



**Ohio
Retirement
Study
Council**

30 East Broad Street, 2nd Floor
Columbus, Ohio 43215
PHONE: 614-228-1346
FAX: 614-228-0118

Voting Members

Senators

Kirk Schuring, Chair
Hearcel Craig
Jay Hottinger

Representatives

Rick Carfagna, Vice-Chair
Jack Cera
Derek Merrin

Governor's Appointees

Lora Miller
Angel Mumma
Vacant

Non-Voting Members

Mark Atkeson, *HPRS*
Karen Carraher, *PERS*
John Gallagher, *OP&F*
Mike Nehf, *STRS*
Richard Stensrud, *SERS*

Director/General Counsel

Bethany Rhodes

***H.B. 572 of the 132nd
General Assembly***

Rep. Scherer and Howse

September 20, 2018

ORSC Recommendation and Enactment

Staff Contact

**Jeffery A. Bernard
(614) 228-5644**

Summary of H.B. 572 and Omnibus

H.B. 572 grants a full year of service credit for those employees of County Boards of Developmental Disabilities who work full-time for nine months in an educational setting if that work would have been considered employment in the School Employees Retirement System (SERS) and if the employee is paid each month during that year.

Additionally, H.B. 572 includes a largely non-substantive administrative omnibus amendment that is summarized below.

Background

While most employees working in schools and school districts participate in either the State Teachers Retirement System (STRS) or the School Employees Retirement System (SERS), there are a number of *county employees* who work within a school setting. As county employees, these individuals are members of the Public Employees Retirement System (PERS). One example of this is employees of County Boards of Developmental Disabilities (County DD Board).

To receive a full year of service credit in PERS, a member must earn a minimum monthly salary.¹ If a member does not achieve that minimum salary, the monthly service credit is prorated to the amount earned. County DD Board employees working in an educational setting may have multiple months in which they do not meet the monthly minimum salary or in fact have no salary; per current statute, those employees should not earn a full year of service credit per year of work. However, according to PERS, employers have been allowing these employees to spread out salary over the year and receive service credit during months in which they do not work.

This practice is contrary to statute.

The bill would remove the minimum salary requirement and provide a full year of service credit for these employees if all of the following are met:

- 1) The PERS member is employed by a County DD Board;
- 2) The member's employment would be covered by SERS if the member was employed by an SERS-covered employer (such as a school district);
- 3) The PERS member is full-time for at least nine-months of the year and is paid salary in each month of that year.

A result of the bill is that current employer practice of allowing these employees to spread out salary and receive service credit in months in which they do not work would be permitted, subject to the restrictions detailed above.

ORSC Comments

¹ In 2018, the minimum monthly salary is \$660 per month. Prior to January 1, 2014, the minimum monthly earnings was \$250 per month.

A general principle of participation in any retirement system is that all similarly situated individuals be treated as equally as feasible. This is one organizational reason the state has five retirement systems: membership is roughly organized by employment. However, there will inevitably be gray zones in properly organizing membership and employment. H.B. 572 would clarify one of these gray zones.

County DD Board employees are PERS members, but employed in an "SERS-like" position. SERS members working at the same school with the same work schedule as County DD employees would receive a full year of service credit, whereas the County DD employees who are member of PERS would not. Ultimately, the bill is a judgement on whether these employees should be treated more like similarly situated employees (as an "SERS-like" employee) or as other PERS members.

The bill provides that these employees should be treated similarly to other *employees* rather than *PERS members*. This is consistent with a wide variety of retirement law in Ohio that organizes membership by employment. Sometimes this can result in membership being moved from one system to another; the most recent example of which is the transfer of University of Akron employees from SERS to PERS. Because it is only a *subset* of County DD employees working in a school setting, that type of transfer is not possible in this situation.

ORSC recommends approval of H.B. 572 to clarify the treatment of employment done in an educational setting by County DD Board employees.

Omnibus

H.B. 572 includes a number of non-substantive administrative changes that are summarized below:

Public Employees Retirement System (PERS)

- For purposes of eligibility, clarifies that 60 months of service credit means five years of full service credit.
- Provides that, if a benefit is less than \$50 per month, the member will instead receive a lump sum amount.
- Provides the PERS Board authority to adopt rules specifying conditions under which it may waive a disability recipient's annual earnings statements.

Ohio Police & Fire Pension Fund (OP&F)

- Provides that the appointed investment expert board member continues until replaced (rather than removed 60 days after the end of the term).
- Removes language from 1965 referring to board members who are a "fiscal officer of a municipal corporation." The 1965 language referred to a Board position that was eliminated in 2005 by SB 133.

State Teachers Retirement System (STRS)

- Permits release of information to the United States Social Security Administration, United States Centers for Medicare and Medicaid Services, law enforcement entities, the state retirement systems, the Cincinnati Retirement System, and third party vendors performing the duties on behalf of STRS.
- Replaces “filed with” with “submitted to” in references to material provided to STRS to more accurately reflect how information is provided to the system.
- Provides the employer remittance of contributions for defined benefit and defined contribution plans will be treated the same (effectively this only effects the remittance of employer contributions during summer for those who elect to receive salary on a year-long basis).
- Provides the defined contribution, defined benefit, and combined plan members are treated the same should they elected to become a re-employed retiree.
- Administrative changes to disability program.
- Provides that, if a benefit is less than \$100 per month, the member will instead receive a lump sum amount.
- Treats defined contribution service credit purchases for withdrawn service the same as the defined benefit plan and allocates interest on those payments proportionally to the employer and member’s account.

School Employees Retirement System (SERS)

- Aligns definitions with STRS law regarding teachers and employees.
- Permits release of information to the United States Social Security Administration, United States Centers for Medicare and Medicaid Services, law enforcement entities, the state retirement systems, the Cincinnati Retirement System, and third party vendors performing the duties on behalf of STRS.

Actuarial Impact

As discussed above, employers of County DD employees working full-time in a school setting are permitting their employees to spread out pay over a year, allowing them to receive full credit in months that they do not work. As a result, the bill is conforming law to employer practice. Since the bill is standardizing an already existing practice, it is expected to have minimal to no actuarial impact.

ORSC Recommendation

ORSC recommends that the 132nd General Assembly approve H.B. 572 to treat County DD Board employees employed in an educational setting similar to other employees employed in that educational setting. Separately, at its December 4, 2018, meeting, ORSC recommended that the 132nd General Assembly approve the omnibus amendment for inclusion into H.B. 572.

Effective Date: March 22, 2019.