Fiscal Note & Local Impact Statement

127 th General Assembly of Ohio

Ohio Legislative Service Commission
77 South High Street, 9th Floor, Columbus, OH 43215-6136 ✧ Phone: (614) 466-3615
✧ *Internet Web Site:* http://www.lsc.state.oh.us/

BILL: **Sub. S.B. 267** DATE: **December 3, 2008**

STATUS: **As Reported by House Financial Institutions, Real Estate, & Securities** SPONSOR: **Sen. Faber**

LOCAL IMPACT STATEMENT REQUIRED: **No — Possible indirect local effects**

CONTENTS: **To make changes regarding the Public Employees Retirement System law enforcement division and reimbursement by PERS and the Ohio Police and Fire Pension Fund for Medicare Part B premiums**

State Fiscal Highlights

STATE FUND	FY 2009	FY 2010	FUTURE YEARS
Ohio Public Retirement System – Public Employees Retirement System (PERS) and Ohio Police and Fire Pension Fund (OP&F)			
Revenues	- 0 -	- 0 -	- 0 -
Expenditures	- 0 -	Potential minimal increase or decrease	Potential minimal increase or decrease

Note: The state fiscal year is July 1 through June 30. For example, FY 2009 is July 1, 2008 – June 30, 2009.

- Most of the provisions in the bill have no direct fiscal effect on PERS. However, the provision to establish a program that allows nonlaw enforcement service to be converted to law enforcement or public safety officer service for the purpose of determining retirement benefits and eligibility may increase administrative costs. Any cost increase would be minimal.

- The provision that authorizes the PERS and OP&F boards to establish a formula governing Medicare Part B premium reimbursements has no direct fiscal impact to state or local governments. However, it may result in some savings to the retirement systems through decreases in benefit payments.

Local Fiscal Highlights

LOCAL GOVERNMENT	FY 2009	FY 2010	FUTURE YEARS
Counties and Other Local Governments			
Revenues	- 0 -	- 0 -	- 0 -
Expenditures	- 0 -	Potential indirect gain or potential minimal increase	Potential indirect gain or potential minimal increase

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

- No direct fiscal effect on political subdivisions. However, the provision that allows the PERS Board to determine a new employer contribution rate for the new public safety officers division may have an indirect impact on local governments.

Detailed Fiscal Analysis

The bill proposes to make a distinction between a law enforcement officer and a public safety officer within the law enforcement group in the Public Employees Retirement System (PERS). The bill specifies that law enforcement members who will be eligible to retire at age 48 will continue to be in the law enforcement division while those who will not be eligible to retire until age 52 will be in the new public safety officer division.

Under the bill, law enforcement members will be determined to be in the law enforcement or public safety officer division at the time of service for purposes of retirement benefits and eligibility. Under current law, the determination is made at retirement.

The bill specifically permits a member to combine service as a public safety officer and service as a law enforcement officer to meet the 25 years of service requirement necessary to retire at age 52. Members may not combine public safety officer service with law enforcement service to meet the requirements necessary to retire at age 48. A law enforcement officer is eligible to retire at age 48, only if he or she has 25 years of service as a law enforcement officer whose primary duties were to preserve the peace, protect life and property, and enforce the laws of Ohio. The bill specifies that service as a municipal public safety director earned from September 29, 2005 to the effective date of this bill will be used to determine enhanced benefits under PERS law enforcement provisions. However, service as a municipal public safety director earned on or after the effective date of the bill will be considered regular PERS credit for retirement benefits and eligibility purposes.

The bill permits the PERS Board to establish a program under which nonlaw enforcement service is treated as law enforcement or public safety officer service for purposes of determining retirement benefits and eligibility. For each year of service credit converted, the member is to pay an amount determined by the PERS Board that is not less than 100% of the additional liability resulting from the purchase of that credit. The amounts paid by the member for this type of service purchase credit are subject to federal law limitations and the maximum number of years a member may purchase under this program is five. The bill specifies that the member must agree to retire within 90 days after the conversion. If the member does not retire within the specified period, PERS is required to cancel the conversion and refund the payment.

The bill also establishes that the member contribution rate for PERS law enforcement officers is the rate established for PERS public safety officers plus an additional percentage, which is initially 1% of members' earnable salaries but may be increased by the Board to not more than 2%.

The provisions related to the PERS law enforcement division have no direct impact to the state or local governments. However, if the PERS Board establishes a new employer contribution rate for the new public safety officers division at a rate other than the current rate, it may have an indirect impact to the local governments. The impact to each local government would depend on its total number of public safety officers and the new employer contribution rate for the new public safety officer division that will be established by the PERS Board, as authorized by the bill. The bill specifies that the rates cannot exceed 18.1% of the officers'

salaries, same as current law. Currently, law enforcement members contribute 10.1% of earned income while their employers contribute 17.4%.

In addition, most of the provisions in the bill have no direct fiscal effect to PERS. However, the provision that requires PERS to establish a program that allows nonlaw enforcement service to be converted to law enforcement or public safety officer service for the purpose of determining retirement benefits and eligibility may increase administrative costs. Any cost increase would be minimal.

Moreover, the bill authorizes the PERS and Ohio Police and Fire Pension Fund (OP&F) boards to establish a formula governing Medicare Part B premium reimbursements. The amount must be at least $96.40, but not more than the actual amount paid by the eligible retirees, disability benefit recipients, and their spouses. The bill requires the recipient to certify to the retirement system the amount paid for the coverage, if requested by the system. This provision has no direct fiscal impact to state or local governments. However, it may result in some savings to the retirement systems through decreases in benefit payments.

LSC fiscal staff: Ruhaiza Ridzwan, Economist

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