



Ohio Legislative Service Commission

Bill Analysis

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Rep. Wachtmann

BILL SUMMARY

Public Employees Retirement System (PERS)

Benefit formulas

- Changes retirement and disability benefit eligibility criteria for PERS members but exempts from the new criteria members who under current law will be eligible to retire not later than ten years after the bill's effective date or who on that date have 20 or more years of total service credit.
- For members subject to the new criteria, generally requires an additional two years of service credit or of age to be eligible to retire, and requires members retiring based on 32 or more years of service credit to be at least age 55.
- For members subject to the new eligibility criteria, changes to five (from three) the number of years used to determine final average salary that is used to calculate a retirement allowance or disability benefit.
- Changes the cost-of-living adjustment (COLA) to the increase in the Consumer Price Index (CPI), not exceeding 3% (from an automatic 3%) for benefits granted five years after the bill's effective date.
- Specifies that the PERS vesting provisions do not apply to COLAs granted after the bill's effective date.

Disability

- Excludes cosmetic surgery other than reconstructive surgery from PERS disability coverage.

- Permits the PERS Board to consider a disability benefit application made after contributions cease only if the disabling condition began while the member was contributing or is related to work performed while the member was contributing.
- Denies a disability benefit if before the benefit commences the member continues in or returns to the job the member held at the time the benefit was granted.
- Applies the following provisions to a disability benefit recipient whose benefit effective date is on or after the date the bill takes effect:
 - Reduces to three years (from five) the number of years the recipient is considered to be on a leave of absence, except that the period may continue to be up to five years if the recipient is receiving rehabilitative services acceptable to the PERS Board.
 - Provides that once the leave of absence ends the standard for determining whether the recipient's disability benefit should be terminated is that the recipient is capable of performing a job described in statute instead of capable of performing the recipient's former job.
 - Causes forfeiture of any right a PERS member may have to a disability benefit if the disability was caused by a felony committed by the member.
 - Requires a disability benefit recipient who is eligible for Social Security disability insurance (SSDI) payments to apply for SSDI, and reduces the disability benefit if the total of the benefit and the SSDI payment exceeds the recipient's adjusted final average salary.

Service credit

- Changes the cost to the member of purchasing certain service credit to an amount equal to 100% of the additional liability to PERS resulting from the additional credit.
- Eliminates free service credit for periods during which a PERS member was out of service and receiving workers' compensation benefits, but permits the member to elect to purchase the credit and requires the employer to make the employer contribution if the member makes that election.
- Requires a PERS member who is elected or appointed to office to pay both the employee and employer contribution to receive credit for a pay increase that was not paid because it was granted during the members term in office (rather than paying only the employee contribution).

- Provides that for the surviving spouse of a PERS member who dies on or after the bill's effective date to be eligible to purchase service credit the member would have been eligible to purchase, the member must have initiated the purchase before death.
- Provides that the bill's service credit changes apply only to purchases initiated six months after the bill's effective date.

Membership

- Establishes time limits and procedures for requesting determinations of whether individuals providing personal services to public employers are public employees and subject to PERS membership.

Credit for full-time service

- Increases to \$1,000 (from \$250) the amount a PERS member must earn in a month to receive full credit for that month and provides for future increases based on increases in the cost of living.
- Limits the time during which a PERS member may elect a transfer or purchase of credit for service under the Ohio Police and Fire Pension Fund, State Highway Patrol Retirement System, or Cincinnati Retirement System to a period just before anticipated receipt of a disability or retirement benefit and provides that the credit cannot be used in determining eligibility for health care coverage or any coverage premium.
- Expands PERS law governing recovery of retirement benefit overpayments to include payments made to a third party on a recipient's behalf.

Ohio Police & Fire Pension Fund (OP&F)

- Increases police officer and firefighter contributions by increments to 12% (from 10%) of salary beginning with the payroll period ending not later than 31 days after the bill's effective date.
- Increases the age requirement for an unreduced retirement pension with 25 years of service to age 52 (rather than 48) for those whose OP&F membership begins on or after January 1, 2011.
- Establishes an early (reduced) retirement pension for members with 25 years of service credit and age 48 whose OP&F membership begins on or after January 1, 2011.

- Provides that, in calculating average annual salary (AAS), five years (rather than three) is to be used for members who have less than 15 years of active service on January 1, 2011.
- Delays to age 55 eligibility for a cost-of-living adjustment for a retirement pension or disability benefit recipient.
- Revises what may be considered "terminal pay" for purposes of computing salary on which contributions are made.
- Provides that a member must have attained age 52 (rather than be eligible to retire) to participate in the deferred retirement option plan (DROP) and must participate in the plan for six years (rather than four) to receive the entire DROP accrual.

State Teachers Retirement System (STRS)

- Increases member contributions by increments to 12.5% (from 10%) of compensation beginning July 1, 2011.
- Increases the requirement for an unreduced retirement benefit to 35 years of service credit (from 30), beginning August 1, 2015.
- Increases the requirement for early retirement with a reduced benefit to 30 years of service credit (from 25) at age 55, beginning August 1, 2015.
- Reduces the benefit accrual rate to 2.5% of final average salary (FAS) for each year of service credit beyond 30 years (rather than 2.5% plus an amount increasing by .1% of FAS for each year beyond 30), beginning August 1, 2015.
- Increases the number of years used to calculate a member's final average salary (FAS) to five (from three), beginning August 1, 2015.
- Permits an STRS member who under current law would be eligible to retire on July 1, 2015 to retire on or after August 1, 2015 under current law's eligibility and benefit provisions.
- Reduces the cost-of-living adjustment (COLA) to an annual 2% (from 3%) for those retiring no later than July 31, 2011 and 1.5% (from 3%) for those retiring on or after August 1, 2011.

School Employees Retirement System (SERS)

- Effective July 1, 2015:
 - Establishes a minimum retirement age of 57.
 - Increases service credit and age requirements for eligibility retirement for members hired before May 14, 2008 to match those for members hired on or after that date.
 - Uses an actuarial equivalent to determine a reduced benefit for early retirement instead of a percentage specified by law.
 - Eliminates the commuted service allowance calculation.

State Highway Patrol Retirement System (SHPRS)

- Increases the contribution rate for State Highway Patrol Retirement System (SHPRS) members to 11% of salary (from 10%).
- Increases the number of years used in determining final average salary (FAS) to five (from three) for use in determining benefits.
- Reduces the annual cost-of-living adjustment (COLA) to 2% (from 3%), except in certain instances.
- Provides that no recipient of an SHPRS pension (including those receiving a disability or survivor pension) is to receive a COLA before attaining age 60.
- Provides that, for deferred retirement option plan (DROP) participants, the additional 1% of contribution required by the bill is to be deposited in the SHPRS Employer Accumulation Fund and not to accrue to the benefit of the member.

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CONTENT AND OPERATION

Public Employees Retirement System

The bill changes retirement and disability benefit eligibility criteria for certain PERS members and increases the cost of purchasing certain service credit. The eligibility changes apply to PERS members who will not be eligible to retire until ten or more years after the bill's effective date except for members who have at least 20 years of total service credit on that date. They apply to all PERS members, including members who are law enforcement officers or public safety officers. This analysis refers to PERS members who are not in the system's law enforcement or public safety division as "regular" members.

For purposes of this analysis, PERS members in "Group I" are PERS members who, on the bill's effective date, are eligible to retire or, using current criteria, will be eligible to retire not later than ten years after the bill's effective date or on that date have 20 or more years of total service credit. Members in "Group II" are PERS members who

do not meet the criteria for Group I or become PERS members after the bill's effective date.

Retirement eligibility

Regular members

Most PERS members are in the system's defined benefit ("Traditional") plan, which provides benefits under a formula that considers salary, years of service, and sometimes age. Currently, to be eligible to retire under that plan, a regular PERS member must meet one of the following sets of criteria:

(1) For an unreduced benefit--have earned five or more years of service credit and attained age 65 or earned 30 or more years of service credit, regardless of age;

(2) For a reduced benefit--have earned 25 or more years of service credit and attained age 55 or earned five or more years of service credit and attained age 60.

Eligibility requirements for PERS members in Group I are unchanged by the bill. Eligibility requirements for Group II members are increased to require one of the following sets of criteria:

(1) For an unreduced benefit--have earned five or more years of service credit and attained age 67 or earned 32 or more years of service credit and attained age 55;

(2) For a reduced benefit--have earned 25 years or more years of service credit and attained age 57 or earned five or more years of service credit and attained age 62.

Purchased service credit may be used in determining eligibility, but only if the credit was purchased or obtained not later than ten years after the effective date of the bill.¹

A member seeking to retire must file with the PERS Board an application for retirement. Current law provides that retirement is effective not later than the first day of the month immediately following the later of the last day for which compensation was paid or the attainment of minimum age or service credit eligibility for retirement. As a result, a member may receive retroactive payments for a benefit that began after the member was eligible to receive it. The bill provides that retirement is effective not later than the later of the times specified in current law or the first day of the month immediately following the date that was 90 days prior to receipt by the Board of the member's completed retirement application. In so doing, the bill eliminates retroactive

¹ R.C. 145.32.

payments for retirement applications submitted more than 90 days after eligibility is obtained.

Law enforcement and public safety officers

PERS has special retirement and benefit provisions for certain law enforcement officers and public safety officers.² Officers whose primary duties are the preservation of the peace, protection of life and property, and enforcement of Ohio laws are in the PERS law enforcement division. Officers whose primary duties are *other* than to preserve the peace, protect life and property, and enforce Ohio laws are in the PERS public safety division. Both groups participate in the defined benefit plan. They include a variety of law enforcement and public safety officers such as deputy sheriffs, township police, and state university law enforcement officers. Full-time municipal police officers are in the Ohio Police and Fire Pension Fund (OP&F).

PERS law enforcement officers and PERS public safety officers must meet one of the following sets of criteria to be eligible for a retirement benefit under current law:

(1) For an unreduced benefit:

(a) Have attained age 48 with 25 or more years of service credit as a PERS law enforcement officer;

(b) Have attained age 52 with 25 or more years of service credit as a PERS public safety officer or 25 years or more of combined service credit as a PERS law enforcement officer and service as a PERS public safety officer;

(c) Have attained age 62 with 15 or more years of service credit as a PERS law enforcement officer or PERS public safety officer.

(2) For a reduced benefit:

(a) Have attained age 48 with 25 or more years of service credit as a PERS public safety officer if the officer voluntarily resigns or is discharged for a reason other than death, dishonesty, cowardice, intemperate habits, or conviction of a felony;

(b) Have attained age 48 with 25 or more years of combined service credit as a PERS law enforcement officer and service as a PERS public safety officer;

(c) Any age with 15 or more years of service credit as a PERS law enforcement officer or PERS public safety officer, but payment of benefits is deferred until age 52 and

² R.C. 145.32.

the officer must voluntarily resign or be discharged for a reason other than death, dishonesty, cowardice, intemperate habits, or conviction of a felony.

Eligibility requirements for PERS law enforcement officers and PERS public safety officers in Group I are unchanged by the bill. For officers in Group II, the bill requires an additional two years of service credit to be eligible to retire.³ These officers must meet one of the following sets of criteria:

(1) For an unreduced benefit:

(a) Have attained age 50 with 25 or more years of service credit as a PERS law enforcement officer;

(b) Have attained age 54 with 25 or more years of service credit as a PERS public safety officer or 25 or more years of combined service credit as a PERS law enforcement officer and service as a PERS public safety officer;

(c) Have attained age 64 with 15 or more years of service credit as a PERS law enforcement officer or PERS public safety officer.

(2) For a reduced benefit:

(a) Have attained age 48 with 25 or more years of service credit as a PERS law enforcement officer;

(b) Have attained age 50 with 25 or more years of service credit as a PERS public safety officer or 25 or more years of combined service credit as a PERS law enforcement officer and service as a PERS public safety officer;

(c) Any age with 15 or more years of service credit as a PERS law enforcement officer or PERS public safety officer, but payment of benefits is deferred until age 54.

As under current law, to qualify for a reduced benefit, a member must voluntarily resign or be discharged for a reason other than death, dishonesty, cowardice, intemperate habits, or conviction of a felony. If the benefit is based on 25 or more years of service it is to be the actuarial equivalent of an unreduced benefit adjusted for age. The benefit for retirement with 15 years of service is the same as current law: 1½% of the member's final average salary multiplied by the number of years of total service credit.

³ R.C. 145.332.

Final average salary

In the PERS defined benefit plan, retirement, disability, and survivor benefits are calculated using factors of salary, years of service, and sometimes age. The salary used in the calculation is the member's final average salary, which is the average of the three years of contributing service in which the member's salary was highest.⁴ The bill changes to five the number of years used in calculating final average salary of some members.⁵ The change to five years applies to all of the following: (1) members in Group II, (2) disability benefit recipients who if able to continue working would be in Group II, and (3) survivors of members who if working would be in Group II.

Retirement allowances

Unreduced allowance

PERS uses two different formulas to calculate a retirement or disability retirement allowance for regular PERS members and pays under the formula that provides for the larger allowance.⁶ This is usually the formula using the member's years of service credit, final average salary (FAS), and sometimes age. Under this formula, the retirement allowance of a PERS member who is age 65 or has at least 30 years of service credit is calculated by multiplying 2.2% of the member's FAS by each of the first 30 years of service and 2.5% of FAS by each year over 30. If the member has less than 30 years of service and the FAS is less than \$3,909, the second formula is used. Under that formula, the member's allowance is calculated using a minimum benefit of \$86 multiplied by the number of years of service credit.

Current law's formulas for calculating retirement allowances for PERS members in Group I are unchanged by the bill. For members in Group II, retirement allowances are calculated by multiplying 2.2% of FAS by the first 35 years of service, instead of the first 30 years, and 2.5% of FAS by every year over 35 instead of over 30. The bill eliminates the second formula with the \$86 minimum benefit calculation for Group II members.

The alternative formula PERS uses to calculate an allowance consists of the sum of the following amounts:

(1) An annuity with a reserve equal to the amount of the member's accumulated contributions;

⁴ R.C. 145.01.

⁵ R.C. 145.017.

⁶ R.C. 145.33.

(2) A pension of an equivalent amount;

(3) An additional pension of \$40 multiplied by the number of years of credit for prior service;⁷

(4) For members who accumulated ten or more years of service credit prior to October 1, 1956, a basic annual pension of \$180, except that the annual pension cannot exceed the sum of the total annual benefits provided under (1), (2), and (3).

Current law's alternate formula for PERS members in Group I is unchanged by the bill, except that the pension will not include amounts attributable to certain service credit purchases, see "**Service credit**," below. The bill modifies the alternative formula for Group II members to exclude certain extra amounts for prior service other than military service and for service prior to October 1, 1956, so that the allowance consists of the sum of the following amounts:

(1) An annuity with a reserve equal to the amount of the member's accumulated contributions;

(2) A pension of an equivalent amount (except for amounts attributable to certain service credit purchases, see "**Service credit**," below);

(3) An additional pension of \$40 multiplied by the number of years of prior *military* service credit.

Accumulated contributions

The bill reduces the accumulated contributions used to determine the pension portion of the allowance to be paid under the alternative formula discussed above, which will have the result of reducing that allowance.⁸ The reduction applies to both Group I and Group II members. Under current law, the accumulated contributions used to determine both the annuity and pension portions of the allowance under the alternative formula include all contributions made by the member, including amounts contributed for the purchase of service credit. The annuity is based on employee contributions and paid from the Employee's Savings Fund. The pension is based on employer contributions and paid from the Employers' Accumulation Fund.

The bill excludes from calculation of the pension portion of the retirement allowance calculated under the alternative formula service credit purchases for which

⁷ "Prior service" is service before January 1, 1935 (R.C. 145.01).

⁸ R.C. 145.33, 145.332, 145.34, 145.36, and 145.37.

no amount was paid into the Employers' Accumulation Fund. Therefore, all of the following are excluded from the accumulated contributions used in calculating the pension portion of the allowance: (1) credit reflecting a pay raise an elective official did not receive because it was granted during the officials' term in office, (2) credit for service after January 1, 1935, for which no retirement contributions were made, (3) credit for interrupted service with the United States Employment Service, (4) credit for service as an elective official prior to joining PERS, (5) additional credit that may be purchased by elective and certain appointed officials, (6) credit for service for periods in which the member was exempt from PERS membership, (7) credit for leave of absence or for a period of absence due to pregnancy or adoption of a child, (8) credit for service rendered in another state, with the U.S. Government, or under an Ohio municipal retirement system, (9) credit for service rendered as a school board member, (10) credit for military service that occurred prior to public employment or time spent as a prisoner of war, (11) credit for a period during which a member was out of service due to illness, injury, or other employer-approved reason, and (12) conversion of credit from the PERS defined contribution plan to the defined benefit plan.

Reduced allowance

A PERS member may retire before age 65 or with less than 30 years of service and receive a reduced allowance. The allowance is reduced by a percentage listed in statute for every year in which the member retires before age 65 or with less than 30 years of service. For example, the allowance of a member who retires at age 58 (with at least 25 years of service credit) is reduced by 25%. The allowance of a member who retires at age 64 (with at least five years of service credit) is reduced by 3%.

The bill makes no changes to reduced allowance calculations for Group I members who will be eligible to retire not later than five years after the bill's effective date. The bill changes the way the reduction is determined for Group I members who will be eligible to retire more than five years after that date. For these members who retire early, the allowance will be adjusted to be the actuarial equivalent of the member's retirement allowance had the member retired at age 65 or with 30 years of service credit. Members in Group II who retire early will receive an allowance that is the actuarial equivalent of the member's allowance had the member retired at age 67 or age 55 with 32 years of service.

Law enforcement and public safety

Unreduced allowance

The formulas used to calculate unreduced retirement allowances for PERS members in the law enforcement or public safety divisions are unchanged by the bill. PERS calculates the unreduced retirement allowance of a PERS member in either of

those divisions under a formula using the member's final average salary and years of service.⁹ Under current law, the annual retirement allowance is calculated by multiplying 2.5% of final average salary by the first 25 years of service and adding 2.1% of final average salary for every year over 25.

The bill retains current law's formula for calculating an unreduced retirement allowance for PERS law enforcement and public safety division members in both Group I and Group II.

Reduced allowance

Current law does not provide for a reduced retirement allowance for a PERS member whose retirement is based on 25 or more years of law enforcement service. Such a member can retire with an unreduced allowance at age 48. A reduced allowance is available to a member with 25 or more years of service as a public safety officer or a total of 25 or more years of public safety and law enforcement service. Such a member can retire at age 52 with an unreduced allowance or between 48 and 52 with a reduced allowance. An allowance is reduced by a percentage specified in statute that varies from 25% for retirement at age 48 to 7% for retirement at age 51. For members in Group I the only change the bill makes is that, starting five years after the bill's effective date, any reduction will be based on an actuarial determination: the member will receive the actuarial equivalent of the member's retirement allowance adjusted for age.

For members in Group II, who will need an additional two years' service for an unreduced allowance, a reduced allowance will be available (1) at age 48 for a member with 25 or more years of law enforcement service or (2) at age 50 for a member with 25 or more years of service as a public safety officer or a total of 25 or more years of public safety and law enforcement service. In both cases, the reduced allowance will be the actuarial equivalent of the member's retirement allowance adjusted for age.

A PERS member with 15 or more years of service as a PERS law enforcement officer or PERS public safety officer may retire early and receive a reduced benefit. The retirement allowance is calculated by multiplying 1.5% of final average salary by the number of years of the member's service credit. Under current law, payment of the retirement allowance commences on the first day of the calendar month following the month in which application is filed with the Board on or after the member's attainment of age 52. The bill makes no changes for Group I members who attain age 52 not later than ten years after the bill's effective date. The bill provides that if the member will not attain age 52 on or before that date, the allowance commences on the first day of the

⁹ R.C. 145.332 (R.C. 145.33 in current law).

calendar month following the month in which application is filed with the Board on or after the member attains age 54.

Cost-of-living adjustments

PERS provides an annual cost-of-living adjustments (COLA) to each recipient of a benefit in the form of a (1) retirement allowance, (2) disability benefit, or (3) benefit as a member's surviving spouse, surviving child, or surviving parent.¹⁰ A recipient is eligible for a COLA upon receiving a benefit for 12 months. The PERS Board uses the original benefit amount to calculate the COLA, unless a new base is established. Under current law, a COLA is 3% of the base amount.

Until December 31 of the fifth full year after its effective date, the bill retains current law's percentage of 3% to calculate a COLA regardless of when the benefit was granted. After that date, recipients whose benefits are granted not later than the bill's effective date will continue to receive a 3% COLA. For recipients whose benefits are granted after the bill's effective date the percentage used to calculate the COLA equals any increase in the Consumer Price Index (CPI) for the immediately preceding year, not exceeding 3%. The bill specifies that if the CPI does not increase, no COLA is to be granted to these recipients.

The bill also modifies vesting statutes to exclude COLAs granted after the bill takes effect.¹¹ Under current law, a retirement allowance, annuity, pension, or other benefit under the PERS Traditional Plan vests on the granting of the benefit, which means that the member has earned a nonforfeitable right to the portion of the benefit that is funded by employer contributions. Contributions made by the member are nonforfeitable at all times. The bill specifies that the PERS vesting provisions do not apply to COLAs granted after the bill's effective date.

Disability benefits

PERS members (other than any in the Member Directed Plan) who have five years of service credit have coverage for long-term disability. Regardless of length of service, disability coverage due to on-duty illness or injury is provided to members who are law enforcement or public safety officers. Depending on when the member first joined PERS, the benefit is disability retirement or a disability allowance. Disability retirement continues until the member recovers or dies. A disability allowance continues until the member recovers or dies, the benefit has been paid for a specified number of years, or the member has reached an age specified in statute. After a

¹⁰ R.C. 145.323, 145.561, and 145.95.

¹¹ R.C. 145.561.

disability allowance terminates, the member is eligible for a retirement allowance. The Revised Code uses the term "disability benefit" to refer to either a disability allowance or disability retirement.¹²

Application for a disability benefit must be made within two years from the date the member ceases to make contributions to the PERS defined benefit plan, unless the PERS Board determines that the member's medical records demonstrate conclusively that at the time the two-year period ended the member was physically or mentally incapacitated for duty and unable to make an application.

Medical examination of a member who has applied for a disability benefit is to be conducted by a competent disinterested physician or physicians selected by the Board to determine whether the member is mentally or physically incapacitated for the performance of duty by a disabling condition either permanent or presumed to be permanent. A disability is presumed to be permanent if it is expected to last for a continuous period of not less than 12 months following the filing of the application. If the physician or physicians determine that a member qualifies for a disability benefit, the board concurs with the determination, and the member agrees to medical treatment, the member is to be granted a disability benefit.

A disability benefit recipient retains membership status and is considered on leave of absence from employment during the first five years following the effective date of a disability benefit. Should the Board determine that a disability benefit recipient is no longer disabled before the leave of absence ends, the recipient's last employer before being found disabled must restore the recipient to the recipient's previous position and salary or a similar position and salary unless the recipient was dismissed or resigned in lieu of dismissal for dishonesty, misfeasance, malfeasance, or conviction of a felony.

The bill makes several changes to PERS disability coverage, including provisions concerning exclusions from coverage, cessation of contributions, leaves of absence, disability standards, forfeiture, continued employment, and offset of Social Security disability insurance payments.

Cosmetic surgery exclusion

The bill provides that PERS disability coverage does not extend to disability resulting from cosmetic surgery other than reconstructive surgery.¹³

¹² R.C. 145.01(N), 145.35, and 145.362.

¹³ R.C. 145.35.

Application deadline

A PERS member may apply for a disability benefit for up to two years after contributions cease. Under the bill, however, the Board may consider an application made after the member's contributing service ceases only if the disabling condition began while the member was contributing or is related to work performed while the member was contributing.

Leave of absence

The current provision under which a disability benefit recipient is considered to be on a leave of absence for five years continues under the bill for disability benefit recipients whose benefit effective date is before the bill's effective date. A disability benefit recipient whose benefit effective date is on or after the bill's effective date will retain membership status and be considered on leave of absence from employment during the first three years following the effective date of the benefit. However, if the member is receiving rehabilitative services acceptable to the Board, the Board may permit the member to retain membership status and be considered on leave of absence from employment for up to five years following the effective date of the benefit.¹⁴

Disability standards

The bill retains the existing standard for an initial disability determination but expresses it more directly. Under current law, to be granted a disability benefit a member must be mentally or physically incapacitated for the performance of duty. The bill provides that the standard is that the member "is mentally or physically incapable of performing the duties of the position held at the time the disabling condition began or a position with similar duties."¹⁵

The bill establishes a more restrictive standard for continuing a disability benefit if the benefit is granted after the bill's effective date.¹⁶ Disability benefit recipients are subject to annual medical examination, although the Board is authorized to waive the examination if the disability is ongoing. On completion of an examination, current law requires the Board's physician or physicians to certify whether the recipient is no longer physically and mentally incapable of resuming the service from which the recipient was found disabled. If the recipient is no longer incapable, the disability benefit is terminated. The bill retains this standard for any recipient whose benefit effective date is before the bill's effective date or, if after that date, the recipient has been receiving the

¹⁴ R.C. 145.362.

¹⁵ R.C. 145.35.

¹⁶ R.C. 145.362.

benefit for less than three years or is receiving rehabilitative services acceptable to the Board and considered on leave of absence.

The bill establishes a new benefit termination standard for a recipient to whom all of the following apply: (1) the benefit's effective date is on or after the bill's effective date, (2) the benefit has been paid for three years or longer, and (3) the recipient is not considered on leave of absence due to receiving rehabilitative services acceptable to the Board. Under the new standard, the disability benefit will be terminated if the recipient is not physically or mentally incapable of performing the duties of a position that meets all of the following criteria:

- (1) Replaces not less than 75% of the member's final average salary, adjusted each year by the actual average increase in the Consumer Price Index;
- (2) Is reasonably to be found in the member's regional job market;
- (3) Is one that the member is qualified for by experience or education.

Forfeiture

The bill expands the current limited forfeiture of a retirement allowance or disability benefit by a PERS member who has been convicted of a felony by creating a new forfeiture provision applicable to a member convicted of a felony committed after the bill's effective date that caused the member's physical or mental disability.¹⁷ The new provision applies only to cases to which existing law does not apply.

On the filing of charges against a PERS member alleging that the member committed a felony, the prosecutor assigned to the case is required to send written notice to PERS that the charges have been filed.¹⁸ The notice must specifically identify the person. PERS is prohibited from granting the member a disability benefit unless it determines that the member's disability was not caused by commission of the felony. If the member qualifies for PERS disability coverage or has already been granted a disability benefit, the retirement system must notify the prosecutor that the member may be subject to forfeiture of any right the member may have to a disability benefit.

If a PERS member is being sentenced for a felony offense that caused a physical or mental disability in the member and was committed on or after the bill's effective date, in addition to any other sanction, the court must order forfeiture of any right of

¹⁷ R.C. 145.573 and 2929.193.

¹⁸ R.C. 2901.431.

the member to a PERS disability benefit based on that disability.¹⁹ The forfeiture must be ordered regardless of whether a disability benefit has been requested or granted. The forfeiture is part of, and must be included in, the sentence.

Before sentencing in a case in which the court is required to order forfeiture, the PERS member may request a hearing regarding the forfeiture by delivering a written request for a hearing to the court. If there is a timely request, the court is to schedule the hearing to be conducted before sentencing. Not later than ten days prior to the scheduled date of the hearing, the court must give notice of the hearing date to the member, the prosecutor who handled the case, and PERS. The hearing is limited to determination of whether the member's disability resulted from commission of the offense. If a disability benefit has already been granted, PERS must submit to the court documentation of the evidence on which the benefit was granted.

If the member does not make a timely request for a hearing or if a hearing is held and the court determines that the disability resulted from commission of the offense, the court is required to order the forfeiture of any right the member may have to a PERS disability benefit that is based on that disability. If the disability benefit has already been granted, the court must order termination of the benefit.

The court is required to send PERS a copy of the journal entry imposing sentence. On receipt of the journal entry, PERS must comply with the order. If a disability benefit was granted prior to receipt of the order, PERS must terminate the benefit. Any disability benefit paid to the member prior to its termination may be recovered in accordance with existing law.

The forfeiture provisions are exceptions to provisions of current law that provide for vesting of PERS benefits and protect them from attachment and garnishment.²⁰ The bill provides, however, that the new forfeiture provisions do not prevent a member from withdrawing the member's contributions.²¹

Continued employment

The bill provides that a disability benefit that has been granted a member but has not commenced is not to be paid if the member continues in or returns to employment

¹⁹ R.C. 2929.193.

²⁰ R.C. 145.56, 145.561, and 2329.66.

²¹ R.C. 145.573.

with the same employer in the same position or in a position with duties similar to those of the position the member held at the time the benefit was granted.²²

Social Security disability insurance offset

PERS members who are also employed in the private sector or have earned Social Security coverage through prior employment may be eligible for disability benefits through Social Security's disability insurance (SSDI) program.

With one exception discussed below, the bill requires a PERS disability benefit recipient whose benefit is granted on or after the bill's effective date to apply for SSDI payments if the recipient is eligible for them.²³ The application must be made not later than 90 days after the recipient is granted a PERS disability benefit unless the PERS Board determines from the member's medical records that the member is physically or mentally unable to make the application.

A PERS disability benefit recipient who is required to apply for SSDI must file a copy of the completed application with PERS, which must accept the copy as evidence of the member's application. If a recipient fails without just cause to apply for SSDI or to file a copy of the application with PERS, the PERS disability benefit is to be suspended until application is made and a copy of the application is filed with PERS.

A recipient of a PERS disability benefit who also receives SSDI is required by the bill to file an annual statement of earnings under current law and include the SSDI amount in the statement.

If in any year the total of a disability benefit recipient's PERS benefit and SSDI payments exceeds the recipient's adjusted final average salary, the annual PERS benefit is to be reduced so that the annual total equals the recipient's adjusted final average salary. The recipient's adjusted final average salary is determined by annually increasing the recipient's final average salary by any increase in the Consumer Price Index, not exceeding 3%. If a disability benefit recipient receives retroactive SSDI payments, PERS is authorized to reduce future PERS disability benefits to recoup any overpayments.

The reductions required by the bill do not apply to a PERS disability benefit recipient who has at least five years of service credit for periods during which the recipient had earnings from other employment that was subject to Social Security and Medicare taxes.

²² R.C. 145.35.

²³ R.C. 145.363.

Purchase of service credit

Members of PERS may purchase retirement service credit for a number of types of service for which they have not contributed to PERS. This service includes federal government service, service for another state, and service in Ohio that was previously exempt from PERS. The cost of purchasing the credit varies depending on the type of service. In addition to service that may be purchased, up to three years of credit is provided without any contributions for a period during which a member was out of service and receiving workers' compensation.

The bill changes the cost of purchasing certain types of service credit and imposes a charge on the member and employer for credit related to workers' compensation. The change applies to credit for all of the following: (1) service as an elective official prior to joining PERS,²⁴ (2) additional credit that may be purchased by elective or certain appointed officials,²⁵ (3) service for periods in which a member was exempt from PERS membership,²⁶ (4) service rendered in another state, with the United States government, or with an Ohio municipal retirement system,²⁷ (5) a period of absence due to pregnancy or adoption of a child,²⁸ and (6) a period during which a member was out of service due to illness, injury, or other employer-approved reason.²⁹

The bill standardizes purchase of credit by requiring a PERS member or former member to do both of the following: (1) submit an application to the PERS Board on a Board approved form and (2) for each year, or portion of a year of credit purchased, pay an amount specified by the Board equal to 100% of the additional liability to PERS resulting from the purchase of the year or portion of a year, as determined by an actuary employed by the Board.³⁰ Under current law, in general, a member is required to pay only employee contributions and interest on those contributions that would have been attributed to the employment. A member may continue to choose to purchase only part of the credit in any one payment.

²⁴ R.C. 145.20.

²⁵ R.C. 145.201.

²⁶ R.C. 145.28.

²⁷ R.C. 145.291.

²⁸ R.C. 145.293.

²⁹ R.C. 145.47.

³⁰ R.C. 145.29.

Credit for prior elective service

Current law permits an elective official to purchase service credit for elective service earned prior to joining PERS as long as the service was not subject to Social Security taxes.³¹ The official is required to have completed one-and-a-half years of PERS contributing service. The cost of the credit is calculated by multiplying the member contribution rate in effect at the time of purchase by the official's earnable salary during the period of service, plus interest compounded annually at a rate determined by the PERS Board.

The bill changes the cost of the service credit to an amount equal to 100% of the additional liability to PERS resulting from the purchase of each year or portion of a year of credit.

Purchase of additional service credit by certain officials

Current law permits a PERS member who is an elective official or is appointed by the Governor with the advice and consent of the Senate to serve as a full-time member of a board, commission, or other public body to purchase additional service credit for which there is no corresponding employment in an amount not to exceed 35% of the credit allowed for the period of service as an elective or appointed official.³² Additional credit cannot be purchased for military service, part-time service, or service subject to Social Security taxes. For officials whose membership in PERS began on or after January 1, 2001, federal tax law limits the purchase of additional service to five years and provides that an official is required to have at least five years of credit before being eligible to purchase the service (PERS, "Service Credit and Contributing Months," available online at: <https://www.opers.org/pubs-archive/leaflets/ISL-F.pdf#>).

The credit is purchased by paying into the Employees' Saving Fund an amount calculated by multiplying the employee contribution rate in effect at the time of purchase by the number of years of credit to be purchased and paying into the Employers' Accumulation Fund an amount equal to the amount paid into the Employees' Fund.

The bill changes the cost of the service credit to an amount equal to 100% of the additional liability to PERS resulting from the purchase of each year or portion of a year of credit.

³¹ R.C. 145.20(C).

³² R.C. 145.201.

Period of exemption

Current law permits a PERS member with at least one-and-a-half years of contributing service to purchase service credit for periods in which the member was a state or local government employee but exempt from PERS membership.³³ This may include service as any of the following: (1) a student employed with the school, college, or university in which the student was enrolled and regularly attending classes, (2) an emergency employee serving on a temporary basis in cases of fire, snow, earthquake, flood, or other similar emergency, (3) an individual employed under the "Job Training Partnership Act" (29 U.S.C. 1501), or (4) a teacher employed on a temporary or per annum basis, paid through state funds, or not required to have an educator's license.³⁴

The cost of the credit is calculated by multiplying the member's earnable salary for the 12 months of contributing service preceding the month in which the member applies to purchase the credit by a percentage established by the PERS Board. If the member purchases the credit in more than one payment, compound interest at a rate specified by the Board is to be added to the balance remaining after the first payment is made.

The bill changes the cost of the service credit to an amount equal to 100% of the additional liability to PERS resulting from the purchase of each year or portion of a year of credit.

Period of absence

Current law allows a PERS member who takes a leave of absence approved by the appointing authority or resigns due to pregnancy or adoption of a child and later returns to employment covered by PERS to purchase up to one year of service credit for the period of absence.³⁵ To qualify, the member is required to complete one year of contributing service after returning from the leave. The cost of the credit is calculated by multiplying the earnable salary the member would have received during the leave by the contribution rate in effect at the time of payment, plus interest compounded annually at a rate determined by the PERS Board.

The bill changes the cost of the service credit to an amount equal to 100% of the additional liability to PERS resulting from the purchase of each year or portion of a year of credit.

³³ R.C. 145.28.

³⁴ R.C. 145.03, 3307.24, and 3309.23.

³⁵ R.C. 145.291.

In-term pay increase

Current law provides that if a PERS member elected or appointed to an office with a term of two or more years and an annual salary is denied an in-term pay increase due to a constitutional provision prohibiting the pay increase, the member may elect to have the amount of the member's contributions calculated on the basis of the increased salary.³⁶ Doing so would permit the member to use the increased salary in any calculation used to determine a benefit for the member or the member's beneficiaries. The member may elect to have the amount by which the member's contribution would have increased withheld from the member's salary or may make a payment to the system equal to the additional amount the member's contribution would have increased, plus interest compounded annually.

The bill provides that the member must elect to have the amount of both the member and the employer contributions calculated on the basis of the increased salary (rather than only the member contributions).³⁷ On the request, the Board is to compute the total additional amount the member and employer would have contributed, or the amount by which each of the member's and employer's contributions would have increased, had the member received the increased salary.

The employee making the election is to contribute both the increased employee and employer contribution. The member is required to notify the employer that the member is electing to have the combined amount withheld from the member's salary. The employer is to make the withholding commensurate with the period of denied salary increase and transmit it to the retirement system. The bill therefore eliminates the option of making the payment at a later date.

If a member elects to have the amounts described above withheld, the increased average salary is to be used in any benefit calculation.

Workers' compensation

Current law permits a PERS member to receive up to three years of service credit, without making contributions, for a period during which the member was out of service and receiving benefits from the Bureau of Workers' Compensation.³⁸ The bill eliminates the free credit and instead permits the member to purchase credit.³⁹ For each

³⁶ R.C. 145.01.

³⁷ R.C. 145.2916.

³⁸ R.C. 145.01 and 145.41.

³⁹ R.C. 145.01, 145.2915, and 145.41.

year of credit, the member must pay PERS an amount equal to the employee contribution that would have been paid had the member not been out of service, plus compound interest. The member may choose to purchase only part of the credit. A member employed by more than one public employer is eligible to purchase credit only for the position for which the member received workers' compensation. The number of years that may be purchased remains limited to three.

The bill provides that if a member purchases credit, the employer to which workers' compensation benefits are attributed is required to pay PERS an amount equal to the employer contribution the employer would have paid had the member not been out of service. In addition, the employer is required to pay compound interest on those amounts, but only if the employer fails to pay the employer contributions no later than the earlier of five years or three times the time period in which the employee received workers' compensation benefits, beginning the date the employee returned to employment.

Withdrawal of accumulated contributions

The bill expands the purchased service credit for which a member who is taking a refund may receive an additional amount paid from employer contributions. A PERS member who ceases to be a public employee for any cause other than death, retirement, receipt of a disability benefit, or an election to participate in an alternative retirement plan offered by a public institution of higher education may withdraw the member's accumulated contributions. If a member dies prior to retirement, the member's accumulated contributions may be paid to the member's beneficiaries or survivors. A member with sufficient service credit or the member's beneficiary is eligible to receive the additional amount. The additional amount is determined by the member's years of service credit. A member with at least five, but less than ten, years of service credit is eligible to receive an additional amount equal to 33% of the member's eligible contributions. A member with at least ten years of service credit is eligible to receive an additional amount equal to 67% of the member's eligible contributions.

The following types of purchased service credit are included in determining eligibility for matching funds: (1) credit for service in the Ohio Police and Fire Pension Fund or State Highway Patrol Retirement System, (2) credit for military service that interrupts public employment, (3) credit for service to the state or a local government that occurred prior to establishing PERS membership, and (4) credit for a leave of absence due to illness, injury, or other employer-approved reason.

The bill adds the following to the types of service credit included in determining eligibility for the additional amount: (1) credit transferred or purchased from the

Cincinnati Retirement System, (2) credit for a period receiving workers' compensation, and (3) credit reflecting in-term pay raises for elective or appointed officials.

Payment plan for purchasing service credit

A PERS member may purchase or restore service credit by payroll deduction under current law.⁴⁰ The bill authorizes the Board to establish a payment plan for the cost of purchasing or restoring service credit. The plan may provide for partial payments and payments by payroll deduction. On receipt of a request from a member eligible to purchase or restore credit, the retirement system is required to determine and give notice to the member of the total cost of the credit and the time period in which payments are to be made for the credit to be available at that cost. The system may specify the amount and frequency of payments for credit not purchased in a single payment.

Service credit of a deceased member

Current law permits the surviving spouse or dependents of a PERS member who dies prior to retirement to purchase any service credit the member could have purchased.⁴¹ The purchase may be made under the same terms and conditions that would have applied to a purchase by the member. The bill continues this until one year after the bill's effective date, but only for the surviving spouse or dependents of a member who dies before that date.

In the case of a member who dies on or after the bill's effective date, only the surviving spouse may purchase credit the member could have purchased and then only if the member initiated the purchase before death. The terms and conditions for continuing the purchase are to be the same as those that applied at the time the member initiated the purchase. A purchase is considered to have been initiated before the member's death if the member made one or more payments.

Health insurance under coordination of benefits provisions

The laws governing PERS, STRS, and SERS provide for coordination of benefits.⁴² The benefits are considered coordinated because service credit earned in two or all three of these retirement systems can be combined to determine eligibility for a disability or retirement benefit and the amount of the benefit. If a member of one of the systems who has service credit in one or both of the other systems elects coordination, the

⁴⁰ R.C. 145.294.

⁴¹ R.C. 145.452.

⁴² R.C. 145.37.

retirement system in which the member has the greatest service credit determines and pays the total disability or retirement benefit. For example, an STRS member with 10 years of STRS service credit and 20 years of PERS credit can retire with a total of 30 years of PERS service. The member will retire under PERS because the amount of PERS service credit is the greatest.

For some PERS members, the bill's changes to coordination of benefit provisions will affect eligibility for health care coverage and premiums for that coverage.⁴³ In PERS a member must have at least ten years of service credit at the time of retirement to qualify for coverage. The bill provides that service credit from SERS or STRS that is used under the coordination of benefits provisions cannot be used in determining whether the ten-year requirement is met. It also provides that SERS and STRS service credit cannot be used in determining premiums.

PERS membership

(R.C. 145.01, 145.036, 145.037, and 145.038)

In the law governing PERS, the definition of "public employee" generally determines who is subject to compulsory PERS membership. "Public employee" includes almost all state and local government employees who are not members of one of the state's other four retirement systems or the Cincinnati Retirement System. In all cases of doubt, the PERS Board is to determine who is a public employee; its decision is final.⁴⁴

The bill would maintain the principle that the Board determines who is a public employee and the finality of its decisions, but would create procedures and time limits for requesting determinations. Individuals who provided personal services to a public employer on or before the bill's effective date but were not included in PERS may, not later than one year after that date, request a determination of whether they are public employees and should be in PERS.⁴⁵ Those who begin providing services after the bill's effective date may request the determination not later than five years after the services begin.⁴⁶ Exceptions to these deadlines can be made for individuals who are mentally or physically incapacitated when the deadline occurs.

⁴³ R.C. 145.58.

⁴⁴ R.C. 145.01.

⁴⁵ R.C. 145.037.

⁴⁶ R.C. 145.038.

The right to request a determination does not apply to an individual employed by a business entity under contract with a public employer to provide personal services to the employer. "Business entity" means a corporation, association, firm, limited liability company, partnership, sole proprietorship, or other entity engaged in business.

Service on or before the bill's effective date

Not later than 30 days after the bill's effective date, the PERS Board is to notify each public employer of the right of an individual who has provided personal services to a determination of whether the individual is a public employee.⁴⁷ The notice must be accompanied by a form used to request a determination. Not later than 60 days after the bill's effective date, the employer must send a notice of the right to seek a determination and a copy of the form to each individual providing personal services who is not classified as a public employee. The notice must be sent to the individual's last known address on record with the employer.

On receipt of a properly completed form, the Board must determine whether the individual should have been classified as a public employee. If the Board determines that the individual is not a public employee, the individual is to be considered an independent contractor with regard to the services in question. The Board's determination is final.

The Board must notify the individual and the employer of its determination. The determination applies to services performed before, on, or after the bill's effective date for the same employer in the same capacity.

The one-year deadline for requesting a determination applies regardless of whether the individual actually receives notice of the right to request the determination.

After the bill's effective date

A public employer who on or after the bill's effective date begins to receive personal services from an individual it does not classify as a public employee is required by the bill to inform the individual of the classification and that no contributions will be made to PERS for the employment.⁴⁸ No later than 30 days after the services begin, the employer must require the individual to acknowledge, in writing on a form provided by PERS, that the individual has been informed that the employer does not consider the individual a public employee and no contributions will be made

⁴⁷ R.C. 145.037.

⁴⁸ R.C. 145.038.

to PERS. The employer must retain the acknowledgement and immediately transmit a copy of it to the system.

Regardless of whether the individual has made the acknowledgment required by the bill, an individual may request that the Board determine whether the individual is a public employee. The five-year deadline mentioned above applies unless the individual is incapacitated or the employer has not obtained, or has failed to retain, the acknowledgment.

On receipt of a request for a determination, the Board must determine whether the individual is a public employee and notify the individual and the employer. Any determination by the Board applies to services performed before, on, or after the effective date of the bill. The Board's determination is final.

Annual report

Each public employer is required by the bill to transmit to PERS a list of all individuals providing personal services who at any time during the preceding year received compensation for which contributions were not made to PERS.⁴⁹ The list must be transmitted on or before the last day of January of each year and contain the name of each individual and any other information required by PERS.

If there is doubt at the time the list is compiled, or at any other time, regarding whether an individual providing personal services is a public employee, the employer must make a request to the Board for a determination. On receipt of the request, the Board must determine whether the individual is a public employee with regard to the services in question. If the board determines that the individual is not a public employee, the employee is to be considered an independent contractor with regard to the services in question.

The bill specifically authorizes the Board to adopt administrative rules under existing law to implement these provisions.⁵⁰

Calculating full-time service

Under current law, credit for less than full-time service in PERS is calculated under the definition of "contributing service."⁵¹ "Contributing service" means all service

⁴⁹ R.C. 145.036.

⁵⁰ R.C. 145.038.

⁵¹ R.C. 145.01(T).

credited to a PERS member for which contributions are made. Credit for service is allowed by the following formula:

(1) For each month for which the member's salary (referred to by PERS as earnable salary) is \$250 or more, one month's credit.

(2) For each month for which the member's earnable salary is less than \$250, a fraction of a month's credit.

The bill establishes a new formula for determining contributing service during or after the first full year beginning after the bill's effective date.⁵² Under the bill, credit for contributing service is to be allowed in accordance with the following:

(1) For the first full year beginning after the bill's effective date, the amount that must be earned to receive a full month's credit is \$1,000.

(2) For each calendar year thereafter, the amount that must be earned to receive a full month's credit is the prior year's amount plus an amount determined by multiplying the prior year's amount by the federal government's average wage index, rounded up to the next dollar, for the most recent year for which information is available on June 30 of the year immediately preceding the year for which the sum is being calculated. For example, if the average wage index for 2011 was 2% and was used to determine the 2012 amount, the 2012 amount would be \$1,000 plus 2% of \$1,000 (\$20) or \$1,020.

For each month that the member's salary is less than the monthly amount required in that year, a fraction of a month's credit is to be allowed. The fraction is to be determined by dividing the earnable salary for the month by the monthly amount in that year. The bill provides that this provision cannot reduce any credit earned before the first full year beginning after the bill's effective date.

Credit for uniform system or Cincinnati service

The bill restricts when certain credit may be transferred to PERS. A PERS member may obtain PERS service credit for service for which contributions were made to one of the uniform systems (Ohio Police and Pension Fund and the State Highway Patrol Retirement System) or to the Cincinnati Retirement System (CRS) either through transfer of the contributions or, if the member has withdrawn the contributions, by purchase of the service credit.⁵³ Credit for military service credit purchased or obtained

⁵² R.C. 145.016.

⁵³ R.C. 145.295, 145.2911, 145.2912, and 145.2913.

from a uniform system or CRS can also be transferred or purchased, as can credit for service that was initially covered by PERS but transferred to one of the uniform systems.

At the request of a PERS member who has contributions on deposit with one of the uniform retirement systems or CRS, a transfer can be made to PERS. It consists of (1) the member's contributions to the uniform system or CRS, (2) the amount the employer contributed or, if that is higher than the PERS contribution, would have contributed had the member been in PERS, and (3) interest. A PERS member with at least 18 months of contributing service in PERS who has withdrawn contributions from a uniform system or CRS may initiate a purchase. The member must pay an amount equal to the amount withdrawn, plus interest. The uniform system or CRS must pay the amount the employer contributed or would have contributed had the member been in PERS, plus interest on that amount and on the amount withdrawn by the member. This interest is for the period from the end of the year in which the credit was earned to the date the member's contributions were withdrawn.

The only current limitation on when PERS credit for service under a uniform system or CRS may be transferred or purchased is that, in the case of a purchase, the member must have at least 18 months of PERS contributing service. Under the bill, a member will be permitted to initiate a transfer or purchase only if the member is eligible, or with the credit will be eligible, to retire or receive a disability benefit and agrees to retire or accept a disability benefit not later than 90 days after receiving notice from PERS that the credit has been obtained. Since one of the components in the cost of purchasing credit is interest, a member who would have purchased the credit prior to becoming eligible to retire will pay more for the credit than might otherwise have been the case.

The bill requires PERS to withdraw credit transferred or purchased under this section and refund the amount transferred or paid if either of the following occurs:

- (1) The member fails to retire or accept a disability benefit not later than 90 days after receiving notice from PERS that the credit has been obtained;
- (2) The member's application for a disability benefit is denied.

The bill may also affect a member's eligibility for PERS health care coverage or the premium for that coverage. To be eligible for health coverage, a retired member must have earned at least ten years of service credit. The bill provides that service credit transferred or purchased from a uniform system or CRS cannot be used in determining whether the ten-year requirement has been met. It also provides that the credit cannot be used in determining premiums for health care coverage.

Repayment

(R.C. 145.563)

A person who receives a benefit or payment from PERS to which the person is not entitled is required by current law to repay PERS. This applies to a member, former member, contributor, retirant, beneficiary, or alternate payee (a party in a marriage termination action who is to receive one or more payments under a court order from a PERS benefit or lump sum payment (R.C. 3105.80)). If the person fails to make the repayment, PERS is required to withhold the amount due from any benefit due the person or the person's beneficiary or may collect the amount in any other manner provided by law.

The bill extends the current provision to any payment made to a third party on a person's behalf and provides that the payment must be repaid by the person or the third party. The bill also permits PERS to withhold the amount to be repaid or a portion of the amount from any benefit or payment due the person or a beneficiary and specifies that the repayment provisions are notwithstanding current law under which PERS benefits are vested.⁵⁴

Effective date

(Section 4)

Purchase of service credit in PERS is unaffected until six months after the bill's effective date. In addition, any service credit purchases initiated not later than that date continue at the cost of the credit on that date (i.e., they are unaffected by the bill). A service credit purchase is considered initiated if PERS receives one or more payments not later than six months after the bill's effective date.

Other changes

The bill does the following:

(1) Eliminates credit for "prior service," which is service rendered prior to January 1, 1935. (According to PERS staff, there are no longer any members in PERS with this type of service.)⁵⁵

⁵⁴ R.C. 145.561.

⁵⁵ R.C. 145.01.

(2) Eliminates provisions regarding establishment of a retirement incentive plan due to the proposed closing of a state institution by the Department of Mental Health prior to July 1, 1997;⁵⁶

(3) Repeals a provision allowing a member to purchase service credit for prior municipal zoo service;⁵⁷

(4) Provides that certain military service is to be "included" as prior military service rather than "considered" prior service;⁵⁸

(5) Repeals a provision allowing a member to purchase credit for interrupted service with the U.S. Employment Service;⁵⁹

(6) Eliminates a provision regarding service credit for employees of publicly owned utilities.⁶⁰

Ohio Police & Fire Pension Fund (OP&F)

Police officer and firefighter contributions

(R.C. 742.31, 742.33, 742.34, and 742.35; Section 3)

Current law

Members of the Ohio Police & Fire Pension Fund (OP&F) contribute a percentage of their salaries to OP&F. Employers contribute an amount equal to a higher percentage of member salaries. Under current law, each OP&F member contributes 10% of the member's salary. Each employer of police officers contributes an amount equal to 19.5% of the police officers' salaries. Each employer of firefighters contributes an amount equal to 24% of the firefighters' salaries. Current law requires quarterly remittance of employer contributions to OP&F.

The bill

The bill increases employee contributions and changes the remittance schedule for employer contributions. Employer contribution rates are unchanged by the bill.

⁵⁶ R.C. 145.298.

⁵⁷ R.C. 145.292.

⁵⁸ R.C. 145.30.

⁵⁹ R.C. 145.42.

⁶⁰ R.C. 145.48.

Police officer and firefighter contributions

The bill increases police officer and firefighter contributions according to the following schedule:

(1) For salary earned on or before the last day of the employer's payroll period ending not later than 31 days after the bill's effective date, the rate remains 10%;

(2) For salary earned after the date described in (1) above, but on or before the last day of the employer's last payroll period ending in December 2010, 10.5%;

(3) For salary earned after the last day of the employer's last payroll period ending in December 2010, but on or before the last day of the employer's last payroll period ending in December 2011, 11%;

(4) For salary earned after the last day of the employer's last payroll period ending in December 2011, but on or before the last day of the employer's last payroll period ending in December 2012, 11.5%;

(5) For salary earned after the last day of the employer's last payroll period ending in December 2012, 12%.

Remittance of employer contributions

The bill provides for more frequent remittance of employer contributions by requiring the contributions to be submitted to OP&F monthly (rather than quarterly). Under the bill, each employer is required to pay employer contributions to OP&F no later than the 30th day after the last day of the month for which the corresponding police officer or firefighter employee contributions were withheld. As under current law, OP&F is to assess a penalty against an employer who fails to timely submit employer remittances.

The altered remittance schedule is effective for payrolls paid on or after the 91st day after the bill's effective date. Any police officer employer's contributions and firefighter employer's contributions due before that date are to be remitted to OP&F no later than the date the amounts would have been due under current law.

Retirement

(R.C. 742.37)

Current law

Under current law, an OP&F member is eligible to retire at age 48 with 25 years of active service in a police or fire department or age 62 with 15 years of active service.

Current law does not provide for early retirement with a reduced pension. However, an OP&F member may receive a retirement pension if the member has 15 years of active service at age 48 and 25 years have elapsed since the member became a full-time regular police officer or firefighter. The annual pension amount for an OP&F retirant is an amount equal to 2.5% of average annual salary (AAS; see "**Average annual salary**," below) multiplied by the first 20 years of service, plus 2.0% AAS for the 21st to 25th years, plus 1.5% AAS for each year beyond 25 years.⁶¹

The bill

The bill does not modify retirement eligibility requirements for members hired before January 1, 2011, but changes the calculation of AAS for those with less than 15 years of service as of that date.⁶²

The bill increases the age requirement for members whose membership begins on or after January 1, 2011. A member hired on or after that date is eligible to retire and receive a normal annual pension with 25 years of service at age 52 (rather than 48) or with 15 years of service credit at age 62 (unchanged from current law). An OP&F member hired on or after that date may also receive an annual pension if the member has 15 years of service credit at age 52 (rather than 48) and 25 years have elapsed since the member became a full-time regular police officer or firefighter. The pension amount calculation is unchanged by the bill except for a change for some members in the determination of AAS (see "**Average annual salary**," below).

The bill establishes an early, reduced pension for OP&F members hired on or after January 1, 2011. These members may retire with 25 years of service credit at age 48 with a reduced pension. The pension calculation is unchanged, but the pension is reduced to be the actuarial equivalent, as determined by the OP&F actuary, of the amount payable had the member retired at age 52.

Average annual salary

(R.C. 742.01)

As mentioned above, average annual salary (AAS) is part of the calculation used to determine the annual pension of an eligible member.⁶³ It is also used in determining

⁶¹ The pension cannot exceed 72% AAS.

⁶² The phrase "active service in a police or fire department" is changed to the term "service credit" throughout the bill. The significance of this change is not apparent (R.C. 742.37, 742.3716, 742.38, and 742.39).

⁶³ Or the beneficiary of a member who chooses a plan of pension payment that provides for continuation of the pension to a surviving beneficiary.

any disability benefit for which the member is qualified. Under current law, AAS is determined by calculating the average of the member's highest **three** years of salary.

The bill provides that AAS is to be calculated using the highest **five** years of salary for those members who, on January 1, 2011, have less than 15 years of service credit. The number of years used to calculate AAS remains three for members who, as of that date, had 15 or more years of service credit.

Cost-of-living adjustment

(R.C. 742.3716)

Current law

Under current law, the OP&F Board of Trustees is required to provide a cost-of-living allowance (COLA) by annually increasing the pension or benefit paid to each eligible recipient by 3%. An eligible recipient is a person who meets all of the following conditions:

(1) Has been receiving a retirement pension or disability benefit for one year or more based on an award made on or after July 24, 1986;

(2) Has not made an election to have the average annual salary used to calculate the pension or benefit recalculated to include terminal pay;⁶⁴

(3) Is not the spouse or survivor of a former member who elected use of a recalculated average annual salary.⁶⁵

The bill

The bill maintains an annual COLA of 3% for retirement pension and disability benefit recipients, but provides that, in addition to meeting existing conditions, a recipient must have attained age 55 to receive the COLA. A result of this provision is that, regardless of when the disability occurs, an OP&F disability benefit recipient will

⁶⁴ Current law permits a member who, on January 1, 1989, had 15 or more years of service and was not receiving a pension or benefit to use a "recalculated average annual salary" rather than the "average annual salary" provided for in law in determining a future pension or benefit. A recalculated average annual salary includes "terminal pay," which is otherwise excluded from use in calculating average annual salary (see "**Terminal pay**," below).

⁶⁵ OP&F has separate pensions for certain survivors, including spouses and children (R.C. 742.37(D) and (E)), which have their own statutory increases. A survivor may be eligible for an additional allowance if at the time of retirement the member elected a pension that included an allowance to a surviving beneficiary designated by the member (R.C. 742.3711). The exclusion refers to these survivors.

not receive a COLA before age 55. This provision would apply to an OP&F recipient, even if the recipient had previously been eligible for a COLA benefit. For instance, a disability recipient age 50 who has previously earned COLA benefits would continue to receive the COLA increases that the recipient earned in the past, but would not be eligible for additional COLA increases until age 55.

Terminal pay

(R.C. 742.01)

In determining a member's salary for purposes of OP&F contributions, certain compensation is excluded. Members and employers do not make contributions for excluded compensation, and that compensation is not used in determining pensions or benefits. Except as described above,⁶⁶ one form of compensation excluded from salary is "terminal pay." Current law provides that terminal pay is payment made by an employer to an employee on termination of employment, including, among other amounts, "payments for overtime worked that are not included either in the payroll for the period in which the overtime is worked or for the next subsequent payroll period."

The bill modifies terminal pay to mean "payments made by an employer to an employee in contemplation of termination of employment regardless of whether the payments are made before or after termination" including, among others, "payments for overtime worked that are not included in the payroll for the period in which the overtime is worked or the payroll for any period ending not later than 60 days after the overtime is worked."

Deferred retirement option plan (DROP)

(R.C. 742.44 and 742.444)

Current law

Current law requires the OP&F Board of Trustees to establish a deferred retirement option plan (DROP). Under the DROP, an OP&F member eligible to retire has the member's retirement pension calculated but continues employment. While employment continues, the member's pension, employee contribution, and interest established by the Board are deposited in an account. The member does not earn additional service credit while participating in the DROP. After participating for a minimum of four years, a member may cease employment and receive the entire amount that has accrued in the account as a lump sum or periodic payments. A member who ceases participation with less than four years of participation forfeits any

⁶⁶ See "**Cost-of-living adjustment**," above.

interest payments made to the account. Distribution of a DROP accrual begins no earlier than four years after DROP participation begins.

The bill increases the age of eligibility, required duration of participation for a full return, and beginning date of DROP distribution. Under the bill, to be eligible for the DROP, an OP&F member must be eligible to retire and have attained age 52.⁶⁷ The participant is required to participate in DROP for no less than six years (rather than four) to avoid forfeiting any accrued interest. Finally, DROP distribution is to commence no earlier than six years after DROP participation begins (rather than four years).

State Teachers Retirement System (STRS)

Member and employer contributions

(R.C. 3307.26 and 3307.28)

Current law

Members of the State Teachers Retirement System (STRS) contribute a specified percentage of their compensation to STRS.⁶⁸ Employers contribute an amount equal to a higher percentage of members' compensation. Currently, each STRS member contributes 10% of the member's compensation. The employer contributes an amount equal to 14% of members' compensation.

The bill

The bill increases the maximum member contribution rate under a five-year schedule. Employer contribution rates are unchanged by the bill.

The maximum allowed member contributions are increased according to the following schedule:

(1) For compensation earned not later than June 30, 2011, 10% of compensation (the current level);

(2) For compensation earned not earlier than July 1, 2011, but not later than June 30, 2012, 10.5% of compensation;

⁶⁷ Current law does not include an age requirement, so a member eligible to retire at 48, the minimum age for retirement, could begin DROP participation at that age.

⁶⁸ In STRS, compensation is referred to as "earned compensation," which includes salary, wages, and other compensation but not fringe benefits or incidental payments (R.C. 3307.01).

(3) For compensation earned not earlier than July 1, 2012, but not later than June 30, 2013, 11% of compensation;

(4) For compensation earned not earlier than July 1, 2013, but not later than June 30, 2014, 11.5% of compensation;

(5) For compensation earned not earlier than July 1, 2014, but not later than June 30, 2015, 12% of compensation;

(6) For compensation earned on or after July 1, 2015, 12.5% of compensation.

Retirement eligibility and benefit

(R.C. 3307.58)

Current law

An STRS member may retire from a position covered by STRS and be granted an unreduced retirement benefit if the member has five years of service credit at age 65 or 30 years of service credit at any age.

A member granted a retirement benefit receives the greater of the following:

(1) \$86 multiplied by the member's total Ohio service credit; or

(2) 2.2% of the member's final average salary (FAS)⁶⁹ multiplied by the first 30 years of service credit, plus the following for each year thereafter:

(a) For the 31st year of service credit, 2.5% FAS;

(b) For the 32nd year of service credit, 2.6% FAS;

(c) For the 33rd year of service credit, 2.7% FAS;

(d) For the 34th year of service credit, 2.8% FAS;

(e) For the 35th year of service credit, 2.9% FAS;

(f) For the 36th year of service credit, 3.0% FAS;

(g) For the 37th year of service credit, 3.1% FAS;

(h) For the 38th year of service credit, 3.2% FAS;

⁶⁹ See below ("**Final average salary**") for an explanation of FAS.

(i) For the 39th year of service credit, 3.3% FAS.⁷⁰

A member may retire earlier or with less service credit and be granted a reduced benefit. To be eligible the member must have five years of service credit and have attained age 60 or 25 years of service credit and attained age 55. The benefit is reduced by a percentage specified in law that ranges from 3% to 25%.⁷¹

The bill

The bill modifies the service and age requirements for both reduced and unreduced service retirement to increase the requirements. The bill also modifies the calculation used for determining a benefit.

Effective for members retiring on or after August 1, 2015, a member may be granted service retirement with five years of service credit at age 60 (maintaining current law), 30 years of service credit at age 55 instead of 25 years of service credit, or 35 years of service credit at any age (instead of 30 years under current law). The bill also modifies the enhanced benefit calculation used in determining a retirement benefit for service credit beyond 30 years. Under the bill, the benefit calculation is 2.2% of FAS multiplied by the first 30 years of service credit (as under current law), plus 2.5% of FAS for each year of service beyond 30 years (rather than the .1% increasing percentage used under current law).⁷²

Effective for members retiring on or after August 1, 2015, a member receives a reduced retirement benefit with five years of service credit at age 60 (as under current law) or 30 years of service credit at age 55 (instead of 25 years of service credit under current law). The bill eliminates the specified percentage reduction provided for in current law. Instead, the benefit of a member granted early retirement is reduced by a percentage determined by the STRS Board actuary for each year the member retires before the earliest of the following: earning 35 years of service credit, earning 30 years of service credit and attaining age 60, or earning five years of service credit and attaining age 65. The bill specifies that the actuary may use an actuarially based average percentage reduction when determining the percentage reduction. It is not clear if the result of the change would be a greater or lesser reduction of benefits.

⁷⁰ For example, a member with 39 years of service credit receives a total benefit of 92.1% FAS.

⁷¹ For instance, a member retiring at age 58 with 25 years of service credit receives a 25% reduction, or 75% of the benefit the member would otherwise be eligible to receive.

⁷² For example, under the bill, a member with 39 years of service credit would receive a benefit of 88.5% of FAS (instead of 92.1% of FAS under current law).

Limited grandfather clause

The bill includes a provision allowing an STRS member who on July 1, 2015, would be eligible to retire under current law's eligibility and benefit provisions to retire under those provisions after August 1, 2015. The member will receive the greater of the benefit calculated under current law or under the bill.

Cost-of-living adjustment (COLA)

(R.C. 3307.67)

Under current law, the STRS Board is required to provide a cost-of-living adjustment (COLA) by annually increasing the allowance or benefit paid to each recipient by 3%.

The bill reduces the COLA and establishes two COLA groups, determined by the date the recipient's allowance or benefit begins, as follows:

(1) For those whose allowance or benefit begins not later than July 31, 2011, or is preceded by a disability allowance granted prior to that date, an annual 2% COLA;

(2) For those whose allowance or benefit begins on or after August 1, 2011, an annual 1.5% COLA.

Final average salary (FAS) calculation

(R.C. 3307.501)

Final average salary (FAS) is part of the calculation used to determine the retirement or disability benefit of an eligible member or of a member's survivor or beneficiary. Under current law, FAS is determined by calculating the average of the member's highest **three** years of compensation.

The bill provides that, effective August 1, 2015, FAS is determined by calculating the average of the member's highest **five** years of compensation.

School Employees Retirement System (SERS)

Retirement eligibility and allowance

(R.C. 3309.34 and 3309.36 (3309.38 repealed))

Current law

An SERS member may retire from a position covered by SERS and be granted an unreduced retirement benefit under one of the following, depending on the date membership in SERS began:

(1) If membership began before May 14, 2008, the member has five years of service credit and has attained age 65 or has 30 years of service credit at any age.

(2) If the membership began on or after May 14, 2008, the member has ten years of service credit and has attained age 65, or has 30 years of service credit and has attained age 55.⁷³

A member granted an unreduced retirement benefit (regardless of when SERS membership began) receives as an allowance of the greater of the following:

(1) The sum of: an annuity having a reserve equal to the amount of the employee's accumulated contributions, a pension of equivalent amount, and an additional pension of \$40 multiplied by the number of years of prior service credit.⁷⁴

(2) 2.2% of the member's final average salary (FAS) for each of the member's first 30 years of service,⁷⁵ plus 2.5% of FAS for each year of service beyond 30 years.

A member may retire early and receive a reduced benefit if the member meets one of the following, again determined by the date membership in SERS began:

(1) If the member became a member before May 14, 2008, the member has 25 years of service credit and has attained age 55 or has five years of service credit and has

⁷³ These changes were made in S.B. 148 of the 127th General Assembly.

⁷⁴ An additional amount is provided for credit earned prior to October 1, 1956.

⁷⁵ Final average salary is the average of the three highest years of contributions (R.C. 3309.01, not in the bill).

attained age 60. The allowance for early retirement is determined by using a percentage reduction provided under law that is based on years of service credit or attained age.⁷⁶

(2) If the member became a member on or after May 14, 2008, the member has ten years of service credit and has attained age 62 or has 25 years of service credit and has attained age 65. The benefit for the early retirement is reduced to the actuarial equivalent of the benefit the member would have received had the member retired at age 67 or with 30 years of service credit. The reduction cannot be greater than a specified percentage provided for in law, which ranges from 5% with 29 years of service to 25% with 25 years of service.

The bill

The bill modifies the years of service and age requirements for both reduced and unreduced retirement for members hired before May 14, 2008, to make them the same as for those hired on or after that date, therefore increasing those requirements.

Effective July 1, 2015, to be eligible for an unreduced retirement benefit a member is required to have ten years of service credit and have attained age 67 or have 30 years of service credit and have attained age 57. The bill therefore establishes a minimum retirement age of 57 (current law provides that members hired before May 18, 2008 who earn 30 years of service credit may retire at any age). The allowance amount is unchanged from current law except, for an allowance based on a pension and annuity as described in (1), above, the additional pension of \$40 multiplied by years of prior service credit is eliminated.⁷⁷

Effective July 1, 2015, to be eligible for a reduced retirement benefit, a member is required to have ten years of service credit and have attained age 62 or have 25 years of service credit and have attained age 60. In calculating a reduced retirement benefit, the bill eliminates the statutory percentage reduction and instead provides that the allowance is to be the actuarial equivalent of the member's retirement allowance, had the member retired at age 67 or with 30 years of service credit. As with current law, the reduction cannot be greater than a specified percentage provided for in law. It is unclear if the result of the change would be a lesser or greater reduction.

⁷⁶ The reduction ranges from 3% to 25%. For instance, an SERS member who has 29 years of service credit and retires before age 65 receives a 5% reduction, or 95% of the unreduced benefit.

⁷⁷ According to SERS staff this provision is no longer needed, as there are no SERS members who would qualify for this prior service benefit, which is for service before 1937.

Retirement incentive plan eligibility

(R.C. 3309.33)

Under current law, an employer is authorized to establish a retirement incentive plan under which the employer purchases up to five years of service credit on behalf of an SERS member. The member is required to agree to retire within 90 days of receiving the credit. A member must have attained age 50 to participate in a plan.

The bill increases the eligibility age for retirement incentive plans to age 57.

Technical changes

(R.C. 3309.26, 3309.341, 3309.343, 3309.353, 3309.354, 3309.362, 3309.371, 3309.373, 3309.376, 3309.379, 3309.3710, 3309.3711, 3309.39, 3309.401, 3309.45, 3309.46, and 3309.69)

Technical changes are made to reflect the repeal of a provision regarding an alternative "commuted" service retirement. Under the commuted service retirement, a member receives an allowance consisting of:

(1) An annuity having a reserve equal to the amount of the employee's accumulated contributions at the time of retirement;

(2) A pension of equivalent amount;

(3) An additional pension for certain prior service; and

(4) For members who have ten or more years of service credit accumulated prior to October 1, 1956, a basic annual pension equal to \$180 except that that annual pension cannot exceed the sum of (1), (2), and (3), above.

The calculation for a commuted service retirement is not used if the normal retirement benefit is higher.

State Highway Patrol Retirement System (SHPRS)

(R.C. 5505.01, 5505.03, 5505.15, 5505.174, and 5505.54)

Contribution rates

Current law requires each SHPRS member to contribute 10% of the member's salary to SHPRS. The state is required to pay to SHPRS as the employer contribution an amount equal to 26.5% of the total salaries paid to contributing members.

The bill maintains the state's contribution rate but increases the percentage of salary contributed by members to 11% (increased from 10%).

Final average salary calculation

Final average salary (FAS) is part of the calculation used to determine the pension of an eligible member or member's survivor or beneficiary.⁷⁸ Under current law, FAS is determined by calculating the average of the member's highest **three** years of salary.

The bill provides that effective January 1, 2015, FAS is to be determined by calculating the average of the member's highest **five** years of salary.

Cost-of-living adjustments

Under current law, the SHPRS Board is required to provide a cost-of-living adjustment (COLA) by annually increasing the amounts paid to pension recipients by 3%. A recipient must be one of the following to be eligible for the COLA:

- (1) A recipient who has attained 53 years of age and has received a retirement or disability pension for no less than 12 months;
- (2) A recipient who has received a disability pension for no less than five years, regardless of age;
- (3) A survivor or other beneficiary who has received a benefit for no less than 12 months, regardless of age.

The bill modifies COLA eligibility and amounts. Regarding eligibility, it provides that no recipient will receive a COLA until age 60. The age requirement for COLAs may result in a disability pension recipient not receiving a COLA until many years after the pension begins and most surviving children ceasing to be eligible for survivor benefits before becoming eligible for a COLA.⁷⁹

The bill generally limits the amount of the COLA to 2% annually. The Board is to provide a 3% COLA only if one of the following applies:

⁷⁸ An SHPRS member receives as a retirement pension 2.5% of FAS for each of the first 20 years of service, 2.25% for the next five years, and 2% for years in excess of 25.

⁷⁹ For example, a member disabled at age 25 would not receive a COLA for 35 years. Current law provides a COLA for a disability pension recipient after five years, regardless of age.

(1) The recipient has attained age 65 and is receiving a benefit that is not greater than 185% of the federal poverty level for a family of two (as revised annually by the United States Department of Health and Human Services);

(2) An actuarial valuation demonstrates that a period of less than 30 years is required to amortize SHPRS' unfunded actuarial accrued pension liabilities.⁸⁰

Deferred retirement option plan

Current law requires SHPRS to establish and administer a deferred retirement option plan (DROP) under which an SHPRS member who is eligible to retire may choose to continue to work and have the member's pension accrue while participating in the DROP and be paid at the time the member ceases working. A DROP participant is required to make regular employee contributions to SHPRS. Under current law, the entirety of the member's contributions accrues to the member's benefit and is to be distributed at the time the member ceases working.

Under the bill, 10% of the member's salary will accrue to the benefit of the member. The additional 1% contribution required by the bill will be credited to the Employer's Accumulation Fund⁸¹ and will not accrue to the benefit of the DROP participant.

⁸⁰ Current law requires SHPRS to annually evaluate the actuarial valuation of the system and to evaluate the fiscal impact of introduced legislation on the system (R.C. 5505.12).

⁸¹ The Employer's Accumulation Fund is the fund in which employer contributions made by the state to SHPRS are deposited.

Appendix 1: Summary of changes (individual systems)

Public Employees Retirement System (PERS)

	Current law	LSC 128 1999-1
Contributions	Member contributes 10% of the member's salary (<i>R.C. 145.47</i>).	<-----No changes----->
	Employers contribute an amount equal to 14% of a member's salary (<i>R.C. 145.48</i>).	<-----No changes----->
Retirement eligibility	Unreduced retirement benefit with 30 years of service credit at any age or 5 years of service credit at age 65 (<i>R.C. 145.32 and 145.33</i>).	Group I--No changes to the eligibility of those eligible to retire not later than 10 years after the bill's effective date (<i>R.C. 145.32</i>). Group II--Unreduced retirement benefit with at least 32 years of service credit at age 55 or older or at least 5 years of service credit at age 67 or older for those who under current law would not be eligible to retire until at least 10 years after the bill takes effect (<i>R.C. 145.32</i>).
	Reduced retirement benefit with at least 25 years of service credit at age 55 or older or at least 5 years of service credit and age 60 or older (<i>R.C. 145.32 and 145.33</i>).	Group I--No changes (<i>R.C. 145.32</i>). Group II--Reduced retirement benefit with 25 years of service credit and age 57 or 5 years of service credit and age 62 (<i>R.C. 145.32</i>).
Benefit accrual rate	2.2% final average salary (FAS) for the first 30 years of service plus 2.5% for each additional year (<i>R.C. 145.33</i>).	Group I--No changes. Group II--2.2% FAS for the first 35 years of service plus 2.5% for each additional year (<i>R.C. 145.33</i>).
Final Average Salary (FAS)	Calculated by averaging the highest three years of salary (<i>R.C. 145.01</i>).	Group I--No changes. Group II--Calculated by averaging the highest five years of salary (<i>R.C. 145.017</i>).
Cost-of-living adjustment (COLA)	An annual COLA of 3% is provided to each benefit recipient who has received a benefit for one year (<i>R.C. 145.323</i>).	Until 5 years after the bill's effective date: 3%. Thereafter, for recipients of benefits beginning not later than the bill's effective date: 3%. For recipients of benefits beginning after the bill's

	Current law	LSC 128 1999-1
		effective date: any increase in the Consumer Price Index, not to exceed 3% (R.C. 145.323).
Deferred retirement option plan (DROP)	Not applicable.	
Purchase of service credit	In most cases, the employee contributions the member would have made, plus interest.	In most cases, 100% of the additional liability to PERS resulting from purchase of the credit.
Disability	Eligibility for disability benefit ceases if the recipient is able to perform the recipient's former job.	For the recipient of a benefit effective on or after the bill's effective date, once the leave of absence expires, eligibility for a disability benefit ceases if the recipient is capable of performing a job that meets certain requirements.
	No provision.	Benefit that would be granted on or after the bill's effective date forfeited if the disability was caused by a felony.
		Denies a disability benefit to a member who continues or returns to the same employment from which the disability benefit is provided.
	No provision.	Reduces, for certain disability recipients, a disability benefit by any Social Security disability insurance for which the recipient is eligible.

Ohio Police & Fire Pension Fund (OP&F)

	Current law	LSC 128 1999-1
Contributions	Member contributes 10% of the member's salary (R.C. 742.31).	Member contributions increased according to the following schedule: (1) Salary earned before the last day of the employer's payroll period ending not later than 31 days after the effective date of the bill, 10% (maintains contribution

	Current law	LSC 128 1999-1
		<p>rates of current law until that date);⁸²</p> <p>(2) For salary earned between the date under (1) above and the last payroll period in December 2010, 10.5%;</p> <p>(3) For salary earned after the last payroll period in December 2010 and before the last payroll period in December 2011, 11%;</p> <p>(4) For salary earned after the last payroll period in December 2011 and before the last payroll period in December 2012, 11.5%;</p> <p>(5) For salary earned after the last payroll period in December 2012, 12% (R.C. 742.31).</p>
	Employers of police officers contribute an amount equal to 19.5% of police officer salary (R.C. 742.33).	<-----No changes----->
	Employers of firefighters contribute an amount equal to 24% of firefighter salary (R.C. 742.34).	<-----No changes----->
Retirement eligibility	Unreduced retirement benefit with 25 years of service credit at age 48 or 15 years of service credit and age 62 (R.C. 742.37). ⁸³	<p>(1) Unreduced retirement benefit granted with 25 years of service credit at age 48, if the individual became a member before January 1, 2011.</p> <p>(2) Unreduced retirement benefit granted with 25 years of service credit at age 52, if the individual became a member on or after January 1, 2011.</p>

⁸² Because of differences in payroll dates, on some days members may be contributing different percentages to OP&F under this provision.

⁸³ A member may also retire at age 48 with 15 years of service credit, provided 25 years have elapsed since the individual was last a contributing member.

	Current law	LSC 128 1999-1
		(3) Unreduced retirement benefit with 15 years of service credit at age 62 remains unchanged under the bill (R.C. 742.37).
	Not applicable.	Reduced retirement benefit granted with 25 years of service credit at age 48 (R.C. 742.37).
Benefit accrual rate	2.5% average annual salary (AAS) for the first 20 years of service credit plus 2% for the 21st through 25th years, plus 1.5% for service credit beyond 25 years (R.C. 742.37). ⁸⁴	No changes to the benefit accrual rate for unreduced retirement. Reduced retirement benefit adjusted to be the actuarial equivalent of the benefit had the member retired at age 52 (R.C. 742.37).
Average annual salary (AAS)	Calculated by averaging the highest three years of salary (R.C. 742.01).	(1) For members who have 15 or more years of service credit on January 1, 2011, AAS calculated by averaging the highest three years of salary. (2) For members who have less than 15 years of service credit on January 1, 2011, AAS calculated by averaging the highest five years of salary (R.C. 742.01, 742.37, and 742.39).
Cost-of-living adjustment (COLA)	An annual cost-of-living allowance of 3% is provided to each retirement pension or disability benefit recipient who has received the pension or benefit for one year (R.C. 742.3716). ⁸⁵	The cost-of-living allowance is provided only to recipients who have attained age 55 and have received the pension or benefit for one year (R.C. 742.3716).

⁸⁴ The benefit cannot exceed 72% AAS. Because current law does not allow early retirement, there is no calculation for early retirement benefits under current law.

⁸⁵ Certain recipients whose pensions are calculated using terminal pay are not eligible for a COLA under current law.

	Current law	LSC 128 1999-1
Deferred retirement option plan (DROP)	<p>A member eligible to retire may participate in the DROP.</p> <p>A member is required to participate in the DROP for four years to receive the full DROP accrual (R.C. 742.44 and 742.444).</p>	<p>A member must be eligible to retire and age 52 to participate in the DROP.</p> <p>A member is required to participate in the DROP for six years to receive the full DROP accrual (R.C. 742.44 and 742.444).</p>
Disability	<-----No changes----->	
Terminal pay	Excludes certain payments made by an employer to an employee on termination of employment (R.C. 742.01).	Excludes certain payments made by an employer to an employee in contemplation of termination of employment, regardless of when the payments are made (R.C. 742.01).
Schedule of employer payments	Employers required to submit employer contributions to OP&F quarterly (R.C. 742.33, 742.34, and 742.35). ⁸⁶	Employers required to submit employer contributions to OP&F monthly (R.C. 742.33, 742.34, and 742.35).

State Teachers Retirement System (STRS)

	Current law	LSC 128 1999
Contributions	Member contributes 10% of the member's compensation (R.C. 3307.26).	<p>Member contributions increased according to the following schedule:</p> <p>(1) Compensation earned not later than June 30, 2011: 10%;</p> <p>(2) Compensation earned between July 1, 2011 and June 30, 2012: 10.5%;</p> <p>(3) Compensation earned between July 1, 2012 and June 30, 2013: 11%;</p> <p>(4) Compensation earned between July 1, 2013 and June 30, 2014: 11.5%;</p>

⁸⁶ R.C. 742.33, 742.34, and 742.35.

	Current law	LSC 128 1999
		(5) Compensation earned between July 1, 2014 and June 30, 2015: 12%;
		(6) Compensation earned on or after July 1, 2015: 12.5% (R.C. 3307.26).
	Employer contributes an amount equal to 14% of member compensation (R.C. 3307.28).	<-----No changes----->
Retirement eligibility	Unreduced retirement benefit granted with 5 years of service credit at age 65 or 30 years of service credit at any age (R.C. 3307.58).	Beginning August 1, 2015, unreduced retirement benefit granted with 5 years of service credit at age 65 (maintaining current law), 30 years of service credit at age 60, or 35 years of service credit at any age (R.C. 3307.58).
	Reduced retirement benefit granted with 5 years of service credit at age 60 or 25 years of service credit at age 55 (R.C. 3307.58).	Beginning August 1, 2015, reduced retirement benefit granted with 5 years of service credit at age 60 (maintaining current law) or 30 years of service credit at age 55 (R.C. 3307.58).
Benefit accrual rate	2.2% of final average salary (FAS) for each of the first 30 years of service, plus 2.5% and an additional .1% for each year above 30 years of service credit (i.e., at 35 years of service credit, 2.9%) (R.C. 3307.58).	Beginning August 1, 2015, 2.2% of FAS for each of the first 30 years of service, plus a flat 2.5% for each year beyond 30 years of service (R.C. 3307.58).
Final average salary (FAS)	Calculated by averaging the highest three years of compensation (R.C. 3307.501).	Beginning August 1, 2015, calculated by averaging the highest five years of compensation (R.C. 3307.501).
Cost-of-living adjustment (COLA)	An annual cost-of-living adjustment (COLA) of 3% is granted to each allowance or benefit recipient (R.C. 3307.67). ⁸⁷	Beginning July 1, 2011, COLA of 2% for an allowance or benefit that begins no later than July 31, 2011, and 1.5% for an allowance or benefit that begins on or after August 1, 2011 (R.C. 3307.67).
Disability	<-----No changes----->	

⁸⁷ Allowance or benefit recipient includes retirees, survivors, and disability recipients.

School Employees Retirement System (SERS)

	Current law	LSC 128 1999
Contributions	Member contributes 10% of salary (R.C. 3309.47). ⁸⁸ Employer contributes an amount equal to 14% of member salaries (R.C. 3309.49). ⁸⁹	No change. No change.
Retirement eligibility	Unreduced service retirement granted with 5 years of service credit and age 60 or a total of 30 years of service credit (R.C. 3309.34). ⁹⁰ Reduced service retirement granted with 25 years of service credit at age 55 (R.C. 3309.34).	Effective July 1, 2015, unreduced service retirement granted with 10 years of service credit and age 67, or 30 years of service credit and age 57 (R.C. 3309.34). Effective July 1, 2015, reduced service retirement granted with 10 years of service and age 62, or 25 years of service and age 60 (R.C. 3309.34 and 3309.36).
Benefit accrual rate	2.2% final average salary (FAS) for each of the first 30 years of service plus 2.5% for each additional year of service (R.C. 3309.36). ⁹¹	No change.
Final average salary (FAS)	Calculated by averaging the highest three years of contributing service (R.C. 3309.01).	No change.
Cost-of-living adjustment (COLA)	An annual cost-of-living adjustment (COLA) of 3% is granted to any allowance provided by the system (R.C. 3309.374).	No change.
Disability	<-----No changes----->	

⁸⁸ Current law requires SERS members to contribute at least 8% of salary, but the SERS Board may raise the contribution to 10%. SERS members currently contribute the statutory maximum of 10%.

⁸⁹ Current law permits the SERS Board to set a contribution rate, but provides that it may not exceed 14%. SERS employers currently contribute the statutory maximum of 14%.

⁹⁰ S.B. 148 of the 127th General Assembly altered the service requirements. However, those changes are not discussed as they are changed by the bill.

⁹¹ The allowance cannot exceed 100% of the member's FAS.

State Highway Patrol Retirement System (SHPRS)

	Current law	LSC 128 1999
Contributions	Member contributes 10% of salary (<i>R.C. 5505.15</i>). Employer contributes an amount equal to 26.5% of employee salaries (<i>R.C. 5505.15</i>).	Member contributes 11% of salary (<i>R.C. 5505.15</i>). No change.
Retirement eligibility	Unreduced retirement benefit granted with 25 years of service at age 48 or with 20 years of service at age 52 (<i>R.C. 5505.16</i>). Reduced retirement benefit granted with 20 years of service at age 48 (<i>R.C. 5505.16</i>).	No change. No change.
Benefit accrual rate	2.5% final average salary (FAS) for each of the first 20 years of service plus 2.25% FAS for next 5 years of service plus 2% for any additional years of service (<i>R.C. 5505.17</i>). ⁹²	No change.
Final Average Salary (FAS)	Calculated by averaging the highest three years of contributing service (<i>R.C. 5505.01</i>).	Effective on January 1, 2015, calculated by averaging the highest five years of contributing service (<i>R.C. 5505.01</i>).
Cost-of-living adjustment (COLA)	An annual 3% COLA is granted to all of the following: (1) retirees and disability pension recipients age 53 or older who have been receiving a pension for at least 12 months, (2) disability pension recipients who have received a pension for not less than 5 years, and (3) survivors who have received a pension for not less than 12 months (<i>R.C. 5505.174</i>).	An annual 2% COLA is granted only to retirement, disability, and survivor pension recipients age 60 years or older ⁹³ who have received a pension for not less than 12 months, except that (1) a recipient age 65 whose benefit is less than 185% of the federal poverty limit for a family of two is to receive a 3% COLA and (2) the SHPRS Board may provide a COLA of 3% for years in which no more than 30 years is required to amortize the system's liabilities (<i>R.C. 5505.174</i>).

⁹² The benefit cannot exceed 79.25% of the member's FAS.

⁹³ A result of this provision is that a SHPRS disability pension recipient would not receive any COLA before age 60, regardless of when the disability occurs.

	Current law	LSC 128 1999
Deferred retirement option plan (DROP) participants	The entire 10% member contribution is deposited in the DROP account for the member's benefit (<i>R.C. 5505.54</i>).	The 11% member contribution is distributed as follows: (1) 10% of the member's salary is to be deposited in the DROP account for the member's benefit; (2) 1% of the member's salary is to be deposited in the SHPRS Employer's Accumulation Fund and is not to accrue to the benefit of the member (<i>R.C. 5505.54</i>).
Disability	<-----No changes----->	
Effective date	Effective January 1, 2015.	

HISTORY

ACTION	DATE
Introduced	02-01-11

H0069-I-129/jc

