



Ohio Legislative Service Commission

Bill Analysis

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S.B. 345

129th General Assembly
(As Introduced)

Sens. Niehaus, Kearney

This analysis has two parts. The first part consists of brief descriptions of the provisions of the bill. The second part is a table comparing current law with significant changes to State Highway Patrol Retirement System plan features, including contribution rates, benefit eligibility and formulas, cost-of-living adjustments, and the deferred retirement option plan (DROP).

BILL SUMMARY

STATE HIGHWAY PATROL RETIREMENT SYSTEM

- Increases to five (from three) the years of contributing service averaged to determine a member's final average salary, which is used to calculate the member's pension or disability benefit.
- Permits the State Highway Patrol Retirement Board to increase member contributions to up to 14% of salary (from 10%), if the Board's actuary determines an increase is necessary to meet amortization requirements.

Current law requires the State Highway Patrol Retirement System (SHPRS) 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 to raise member contributions to an amount not to exceed 14% of a member's salary if the Board's actuary determines that the Board requires more than 30 years to amortize those liabilities.

- Authorizes, rather than requires, the Board to provide a cost-of-living adjustment (COLA) not to exceed 3%.
- Requires the Board's determination of the COLA amount to be based on the annual actuarial valuation required by current law, except that recipients 65 years of age or

older whose benefits are less than 185% of the federal poverty limit for a family of two will continue to receive a 3% COLA.

- Provides that a retirement, disability, or survivor pension whose benefit begins after the effective date of the bill is not eligible for a COLA until age 60.
- Provides that, for members participating in the deferred retirement option plan (DROP), amounts contributed by a member that exceed 10% of the member's salary are to be deposited in the SHPRS Employer's Accumulation Fund and are not to accrue to the benefit of the member.
- Establishes an effective date of January 1, 2015.

State Highway Patrol Retirement System (SHPRS)

	Current law	S.B. 345
Contributions <i>(R.C. 5505.15)</i>	Member contributes 10% of salary. Employer contributes an amount equal to 26.5% of employee salaries.	The Board may raise member contributions to no more than 14% if the Board's actuary determines that SHPRS is not within the required 30-year amortization period. No change.
Retirement eligibility <i>(R.C. 5505.16)</i>	Unreduced retirement benefit granted with 25 years of service at age 48 or with 20 years of service at age 52. Reduced retirement benefit granted with 20 years of service at age 48.	No change. No change.
Benefit formula <i>(R.C. 5505.17)</i>	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. ¹	No change.
Final Average Salary (FAS) <i>(R.C. 5505.01)</i>	Calculated by averaging the highest three years of contributing service.	Calculated by averaging the highest five years of contributing service.

¹ The benefit cannot exceed 79.25% of the member's FAS.

	Current law	S.B. 345
Cost-of-living adjustment (COLA) (R.C. 5505.174)	Annual 3% COLA 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.	Authorizes the Board to grant a COLA of no more than 3%, except that the Board is to grant a COLA of 3% to a recipient age 65 whose benefit is less than 185% of the federal poverty limit for a family of two. A recipient of a retirement, disability, or survivor pension whose pension effective date is on or after the bill's effective date will not be eligible for a COLA until age 60.
Deferred retirement option plan (DROP) participants (R.C. 5505.54)	The entire 10% member contribution is deposited in the DROP account for the member's benefit.	Member contributions are distributed as follows: (1) 10% of the member's salary is to be deposited in the DROP account for the member's benefit; (2) Amounts contributed by a member that exceed 10% of salary are to be deposited in the SHPRS Employer's Accumulation Fund and are not to accrue to the benefit of the member.
Disability	No changes.	
Effective date	Effective January 1, 2015.	

HISTORY

ACTION	DATE
Introduced	05-15-12

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