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## ***Detailed Fiscal Analysis***

The bill provides a number of benefit increases for Highway Patrol Retirement System (HPRS) retirants and survivors.

### **Minimum Pension Increases**

Under current law the minimum monthly pension is \$1,000 for HPRS retirants receiving a normal age and service or disability benefit, and \$850 for HPRS retirants who were granted a reduced pension before age 52 with fewer than 25 years of service. The bill establishes a minimum pension of \$1,050 for all HPRS age and service and disability retirants, whether they are receiving a full or reduced benefit.

Current law provides that retirants receiving a benefit based on a disability incurred in the line of duty receive a minimum of \$1,000 or 60% of final average salary. Under the bill, this minimum would increase to \$1,050 or 61.25% of final average salary.

The increases in minimum pensions for age and service and disability retirants would apply to both current and future retirants, and future cost of living allowances would be based on the new minimum monthly pension amounts.

### **Survivor Benefit Increases**

Under current law, the surviving spouse of an HPRS member who at the time of death was not eligible to retire receives a monthly benefit of \$850. Surviving spouses of retirants or members who were eligible to retire receive the greater of \$850 per month or 50% of the monthly pension the member would have received. The bill increases the minimum benefit for current and future surviving spouses to \$900.

### **Increase in Benefit Formula**

The current benefit formula for an HPRS member who retires with full benefits or on the basis of disability is 2.5% multiplied by the first 20 years of service, plus 2.0% for each year of service above 20, up to a maximum of 78% of final average salary. The bill increases the multiplier for years 21 to 25 to 2.25%, and increases the maximum benefit to 79.25% of final average salary. The bill would increase the pensions of current retirants by an amount equal to .25% for years 21 through 25 of service multiplied by the retirant's pension amount on the effective date of the bill. This increased pension would then become the base for determining future cost-of-living allowances.

### **Lump Sum Death Benefit**

The bill increases the HPRS lump sum death benefit from \$1,000 to \$5,000.

## **Refund of Purchased Service Credit**

Under current law, the service credit requirement for HPRS members to receive the maximum benefit is reached upon the completion of 34 years of service. Any credit beyond 34 years does not increase the benefit. Current law also provides that retirees who receive an on duty disability allowance are deemed to have a minimum of 25 years of service credit for the purpose of determining the disability allowance, and retirees who receive an off duty disability allowance are deemed to have a minimum of 20 years of service credit.

Under the bill, retirees would be eligible for a refund of any service credit that they have purchased which does not increase the benefit. This would include any credit that gives the member more than 34 years of service and any credit that was purchased by an on duty disability retiree with less than 25 years of service or an off duty retiree with less than 20 years of service. According to the Ohio Retirement Study Council actuary, the resulting refund payments would probably be minimal.

## **Joint and Survivor Options**

Under S.B. 306 of the 120<sup>th</sup> General Assembly, effective September 21, 1994, members may upon retirement elect a joint and survivor annuity, providing the retiree with the actuarial equivalent of his or her pension for life and an allowance to the spouse for life. The bill gives HPRS retirees who retired prior to the effective date of this provision a 60-day window during which they may elect to receive a joint and survivor annuity. This provision would result in a minimal increase in administrative costs for HPRS.

## **Contribution Reduction**

The bill decreases the HPRS employee contribution by 0.5%, from 10.0% to 9.5% of salary. This would result in an annual decrease in revenues of \$325,769 for the system. The system's board made an equal reduction in the employer contribution (from 24% to 23.5%) effective July 1, 1999.

## **Fiscal Effect of Benefit Increases**

This bill would result in an increase in benefit payments for HPRS. According to calculations provided by the HPRS actuary, the total cost of the benefit increases (expressed as an increase in the employer contribution rate) contained in the bill would be equal to 1.21% of payroll. Translated into dollars, this would represent an annual increase in expenditures of \$788,362 for the State Highway Patrol. This increase could be financed without any increase in contribution rates by increasing the amortization period for HPRS from the current 10 years to 17 years. With this increase, HPRS would remain below the maximum 30-year amortization period established under S.B. 82 of the 121<sup>st</sup> General Assembly.

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