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Bill Analysis
Legislative Service Commission

H.B. 320
126th General Assembly
(As Introduced)

Rep. Schneider

BILL SUMMARY

- Authorizes the School Employees Retirement System (SERS) to establish eligibility criteria for retiree health care coverage.
- Revises criteria for SERS hospital insurance coverage equivalent to Medicare Part A.
- Increases the cost to SERS members for service credit for approved leaves of absence.
- Provides that any beneficiary who is deceased or who cannot be located within 180 days of the date the SERS Board receives notice of the death of a member, retiree, or annuitant ceases to qualify for any benefit.
- Requires an individual seeking nomination as a candidate for an SERS Board employee member position to collect signatures from 250 (rather than 500) SERS members, with at least 20 signatures from at least five (rather than ten) counties.

CONTENT AND OPERATION

SERS health care coverage

(Secs. 3305.06, 3309.21, 3309.375, 3309.69, and 3309.88)

Current law authorizes the School Employees Retirement System (SERS) to contract for health care coverage for SERS retirants and disability benefit recipients and their eligible dependents. The bill maintains this authority by allowing the Board to establish a health care program to provide medical, hospital, surgical, prescription, or other health care coverage or reimbursement, or any combination thereof. Any program established under this authority must be

designed and administered by the Board. The Board may contract, self-insure, provide reimbursements or subsidies, make disbursements, determine levels of coverage and costs, and take any other actions it considers necessary to establish and administer the program, including adopting rules.

The bill reorganizes the statute governing SERS health care coverage by repealing current R.C. sections 3309.375 and 3309.69 and replacing them with a new version of R.C. 3309.69.

Eligibility requirements

(Secs. 3309.69(A) (repealed) and 3309.69(B))

Rather than specifying who is eligible for SERS health care coverage, current law describes who is ineligible for coverage. Currently, the only eligibility limitation in the statute is that an SERS member retiring after June 13, 1986, must have ten years of SERS service credit for the member and the member's spouse and beneficiaries to be eligible for health care coverage.

The bill requires instead that the SERS Board establish eligibility criteria and other requirements for participation in any health care program it establishes. To participate, an individual must meet the Board's criteria and be one of the following:

- (1) An SERS retirant receiving a retirement allowance;
- (2) A disability benefit recipient;
- (3) The beneficiary of a deceased SERS member receiving a survivor benefit;
- (4) The beneficiary of a deceased SERS retirant receiving a survivor benefit;
- (5) A dependent, as determined by the Board, of an individual described in (1) to (4) above.

Health care program payments

(Secs. 3309.69(B) (repealed) and 3309.69(C))

As in current law, the bill specifies that any portion of the cost of the health care program paid from retirement system funds must be paid from employer, not employee, contributions. Participants may be required to pay a premium for the health care program. Participation in the program is considered consent for the

deduction of premiums for participating in the program. Participants must pay any required premium. A participant who fails to pay a premium or receives coverage or payments to which the participant is not entitled must pay or repay the amount to SERS. If the participant fails to pay or repay the owed amount, SERS may withhold the amount from any pension, benefit, annuity, or payment due the participant or collect the amount in any other manner provided by law.

Medicare Part A

(Secs. 3309.375 (repealed) and 3309.69(D))

Current law requires the SERS to make hospital insurance coverage available (1) to each retirant or disability benefit recipient who is eligible for SERS health care coverage, has attained age 65, and is not eligible for Medicare hospital insurance benefits (Medicare Part A¹) and (2) to any spouse of a retirant or disability benefit recipient who meets the same criteria. Not less than 25% of the cost of the coverage is to be paid by SERS and the remainder by the recipient of the retirement allowance or disability benefit. The law gives SERS discretion regarding the portion of the cost of the coverage that it pays. Beyond that, however, SERS is required to provide the coverage.

The bill maintains the requirement that SERS provide hospital insurance coverage to eligible retirants, disability benefit recipients, and their spouses, but adds the following requirements:

(1) That any individual receiving benefits under the SERS health care program who is eligible for Medicare Part A coverage without payment of a premium² must enroll for that coverage;

(2) That coverage be provided to each retirant or disability benefit recipient, or spouse of a retirant or disability benefit recipient who is eligible for SERS health care coverage, has attained age 65, and is not eligible for Medicare hospital insurance benefits without payment of a premium;

(3) That SERS hospital insurance benefits must be provided at such premium and other costs as determined by the SERS Board.

¹ *Medicare Part A includes coverage for inpatient hospital care, limited skilled nursing facility care, home health care, hospice care, and blood transfusions.*

² *Please see COMMENT 1.*

Medicare Part B

(Secs. 3309.69(C) (repealed) and 3309.69(E))

Under current law, the SERS Board makes a monthly payment to each recipient of a retirement allowance, or a disability or survivor benefit, who receives health care coverage under Medicare Part B.³ The payment reimburses part of the amount the recipient pays the federal government for the coverage. Currently, the reimbursement is an amount equal to the lesser of the basic premium for the coverage or the basic premium in effect on January 1, 1999.⁴

The bill specifies that each individual participating in the SERS health care program who is eligible to receive supplementary health care coverage under Medicare Part B must enroll for that coverage. The reimbursement is the same as under current law: an amount equal to the lesser of the basic premium for the coverage or the basic premium in effect on January 1, 1999.

Technical changes

(Secs. 3305.06, 3309.21, 3309.375, 3309.69, and 3309.88)

The bill reorganizes the SERS statute so that the health care-related provisions appear in one section, R.C. 3309.69. In current law, hospital insurance coverage is addressed in R.C. 3309.375. The bill repeals R.C. 3309.375 outright and moves the hospital insurance coverage provisions to R.C. 3309.69(D). The bill also amends R.C. 3305.06, 3309.21, and 3309.88 to reflect the repeal of R.C. 3309.375.

Service credit for a leave of absence

(Secs. 3309.47 and 3309.474)

The bill eliminates a provision of current law that allows an SERS member to pay the retirement system for employee contributions missed while the member took an approved leave of absence. Under current law, if an SERS member takes a leave of absence because of illness, accident, or other reason approved by the employer and is unable to make contributions to the retirement system during any

³ *Medicare Part B includes coverage for physician services, outpatient care, and certain other services, such as physical and occupational therapy, when medically necessary. ("Medicare & You 2006," Centers for Medicare and Medicaid Services. www.medicare.gov, visited 10-6-2005.)*

⁴ *Please see COMMENT 2.*

payroll period, the member may, on returning to service, pay the retirement system for the missed contributions and receive service credit for the period of absence. To pay for the contributions, the member may have deductions made from other payrolls during the year or may pay the amount to the employer, which the employer must then transmit to the retirement system.

Under the bill, an SERS member who takes an approved leave of absence during which the member does not make contributions to SERS may, on returning to contributing service, purchase service credit for the leave period in an amount not to exceed two years. (The bill specifies that a leave period begins on the first day of the approved leave of absence for which contributions to the retirement system were not made and ends on the earlier of the date the approved leave ends or the date the member returns to service.) The member may purchase all or part of the service credit for which the member is eligible, but the total amount of credit purchased may not exceed the lesser of five years or the member's total accumulated years of Ohio service credit.⁵

To purchase service credit for a leave period, the member must pay to SERS an amount determined by the SERS Board that is equal to the amount the member and the member's employer would have contributed to the retirement system during the leave period, had the member remained employed in the position held when the leave period began, plus interest on that amount. The interest is compounded annually at a rate established by the Board, from the first day of the year following the date the leave period commenced to the date the amount is paid. The bill also requires that the amount paid for a leave period reflect any alternation in the employee or employer contribution rate in effect during the leave period. The Board must credit the amount paid for the leave period to the member's accumulated account.

The bill authorizes the SERS Board to adopt rules to implement this provision.

⁵ *Total service credit includes all credit earned as an SERS member; credit purchased for service in a public or private school, college, or university of this or any other state; credit purchased for public service with another state or the federal government; and service as a school board member. (R.C. 3309.01, 3309.31, and 3309.311, not in the bill.)*

Payment of amounts owed to beneficiaries

(Secs. 3309.44 and 3309.50)

In the event an SERS member dies prior to retirement or a retirant, disability benefit recipient, or annuitant⁶ dies while receiving a monthly benefit, any outstanding amount owed the member, retirant, disability benefit recipient, or annuitant must be paid to a statutory or designated beneficiary or beneficiaries or, in certain cases, a monthly survivor benefit may be paid.⁷ To be valid, a beneficiary designation must be made in writing on a form provided by SERS, signed and filed with the SERS Board prior to death. If no beneficiary has been designated, current law provides an order of precedence under which other survivors will qualify for the payment or benefit.⁸

The bill specifies that, in the event that a beneficiary who, on the date the board receives notice of the death of a member, retirant, disability benefit recipient, or annuitant, is deceased or cannot be located within 180 days of that date, the beneficiary ceases to qualify for any benefit, and other beneficiaries qualify in accordance with the order of precedence provided in statute.

Retirement board elections--nomination process

(Sec. 3309.07)

SERS is managed by a nine-member board, comprised of elected, appointed, and ex-officio members,⁹ including four employee members elected by ballot by SERS members and two retirant members elected by ballot by retired SERS members and disability benefit recipients.

⁶ As defined in current law, "annuitant" means the last person who received a monthly allowance or benefit under a joint survivor plan of payment or as a designated beneficiary. (R.C. 3309.44(D).)

⁷ An amount owed a member might be the member's contributions to SERS. An amount owed a retirant could be the difference between the member's contributions and the retirement allowance paid prior to death. In addition, the beneficiary of a deceased retirant or disability benefit recipient is entitled to a lump-sum payment of \$1,000.

⁸ If a deceased member had sufficient service and is survived by one or more children under age 18, or under age 22 if a student, qualified survivors receive a monthly survivor benefit. (R.C. 3309.45, not in the bill.)

⁹ An ex-officio member's membership on the Board is specified in statute.

Any SERS member who is contributing to the retirement system is eligible to be nominated by petition for election to the Board as an employee member. Under current law, a nomination petition must be signed by at least 500 SERS members who are actively contributing to the retirement system, including the signatures of not less than 20 members each from at least ten counties where the members are employed. The bill reduces the number of signatures required: petitions must be signed by at least 250 members, including not less than 20 members each from at least five counties where the members are employed.

COMMENT

1. Medicare Part A

To receive Medicare Part A benefits without payment of a premium,¹⁰ an individual must have been employed full-time and contributed to the Social Security system (in the form of a Social Security payroll tax) for at least ten years or, for those employed part-time, have worked the equivalent of ten years of full-time employment. Benefits commence when the individual attains full retirement age.¹¹

SERS members who have not had sufficient other employment covered by Social Security are generally ineligible to receive Medicare Part A benefits without payment of a premium because SERS members are exempt from making contributions to the Social Security system.

2. Medicare Part B

Participation in Medicare Part B requires payment of a monthly premium. The federal government establishes the premium rates, which, by law, must be adequate to cover 25% of the program's expenses and to maintain a reserve against unexpected spending increases. The federal government pays the remainder of the program's costs. The Medicare Part B monthly premium will be \$88.50 in 2006, an increase of \$10.30 from the 2005 \$78.20 premium.¹² SERS makes a monthly

¹⁰ In 2005, the Medicare Part A premium is \$375/month. ("Medicare & You 2006," Centers for Medicare and Medicaid Services. www.medicare.gov, visited 10-6-2005.)

¹¹ The "full retirement age" is 65 for people who were born before 1938. Because of longer life expectancies, however, the Social Security law was changed to gradually increase the full retirement age until it reaches 67. (Social Security Administration Publication No. 05-10035, July 2004.)

¹² "Medicare Premiums and Deductibles for 2006." Centers for Medicare and Medicaid Services Fact Sheet, September 16, 2005. www.cms.hhs.gov/media/?media=facts, visited October 10, 2005.

reimbursement payment of \$45.50 to each recipient of a retirement allowance, or a disability benefit or survivor benefit, who receives health care coverage under Medicare Part B.¹³

Medicare Part B recipients with an annual income of less than 135% of the federal poverty guidelines (FPG) may qualify for financial assistance to pay their premiums. In 2005, the FPG for a single-member household is \$9,570 annually; for a two-member household, it is \$12,830 annually.¹⁴

HISTORY

ACTION	DATE	JOURNAL ENTRY
Introduced	08-02-05	p. 1540

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¹³ "Health Care," SERS Member Handbook 2004. *School Employees Retirement System*. www.ohsers.org, visited October 11, 2005.

¹⁴ Federal Register, Vol. 70, No. 33, February 18, 2005, pp. 8373-8375.