Fiscal Note & Local Impact Statement

127 th General Assembly of Ohio

Ohio Legislative Service Commission
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BILL:	**H.B. 240**	DATE:	**June 27, 2007**
STATUS:	**As Introduced**	SPONSOR:	**Rep. Goodwin**

LOCAL IMPACT STATEMENT REQUIRED: **No — Minimal cost**

CONTENTS: **Restricts a public employer's authority to rehire certain retired members of Public Employees Retirement System, School Employees Retirement System, State Teachers Retirement System, and Ohio Police and Fire Pension**

State Fiscal Highlights

STATE FUND	FY 2007	FY 2008	FUTURE YEARS
General Revenue Fund			
Revenues	- 0 -	- 0 -	- 0 -
Expenditures	- 0 -	Possible increase or decrease	Possible increase or decrease
Retirement Systems			
Revenues	- 0 -	- 0 -	- 0 -
Expenditures	- 0 -	Possible savings	Possible savings

Note: The state fiscal year is July 1 through June 30. For example, FY 2007 is July 1, 2006 – June 30, 2007.

- The provisions to restrict a public employer's authority to re-employ certain retired "administrative employees" and limit a retirant's earnings and compensation have no direct fiscal impact on the state. However, if state agencies rehire such "administrative employees" the state's personnel and compensation expenditures may be decreased due to the earnings and compensation lmitations. Conversely, the restrictions and limitations may discourage such "administrative employees" from retiring early and returning to work and thus may increase the state's personnel and compensation expenditures. The net impact of the bill is undetermined.

- The provisions to restrict a public employer's authority to re-employ certain retired "administrative employees" and limit a retirant's earnings and compensation may decrease the retirement systems' liabilities and expenditures as the number of "administrative employees" that would retire early and return to work may be reduced.

Local Fiscal Highlights

LOCAL GOVERNMENT	FY 2007	FY 2008	FUTURE YEARS
Counties and Other Local Governments			
Revenues	- 0 -	- 0 -	- 0 -
Expenditures	- 0 -	Possible increase or decrease	Possible increase or decrease

Note: For most local governments, the fiscal year is the calendar year. The school district fiscal year is July 1 through June 30.

- The provisions to restrict a public employer's authority to re-employ certain retired "administrative employees" and limit a retirant's earnings and compensation have no direct fiscal impact on the local governments. However, if local governments rehire these retirants the political subdivisions' personnel and compensation expenditures may be reduced due to the earnings and compensation limitations. Conversely, the provisions in the bill may increase local governments' personnel and compensation expenditures as the bill may discourage such "administrative employees" from retiring early and returning to work. The net impact of the bill is undetermined.

Detailed Fiscal Analysis

Currently, a public employer may re-employ any retiree of the state retirement systems without any earnings or compensation limitations. Any retirants that are re-employed after retirement may keep their retirement benefits and receive a salary while re-employed by a public employer. The bill proposes to restrict a public employer's authority to re-employ certain retired "administrative employees" [1] who are retired members of a state retirement system – Ohio Public Employees Retirement System (PERS), Ohio School Employees Retirement System (SERS), Ohio State Teachers Retirement System (STRS), and Ohio Police and Fire Pension Fund (OP&F). The bill requires the public employer seeking to re-employ certain retired "administrative employees" in the same position held prior to retirement to request written approval from the state retirement system board from which the retirant receives a retirement benefit. The board must authorize the employment within 30 days of receiving the employer's request and provide the amount that equals 60% of the retirant's final average salary. If approved, the public employer may hire the retirant for a year. The bill specifies that the post-retirement re-employment will automatically terminate after a year but it may be renewed if certain requirements are met. The bill also limits annual compensation of such re-employment to 60% of the retirant's final average salary (FAS). Nonmonetary compensation such as primary health, medical, hospital, or surgical insurance coverage from the employer may be given to such rehired retirants if the employer provides similar coverage to other employees performing comparable work.

The bill has no direct fiscal impact to the state or local governments. However, if the state or local governments rehire such retirants, personnel and compensation expenditures may be reduced due to the earnings and compensation limitations. The provisions in the bill may also increase personnel and compensation expenditures as the bill may discourage such "administrative employees" from retiring early and returning to work. If such "administrative employees" continue to work longer without retiring, state and local governments' personnel and compensation expenditures may increase. The net impact of the bill is undetermined. It depends on the responses of employees to the change in incentives.

The bill may decrease the retirement systems' liabilities and expenditures if the number of "administrative employees" that retire early and then return to work with the same public employer decreases.

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[1] The provisions only apply to the specified "administrative employees" who are retirees of the specified retirement systems and re-employ by a public employer as defined by the bill.