



Ohio Legislative Service Commission

Bill Analysis

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S.B. 340*

129th General Assembly
(As Introduced)

This comparison of current law and S.B. 340 has two parts. The first consists of brief descriptions of changes to the Ohio Police and Fire Pension Fund (OP&F) under the bill. The second part is a table that compares significant changes in OP&F plan features, including contribution rates, benefit eligibility and formulas, cost-of-living adjustments, Deferred Retirement Option Plan (DROP) accruals, and disability benefits.

OHIO POLICE AND FIRE PENSION FUND

BILL SUMMARY

Contribution rates

- Increases employee contributions rates to 12.25% (from 10%) of salary over a two-year period (R.C. 742.31).

Current law requires OP&F members to contribute 10% of their salaries to OP&F. The bill requires members to contribute 10.75% starting July 2, 2013; 11.5% starting July 2, 2014; and 12.25% starting July 2, 2015.

- Beginning July 2, 2015, authorizes the OP&F Board to increase member contribution rates if the Board's actuary determines that an increase is necessary to meet the Board's funding requirements (R.C. 742.31).

Current law requires OP&F to establish a period of not more than 30 years to amortize the system's unfunded actuarial accrued pension liabilities. The bill permits the Board, acting by rule, to increase member contributions if the Board, in consultation with its actuary, determines that an increase is necessary to meet the amortization period requirement.

* This analysis was prepared before the introduction appeared in the Senate Journal. Note that the list of co-sponsors and the legislative history may be incomplete.

Retirement eligibility

- Authorizes the Board to increase age and service requirements for all members if the Board's actuary determines that an increase is necessary to meet the Board's funding requirements (R.C. 742.161).

Current law requires OP&F to establish a period of not more than 30 years to amortize the system's unfunded actuarial accrued pension liabilities. The bill permits the Board, acting by rule, to increase age and service requirements if the Board, in consultation with its actuary, determines that an increase is necessary to meet the amortization period requirement.

- For those who become OP&F members after July 1, 2013, increases to age 52 (from 48) the age a member must attain to be eligible for an unreduced retirement benefit (R.C. 742.37).
- Establishes a reduced benefit at age 48 with 25 years of service for those who become members after July 1, 2013 (R.C. 742.37).

Average annual salary

- For those who become members after July 1, 2013, increases to five years (from three) the number of years used to determine a member's average annual salary (AAS), which is used in calculating pensions and disability benefits (R.C. 742.01, 742.37, and 742.39).

Components of salary

- Establishes a salary benchmark under which certain salary increases are excluded from AAS (R.C. 742.01 and 742.012).

The bill provides that certain salary increases made immediately preceding the years used to determine a member's AAS are not included in determining the AAS. The amounts excluded are those that exceed an increase of 10% per year, cumulative, in the three years immediately preceding the years used to determine the AAS. Contributions on salary that exceeds the salary benchmark are to be refunded.

- Permits the Board to determine what constitutes salary and terminal pay (R.C. 742.01 and 742.013).

Current law excludes certain compensation, including "terminal pay," from use in determining contributions and AAS. Terminal pay is payments made on termination of employment for such things as accrued but unused leave and certain overtime pay. The bill provides that these payments are terminal pay regardless of whether the

payments are made before or after termination. Pay for overtime work is terminal pay under the bill when compensation for it is not included in compensation to the member not later than 60 days after the overtime work was performed. The bill authorizes the Board to establish definitions of salary and terminal pay that differ than those in the Revised Code. The Board is authorized to use federal income tax W-2 forms for this purpose.

Cost-of-living adjustment (COLA)

- Provides for the lesser of a 3% COLA or the increase in the Consumer Price Index, if any, for members who have less than 15 years of service credit on July 2, 2013 (R.C. 742.3716).
- Provides that a COLA is provided only to recipients who have attained age 55 and have received a pension or benefit for one year, except that disability recipients are not required to have attained age 55 (R.C. 742.3716).

Disability

- Requires a disability recipient to be *permanently* disabled to be eligible to receive a partial disability benefit or benefit as a result of heart disease or any cardiovascular or respiratory disease of a chronic nature (R.C. 742.38).
- Authorizes the Board to provide a disability benefit as a result of heart disease or any cardiovascular or respiratory disease of a chronic nature, even if there is no documentation proving that the condition did not exist prior to or at the time of entry into a police or fire department (R.C. 742.38).

Employer remittance of contributions

- Requires employers to remit employer contributions monthly (rather than quarterly) (R.C. 742.35).

Deferred Retirement Option Plan (DROP)

- Requires members electing on or after July 2, 2013, to participate in DROP to participate for five years (rather than three years) to receive the full DROP accrual (R.C. 742.444 and 742.443).

OP&F reports

- Requires certain Board reports to be completed triennially (rather than annually) (R.C. 171.04, 742.14, 742.16, and 742.30).

The Board is required to complete a number of reports annually. The bill provides that some of these reports are to be made triennially. The reports are (1) the actuarial valuation, which includes a study of the assets, liabilities, and OP&F funding requirements (the report is used to determine whether the Fund is able to amortize all unfunded actuarial accrued pension liabilities over a 30-year period), (2) a report on health care provided through OP&F, and (3) a report on the progress on the funding of employer's accrued liability (referring to funds owed OP&F by employers when OP&F assumed the pension liabilities of municipal and township fire and police departments).

Other provisions

- Provides that a member remains a member of the Fund for the duration of active military duty (R.C. 742.01).
- Provides that a person who is a member or retirant is eligible to vote in a board election if the person was a member or retirant on the January 31st before the termination of the expiring term, rather than the first Monday of March before the termination (R.C. 742.04).
- Provides that plans of benefit payment must comply with court orders regarding the division of marital property issued prior to the effective date of a member's retirement (R.C. 742.44).

TABLE

Ohio Police & Fire Pension Fund (OP&F)

	Current law	S.B. 340
Contributions (R.C. 742.31, 742.33, and 742.34)	Member contributes 10% of the member's salary.	Member contributions increased according to the following schedule: (1) Salary earned in pay periods that begin no later than July 1, 2013, 10% (maintains contribution rates of current law until that date); (2) Salary earned in pay periods beginning on July 2, 2013, but no later than July 1, 2014, 10.75%; (3) Salary earned in pay periods beginning on July 2, 2014, but no later than July 1, 2015, 11.5%;

	Current law	S.B. 340
		(4) Salary earned in pay periods beginning July 2, 2015, 12.25%. On and after July 2, 2015, the Board may increase member contributions if the Board's actuary determines an increase is necessary to meet funding requirements.
	Employers of police officers contribute an amount equal to 19.5% of police officer salary.	No changes
	Employers of firefighters contribute an amount equal to 24% of firefighter salary.	No changes
Retirement eligibility (R.C. 742.37)	Unreduced retirement benefit with 25 years of service credit and age 48 or 15 years of service credit and age 62. ¹	(1) Unreduced retirement benefit with 25 years of service credit at age 48, for those who become members before July 1, 2013. (2) Unreduced retirement benefit with 25 years of service at age 52, for those who become members on or after July 2, 2013. (3) Unreduced retirement benefit with 15 years of service credit and age 62 remains unchanged in the bill.
	No provision	Reduced retirement benefit granted with 25 years of service credit and age 48.
Retirement eligibility Board discretion (R.C. 742.161)	No provision	Authorizes the Board to increase age and service requirements for all members if the Board's actuary determines an increase is necessary to meet funding requirements.
Benefit formula (R.C. 742.37)	2.5% average annual salary (AAS) for the first 20 years of service credit plus 2% for the 21st through 25th year, plus 1.5% for service credit beyond 25 years. ²	No changes for unreduced pension. Reduced pension adjusted to be the actuarial equivalent of the

¹ A member may also retire at age 48 with 15 years of service credit, provided 25 years have elapsed since the member became a full-time police officer or firefighter in OP&F.

² The benefit cannot exceed 72% AAS.

	Current law	S.B. 340
		pension had the member retired at age 52.
Average annual salary (AAS)	Calculated by averaging the highest three years of salary (<i>R.C. 742.01</i>).	(1) For members who have 15 or more years of service credit on July 2, 2013, AAS calculated by averaging the highest three years of salary (AAS is unchanged for these members). (2) For members who have less than 15 years of service credit on July 2, 2013, AAS calculated by averaging the highest five years of salary (<i>R.C. 742.01, 742.37, and 742.39</i>).
Cost-of-living adjustment (COLA) (<i>R.C. 742.3716</i>)	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	(1) An annual COLA of 3% for those who have at least 15 years of service credit on July 2, 2013 (the COLA is unchanged for these members). (2) An annual COLA of the lesser of 3% or the increase in the Consumer Price Index, if any for all others. The COLA is provided only to recipients who have attained age 55 and have received the pension or benefit for one year except that disability recipients do not have to have attained age 55 to begin receiving a COLA.
Deferred retirement option	A member eligible to retire may participate in DROP.	A member must be eligible to retire and have attained age 52.

	Current law	S.B. 340
	<p>A member is required to participate in DROP for three years to receive the full DROP accrual.</p> <p>Inclusion of COLA in the DROP accrual.</p>	<p>A member who on or after July 2, 2013, elects to participate is required to participate in DROP for five years to receive the full accrual.</p> <p>(1) A member whose membership in DROP begins before the bill's effective date continues to receive COLAs in the DROP accrual.</p> <p>(2) A member whose membership in DROP begins on or after the effective date of the bill does not receive COLAs in the accrual.</p>
Disability (R.C. 742.38)	<p>Provides benefits for a partial disability or disability caused by heart disease or any cardiovascular or respiratory disease of a chronic nature.</p> <p>To be eligible for a benefit for heart disease or any cardiovascular or respiratory disease of a chronic nature, requires a pre-employment examination (R.C. 742.38).</p>	<p>Requires <i>permanent</i> partial disability or <i>permanent</i> disability caused by heart disease or any cardiovascular or respiratory disease of a chronic nature to be eligible for a benefit.</p> <p>Authorizes the Board to grant the benefit even without the examination if evidence is submitted to the Board documenting that the disease was not evident prior to or at the time of entry into a police or fire department (R.C. 742.38).</p>
Salary (R.C. 742.01 and 742.012)	Statutory definitions of salary and terminal pay used to calculate employee contributions and benefit amounts.	Permits the Board to adopt rules that establish definitions of salary and terminal pay that differ from those in the Revised Code. The Board may use information from W-2 forms for this purpose.
Terminal pay (R.C. 742.01 and 742.012)	With limited exceptions, excludes as terminal pay certain payments made by an employer to an employee on termination of employment so the payments are not subject to contributions or used in benefit calculations.	Provides that these payments can be considered terminal pay regardless of whether the payments are made before or after termination.

	Current law	S.B. 340
	No provision.	<p>For members who, as of July 1, 2013, have 15 or more years of service credit and for the purpose of determining average annual salary establishes a "salary benchmark" under which certain increases are excluded from salary.</p> <p>Requires that contributions for salary that exceeds the salary benchmark be refunded in accordance with rules adopted by the OP&F Board.</p>

HISTORY

ACTION	DATE
Introduced	--

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