the member's final average salary, retirement age, and years of service credit.[4] Current law also permits the PERS Board to adopt rules to establish one or more "PERS defined contribution plans." A defined contribution plan is a plan consisting of benefit options that provide for an individual account for each participating member and under which benefits are based solely on the amounts that have accumulated in the account. Defined contribution plans may also be created to contain certain features of the defined benefit plan, like definitely determinable benefits. Defined contribution plans that contain features of the defined benefit plan are sometimes called hybrid plans. The bill revises the law that will govern administration and participation in any defined contribution plans established by PERS.

Hybrid plans

(secs. 145.80, 145.81, and 145.82)

The PERS Board has authority to establish one or more defined contribution plans. A defined contribution plan may include certain features of the defined benefit plan, such as definitely determinable benefits. The bill authorizes the Board to establish hybrid plans that include such benefits as retirement, disability, survivor, or death benefits; health or long-term care insurance; or cost of living increases. The Board may also include in a hybrid plan the option of taking a refund of contributions made by or on behalf of a member.

The bill permits the Board to establish eligibility requirements and benefit formulas for a hybrid plan that differ from those for the defined benefit plan.

Eligibility for participation in defined contribution plans

Current members

(secs. 145.191, 145.192, and 145.23)

With some exceptions, a current PERS member participating in the defined benefit plan will be able to elect to participate in the defined contribution plan if, on the last day of the month immediately preceding the date on which PERS first

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[4] *Final average salary is an average of the three years of highest compensation.*

establishes a defined contribution plan, the member has less than five years of total service credit in PERS.

PERS members in the system's law enforcement division, Hamilton County municipal court bailiffs, and reemployed retirants will not be eligible to participate in the defined contribution plans.

The election to participate in a defined contribution plan will have to be made within 180 days of the date the plan is established and will be effective on the date the board first establishes a defined contribution plan. The election is irrevocable, except to the extent provided by statute for members to transfer participation between the defined benefit and defined contribution plans. The election applies to all of the member's current positions covered by PERS. Thus, if a member holds two positions covered by PERS, one election to participate in the defined contribution plan applies to the contributions made for both positions.

At the time of election, PERS is to credit to the member's account in the defined contribution plan all of the member's accumulated contributions and any employer contributions attributable to the member beginning with the day PERS first establishes a defined contribution plan.[5] At the time of election, PERS is also to cancel all service credit and eligibility for benefits under the defined benefit plan. Unless the member transfers participation from a defined contribution plan to the defined benefit plan, a member participating in a defined contribution plan is ineligible for any benefits or payments under the defined benefit plan.

Future members

(secs. 145.19, 145.192, and 145.193)

With certain exceptions, an individual who becomes employed in a position subject to PERS on or after the date the PERS Board first establishes a defined contribution plan may elect to participate in a defined contribution plan. The election must be made within 180 days after the date of employment on a form provided by the system. If no form of election is filed, the member is deemed to have elected to participate in the defined benefit plan. An election to participate in a defined contribution plan becomes effective on the date of employment.

The following members may not elect to participate in a defined contribution plan when employment in a PERS position begins:

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[5] *The amount credited to the defined contribution plan includes any additional deposits the member has made under the defined benefit plan such as money paid to purchase credit for military service. (Sec. 145.23.)*

(1) A reemployed retirant of any of Ohio's public pension systems;

(2) An individual who is participating or has elected to participate in an alternative retirement plan for academic and administrative employees of public institutions of higher education (ARP) who is employed in a second position under which the individual may elect to participate in an ARP (see "***Alternative retirement plan participants***" below);

(3) An individual with five or more years of service credit on the day the Board first establishes a defined contribution plan;

(4) A member who elected or is deemed to have elected to participate in the defined benefit plan under the bill and becomes employed in a second position covered by PERS;

(5) A law enforcement officer contributing under the PERS Law Enforcement Division or a Hamilton County municipal court bailiff.

Members who elect to participate in the defined contribution plan are ineligible for any benefits under the defined benefit plan. Eligible members who have previously terminated employment in a position covered by PERS may, on employment in a new PERS position, make an election to participate in the defined contribution plan.

Elective officials

(sec. 145.20)

Under current law, any elective official of the State of Ohio or any political subdivision with employees in PERS may elect to become a PERS member. The bill provides that an elective official may also elect to participate in the defined contribution plan if the official becomes a member on or after the date the PERS Board establishes a defined contribution plan and the election is made not later than 180 days after applying for membership in the system. The election is effective on the date the official applies for membership. If no election is made, the official is deemed to have elected to participate in the defined benefit plan.

Under current law, service credit earned by an elective official prior to January 1, 1935, is treated as prior service for the purpose of calculating a benefit if the member has completed at least three years of contributing service. The bill adds an additional condition that provides for such service to be treated as prior

service--that the member participates in the defined benefit plan or a defined contribution hybrid plan that includes definitely determinable benefits.[6]

Under current law, an elective official with service after January 1, 1935, may purchase credit for service as an elected official prior to PERS membership. The credit may be purchased if the official has completed one and one-half years of contributing service and pays an amount determined by the PERS Board reflecting the contributions that would have been made by the member during the period of service, plus interest. The bill requires in addition that the elective official participate in the defined benefit plan or a defined contribution plan with definitely determinable benefits.

Alternative retirement plan participants

(sec. 145.193; sec. 3305.05, not in the bill)

Under current law, public institutions of higher education are permitted to offer alternative retirement plans (ARPs) for academic and administrative employees. The employees may elect to participate in the ARP in lieu of participation in PERS, STRS, or SERS. Members participating in an ARP who take an additional position for which an ARP is available, are not permitted to participate in a defined contribution plan. They are required to participate in an ARP for the second position of employment. A member participating in an ARP, whose second employment is subject only to participation in PERS, may elect to participate in a defined contribution plan for the second employment and remain in the ARP for the initial employment.

Effect of election to participate in defined contribution plan

(sec. 124.192)

Unless the member has formally transferred participation from a defined contribution plan to the defined benefit plan, a participant in a defined contribution plan is ineligible for any benefit under the defined benefit plan and is barred from claiming or purchasing service credit in the system or any other Ohio public retirement system.

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[6] *A "hybrid" plan is a defined contribution plan that includes certain features of a defined benefit plan. In this case, the qualifying feature is the inclusion of definitely determinable benefits in the defined contribution plan.*

Maintenance of individual accounts

(sec. 145.813)

Under existing law, the PERS Board is required to maintain an individual account for each member participating in a defined contribution plan. The bill clarifies that the individual account may be deposited into any of the funds administered by the system, or may be transferred to the entity responsible for administering the plan for deposit into the member's individual account.

Transfer of participation between defined benefit and defined contribution plans

(secs. 145.81 and 145.814)

If permitted to do so in the documents governing a defined contribution plan, a member who was eligible to make an election to participate in a defined contribution plan, regardless of whether the member actually elected to participate, may elect at intervals specified by the governing documents to participate in a different defined contribution plan or the defined benefit plan. The election is to be made on a form filed with the system. The election is effective the first day of the month following the date the election form is filed and is irrevocable unless the rules or documents governing a plan provide otherwise.

A member is eligible to transfer participation if the member is transferring out of a defined contribution plan that does not include definitely determinable benefits and the member's election is to participate in the defined benefit plan.

Amounts transferred out of a defined contribution plan include only the member's amount on deposit and, if applicable, service credit earned prior to the effective date of the election. The Board's actuary must determine whether the transfer causes an additional liability to the system. If there is an additional liability, the member may pay the system the amount of the additional liability. If the members does so, the member will receive full service credit in the defined benefit plan for the years in the defined contribution plan. Otherwise the member will receive an amount of service credit that corresponds to the amount of money on deposit in the defined contribution account.

Application for disability benefit under the defined benefit plan

(sec. 145.35)

Under current law, application for a disability benefit must be made within two years from the date the member terminated contributing service. The bill specifies that an application for a disability benefit must also be made within two years after the member ceased to make contributions under the defined benefit

plan. Law unchanged by the bill provides that the two-year limit can be exceeded if medical records conclusively demonstrate that at the expiration of the time limit the member was under a physical or mental incapacity.

Medical savings accounts for defined contribution participants

(sec. 145.83)

A defined contribution plan authorized by this bill may include a feature that requires participants to accumulate a portion of their contributions for the purpose of providing health, medical, hospital, surgical, dental, or vision care expenses and premiums.

Authority to withhold portion of contributions

(sec. 145.88)

Under the bill, a defined contribution plan may include provisions authorizing PERS to withhold from the employee or employer contributions a percentage of earnable salary for either of the following the purposes: (1) funding the cost of administering the plan or (2) funding health care insurance coverage.

Consent of spouse of defined contribution plan participant

(sec. 145.92)

If a member participating in a defined contribution plan is married at the time retirement benefits are to commence, the member will receive a joint and survivor retirement allowance unless the member's spouse consents in writing to another plan of payment. Under current law, to be valid consent must be given as provided in federal law. The bill requires, instead, that the consent be evidenced by a written document signed by the member and the signature witnessed by a notary public.[7]

Other rights of defined contribution plan participants

(sec. 145.97)

Current law permits a member who has withdrawn contributions from a defined contribution plan to redeposit them on returning to public employment. Under the bill a member is permitted to redeposit the amount withdrawn only if

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[7] *It may be that the intent was that the document be signed by the spouse. This could be changed by amendment.*

during reemployment the member participates in a plan with definitely determinable benefits.

CHANGES TO THE STATE TEACHERS RETIREMENT SYSTEM

Additional amount included in refund of accumulated contributions

(sec. 3307.563)

Under existing law, the STRS Board must pay an additional amount from the Employers' Trust Fund to a member who withdraws accumulated employee contributions.[8] The additional amount paid by the Board depends on the member's years of service. If a member has five or more full years of service credit, the additional amount is equal to the sum of the following: (1) an amount equal to interest on the member's accumulated contributions, and (2) an amount equal to 50% of the member's employee contributions.

Under the bill, amounts paid to purchase service credit for a period of approved absence or leave will be included with the member's contributions in determining the additional amount for a member with five or more years of service credit.[9]

Service credit used in determination of credit amount

(sec. 3307.58)

Under existing law, a member's annual single lifetime benefit is generally calculated by multiplying the member's service credit by a percentage of the member's final average salary.[10] The percentage increases for years in excess of 30 years of service. The bill adds to the service used in determining whether an STRS member has 30 or more years of service credit transferred from the Cincinnati Retirement System.

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[8] *To be eligible for an additional amount, a member must have at least three years of service credit.*

[9] *A member is permitted to purchase service credit for a period of time when the member was prevented from making employee contributions due to the member's own illness or injury, or has been granted a leave for educational, professional, or other purposes approved by the STRS Board. The member may purchase up to two years of service credit for the period of approved absence or leave. R.C. 3307.77.*

[10] *Final average salary is the average of a member's three highest years of salary.*

Waiver of spousal consent

(sec. 3307.87)

Background

The traditional STRS retirement plan is referred to as a "defined benefit plan" because benefits are based on a formula that takes into account the member's age, years of service, and final average salary. Members have survivor and disability protection and access to health care coverage in retirement. Some STRS members have the option of choosing a new plan, referred to as the "defined contribution plan." Under the defined contribution plan, retirement income is based on the performance of investment choices selected by the member for the contributions made by the member and employer. Survivor and disability benefits are limited to the value of the member's account. Access to health care coverage on retirement is not provided.[11]

Existing law

Under existing law, if a member who is participating in a defined contribution plan is married at the time the member begins receiving any benefits, benefits are to be paid in the form of an annuity, unless the member's spouse has consented to a different form of payment.[12] If a member participating in a defined contribution plan is married at the time of the member's death, any benefits payable to the member must be paid to the member's spouse, unless the spouse has consented to the designation of a different beneficiary. A defined contribution plan must include requirements for valid consent that are the same as the requirements set forth in the Internal Revenue Code.[13] The consent requirement may be waived if the spouse cannot be located or for any other reason specified in rules adopted in IRS regulations.

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[11] *PERS and SERS are in the process of developing defined contribution plans.*

[12] *The annuity must consist of the actuarial equivalent of the member's benefits, in an amount that is payable for the life of the member and one-half of the amount continuing after the member's death to the spouse for the life of the spouse. (R.C. 3307.87(A)(2)).*

[13] *IRC, 26 U.S.C.A. 417(a)(2), as amended. For a waiver to be effective, the Internal Revenue Code requires the spouse of a participant to consent in a writing witnessed by a plan representative or notary public, or it must be established to the satisfaction of a plan representative that the consent required cannot be obtained because there is no spouse, the spouse cannot be located, or because of other circumstances as regulations prescribe.*

Operation of the bill

The bill eliminates the requirement that a defined contribution plan include requirements for valid consent identical to those set forth in the Internal Revenue Code. Under the bill, consent is valid only if it is evidenced by a signed statement that is witnessed by a notary public. The bill also provides that the consent requirement may be waived if a spouse is incapacitated or cannot be located or for any other reason specified by the plan or STRS rules.

Reemployment of a retired teacher receiving a disability benefit

(sec. 3307.01)

Existing law

Under existing law, "superannuate" is defined as a former teacher who is receiving a retirement allowance or benefit from STRS under a defined benefit or defined contribution plan. Also, for purposes of reemployment of retired teachers, "superannuate" means a former teacher who is receiving a combined service retirement paid in accordance with the coordination of benefits among STRS, PERS, and SERS, regardless of which system is paying the benefit.[14]

Operation of the bill

The bill excludes from the definition of "superannuate" a former teacher who is receiving a disability benefit from STRS under a defined contribution plan. Because only a superannuate may be reemployed as a teacher, under the bill a former teacher who is receiving a disability benefit under a defined contribution plan cannot be reemployed as a teacher.[15]

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[14] *STRS, PERS, and SERS have coordination of benefits. This allows a person who has contributed to more than one of these systems to have his or her total contributions and service credit in these systems used to determine a person's retirement benefit. The system in which the person had the most service credit pays the benefit. If service credit is equal in two or more systems, the system having the largest amount of the person's contributions pays the benefit. The retirement system that pays the benefit receives from the other system or systems the member's refundable account at retirement. R.C. 3307.57.*

[15] *R.C. 3307.35(B).*

CHANGES TO THE OHIO POLICE AND FIRE PENSION FUND

Cost of living increase

Surviving spouses

(sec. 742.37)

Under current law, the surviving spouse of an OP&F member receives a monthly pension. (This pension is separate from any benefit or allowance the spouse might receive 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 increased by the product of $550 multiplied by the lesser of the average change in the CPI or 3%. Sub. H.B. 157 of the 124th General Assembly fixed the increase at $16.50 per month, which is 3% of $550.

The bill alters the cost of living allowances granted for the period beginning July 1, 2000 and ending June 30, 2002 by providing an allowance of $550, plus an increase based on the average percentage change in the consumer price index at the time the increases were granted. For the period beginning July 1, 2002, and the first day of July of each year thereafter, the increase is fixed at $16.50.

Surviving children and dependent parents

(sec. 742.37)

OP&F pays survivor benefits to surviving children who are minors or in school, 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. Sub. H.B. 157 of the 124th General Assembly increased the amount of the benefit annually 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 though June 30, 2002. Each year thereafter the monthly amount increases by $3.

The bill alters the cost of living allowance granted for the period beginning July 1, 2001 and ending June 30, 2002 by providing an allowance of $150, plus an increase based on the average percentage change in the consumer price index at the time the increase was granted. For the period beginning July 1, 2002, and ending June 30, 2003, the benefit amount in current law remains unchanged at $163.50. Future increases remain fixed at $3 for each year thereafter.

Redeposit of withdrawn contributions

(sec. 742.372 (secs. 742.371 and 742.373 repealed by the bill))

Under current law, a member who leaves employment covered by OP&F may terminate OP&F membership by withdrawing the member's contributions to OP&F. A former member who returns to employment with the same employer covered by OP&F is required to pay OP&F the amount previously withdrawn, with interest, as a condition of eligibility for a disability or retirement benefit. Members who were involuntarily laid off or return to a *different* employer after withdrawing contributions may, but are not required to, repay the amount withdrawn. The bill removes this distinction by repealing the section of law that causes the disparate treatment. Under the bill, former OP&F members who return to any employer covered by OP&F are permitted, but not required, to repay the amount withdrawn and have their service credit restored.

CHANGES TO THE PUBLIC EMPLOYEES RETIREMENT SYSTEM

PERS reemployed retirants election to receive retirement allowance

Background

Current law permits a member of a state retirement system who has retired to be reemployed in a position covered by the same or one of the other systems, other than the State Highway Patrol Retirement System (SHPRS). Employee and employer contributions to the retirement system that covers the position in which the member is reemployed must be made during reemployment. If the reemployment begins shortly after the member retires, retirement benefits are affected for a period of time.

Employee and employer contributions made during reemployment fund a separate annuity paid after reemployment terminates. Prior to its amendment in 1991, R.C. § 145.381 permitted a PERS retirant elected to public office who had been an elected state official at the time of retirement to make or elect to rejoin PERS and forgo the retirement allowance during reemployment. Under that election, the annuity portion of the retirement allowance was suspended until termination of all employment and the pension portion was forfeited.[16]

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[16] *A PERS retirement allowance has two components, whose sum constitutes the full retirement allowance. The two components are the annuity portion and pension portion. The annuity portion is based on the member's contributions during employment. The pension portion is funded by the employer's contributions made on behalf of the member and the retirement system's investment earnings.*

Operation of the bill

(secs. 145.384 and 145.385)

The bill permits a one-time election for reemployed retirants who, prior to June 30, 1991, elected to reestablish membership in PERS and have the retirement allowance cease during reemployment. The retirement allowance will resume on the effective date of the retirant's election. The retirant will also receive as a lump sum the annuity portion of the retirement allowance that has been suspended during reemployment. There will be no repayment of the forfeited pension portion of the retirement allowance. On termination of employment all the employee contributions and part of the employer contributions made during reemployment will be used for a new benefit to be paid either as an annuity or a lump sum.

Payment of second annuity to reemployed retirants

(sec. 145.384)

Under current law, a PERS member who has retired from active service may become employed in another position covered by PERS. In most cases, during reemployment the retirant's retirement allowance continues. Employee and employer contributions are made to PERS based on the retirant's salary during reemployment. The contributions accrue to the reemployed retirant's benefit and become payable at the end of employment as either a monthly annuity or a lump sum discounted to present value.

The bill affords a reemployed retirant a choice of plans of payment for the annuity that is based on the reemployment. Under the bill, the reemployed retirant may receive the annuity as a single life annuity or a joint and survivor annuity.[17]

A retirant who elected a joint and survivor annuity whose spouse or designated beneficiary dies will receive the equivalent of the retirant's single life annuity. Retirants who become divorced after election of a joint and survivor annuity may, with a court order and consent of the former spouse, cancel the election and receive the retirant's single life annuity equivalent. A retirant who marries after electing a single life annuity may change the election to a joint and survivor annuity.

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[17] *A single life annuity ceases at the retirant's death. The joint and survivor annuity options pay a reduced amount to the retirant for life and continue after the retirant's death for the life of a surviving spouse or beneficiary.*

HEALTH INSURANCE OPTIONS FOR RETIREES OF OHIO PUBLIC PENSION SYSTEMS

Coverage through enrollment with a health insuring corporation

(secs. 145.58, 742.45, 3307.39, 3309.69, and 5505.28)

Under existing law, if one of the Ohio public retirement systems provides health, medical, hospital, or surgical benefits through any means other than a health insuring corporation, it must offer the alternative of receiving benefits through enrollment with a health insuring corporation to each individual eligible for the benefits if: (1) the health insuring corporation provides health care services in the geographical area in which the individual lives, (2) the eligible individual was receiving health benefits through a health maintenance organization or a health insuring corporation before retirement, and (3) the rate and coverage provided by the health insuring corporation to eligible individuals is comparable to the rate provided by the board.[18] If the rate and coverage provided by the health insuring corporation is not comparable, the board may deduct the additional cost from the eligible individual's monthly benefit. The health insuring corporation must accept any eligible individual who requests enrollment.

The bill eliminates the requirement that the retirement systems offer the alternative of receiving benefits through enrollment with a health insuring corporation. It also eliminates the requirement that the health insuring corporation accept any eligible individual who requests enrollment through one of the retirement systems.

Technical changes

Definitions

(secs. 145.01, 145.04, 145.05, 145.091, 145.27, 145.38, 145.80, 145.811, 145.812, 145.85, 145.86, 145.87, and 145.95)

Throughout the Revised Code sections governing PERS, current law refers to the PERS defined benefit plan as "the plan described in sections 145.201 to

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[18] *A "health insuring corporation" means a corporation that pays for, reimburses, or provides health care services through either a health care plan that requires enrollees to use participating providers, or through a health care plan that provides incentives for enrollees to use participating providers and also allows enrollees to use providers that are not participating providers. (Sec. 1751.01.) Thus, "health insuring corporation" includes health maintenance organizations (HMOs) and preferred provider organizations (PPOs).*

145.79" and the PERS defined contribution plan is referred to as "the plan established under section 145.81." The bill establishes definitions of the terms "defined benefit plan" and "defined contribution plan" in the law governing PERS. Under the bill references in the Revised Code to the PERS defined benefit plan and contribution plan use those terms rather than the section numbers.

Other technical changes

(secs. 145.22, 145.56, 742.17, 3307.51, 3307.56, 3307.761, 3307.763, 3307.764, 3309.21, and 5505.12)

The bill makes technical changes to a number of Revised Code sections.

HISTORY

ACTION	DATE	JOURNAL ENTRY	
Introduced	03-07-02	p.	1557
Reported, S. Ways & Means	04-24-02	p.	1703
Passed Senate (32-0)	04-24-02	pp.	1708-1709
Reported, H. Retirement & Aging			

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