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H.B. 572

November 30, 2018

The Honorable Kirk Schuring  
Ohio House of Representatives  
Statehouse  
Columbus, OH 43215

Dear Representative Schuring:

The amendment to Sub. H.B. 572 of the 132nd General Assembly, As Passed by the House, of retirement law changes that you requested is attached. The following is a description of the changes.

## **Ohio Police and Fire Disability and Pension Fund**

### **Appointed board members**

(R.C. 742.03)

Under the amendment, any appointed member of the OP&F Board, including a member appointed to fill a vacancy, holds office until the end of the term for which the member was appointed. The member continues in office until the member's successor takes office. Currently, an investment expert member appointed to fill a vacancy holds office until the end of the term the member was appointed to fill. After the term expires, the member continues in office until the member's successor takes office or until 60 days has elapsed, whichever occurs first. Under continuing law, three of the Board's seven members are appointed: the Treasurer of State's investment designee and two investment expert members.

## **Municipal fiscal officers**

(R.C. 742.05)

The amendment removes the following two provisions related to a member of the OP&F Board who is a municipal fiscal officer:

- A provision that causes a vacancy on the Board if a member who is a municipal fiscal officer ceases being a municipal fiscal officer;
- A requirement that the Governor appoint a person to fill a vacancy on the Board left by a municipal fiscal officer.

The requirement to have a municipal fiscal officer serve on the Board was eliminated by S.B. 133 of the 125th General Assembly.

## **Public Employees Retirement System**

### **Benefit eligibility**

(R.C. 145.01 and 145.016)

The amendment changes to five years of contributing service credit the minimum service a Public Employees Retirement System (PERS) member must have to qualify for a retirement allowance or disability benefit. Under current law, a member is eligible for the allowance or benefit with 60 or more calendar months of contributing service.

A PERS member can have 60 months of contributing service without having earned five years of service credit because service credit is based on earnings. To earn a full month of service credit in 2018, a member must earn at least \$660 in that month. Fractional credit is allowed for lesser earnings. PERS adds the full and fractional months of credit to determine a member's service credit.

The amendment ties the five year requirement to the existing law under which service credit is determined. The five years of contributing service needed for a retirement allowance or disability benefit will be determined using the full and fractional months of credit calculated by PERS.

The amendment includes two exceptions to the five year requirement. The existing requirement of 60 months of contributing service to qualify for a retirement allowance or disability benefit will be retained for a member who, on the amendment's effective date, has at least 60 months of contributing service and is age 60 years or older. It is also retained for a member with at least 60 months of contributing service who is receiving disability benefits on the amendment's effective date if at some later

time the member ceases to qualify for disability benefits and applies for a retirement allowance.

### **Monthly benefit**

(R.C. 145.33, 145.332, 145.384, 145.45, and 145.62)

The amendment permits PERS to make a single payment of an allowance, benefit, or annuity if the monthly payment would be less than \$50.

Allowance or benefit. If a retirement allowance, or a survivor benefit based on a retirement allowance, payable by PERS would be less than \$50 a month, instead of a monthly payment, PERS may pay the greater of the following:

- (1) A refund of the member contributions on which the allowance is based;
- (2) An amount equal to the actuarial present value of the allowance or benefit as determined by PERS (the actuarial present value is the amount the allowance or benefit is worth as a single payment rather than paid over time).

Annuity. Current law permits a retired state retirement system member who contributed to PERS as a re-employed retirant to choose to receive a post-retirement benefit after ceasing employment as either a monthly annuity or a lump sum payment. Under the amendment, only the lump sum payment would be available if the monthly benefit would be less than \$50. Similarly, if an annuity payable as a result of the member's extra voluntary deposits with PERS would be less than \$50 a month, the amendment requires PERS to refund the amount deposited plus earnings allowed by PERS. Under current law, PERS is to give the refund if the annuity would be less than \$25 a month.

### **Disability benefit statement of earnings**

(R.C. 145.362)

Currently, a disability benefit recipient must file an annual statement of earnings, current medical condition, and other required information with the PERS Board. The Board may waive the requirement to file an annual statement of earnings or current medical information if the Board's medical consultant certifies that the recipient's disability is ongoing. The amendment adds that the PERS Board also may waive these requirements for any reason specified in rules adopted by the Board.

### **Technical**

(R.C. 145.571)

The amendment corrects a cross reference in existing law.

## **School Employees Retirement System**

### **Information sharing**

(R.C. 3309.22)

The amendment permits the School Employees Retirement System (SERS) to provide information about a member, former member, contributor, former contributor, retirant, or beneficiary to any of the following entities:

- The U.S. Social Security Administration;
- The U.S. Centers for Medicare and Medicaid Services;
- The other state retirement systems;
- The Cincinnati Retirement System;
- Any third party that contracts with the SERS Board to administer any part of the system.

Under continuing law, an individual's personal information, including information identifying by name and address the allowance or benefit paid to the individual, is confidential. Confidential information can only be released with the individual's permission or if SERS is statutorily permitted to share it.

### **Definition of employee**

(R.C. 3309.01 and 3309.011)

Under the amendment any person employed as a teacher or faculty member in a community (charter) school or a science, technology, engineering, and mathematics (STEM) school is not a member of SERS. Subject to a narrow exception for certain community school teachers who contribute to Social Security, continuing law makes teachers and faculty in community and STEM schools members of the State Teachers Retirement System (STRS).

### **Technical changes**

(R.C. 3309.01 and 3309.671)

The amendment makes several technical changes to the law governing SERS.

## **State Teachers Retirement System**

### **Disability benefit eligibility and calculation**

(R.C. 3307.48, 3307.501, and 3307.58)

The amendment permits, rather than requires as under current law, the State Teachers Retirement System (STRS) Board to require a disability benefit recipient to submit to an annual medical examination. The amendment also requires the Board to appoint a medical review board if a recipient is determined to be no longer incapable of returning to work following an examination. Current law requires that a recipient's disability benefit be terminated when the recipient is no longer "physically and mentally" incapable of resuming service; STRS requested this be changed to "physically or mentally" incapable. The amendment removes the modifiers because they did not add clarity to the statute – it does not appear to matter how the recipient is incapable of resuming service, just that the recipient is incapable.

The amendment uses a three-year final average salary, rather than a five-year final average salary, to calculate a service retirement benefit effective on or after August 1, 2015, that is preceded by a disability benefit effective before that date and with no break in benefits. The amendment also specifies that a service retirement benefit beginning after a disability benefits terminates is effective the first day of the next month following the termination of the disability benefit and the individual attaining eligibility for service retirement. Currently, the service retirement begins after termination if the recipient has five years of service credit.

### **STRS contributions**

(R.C. 3307.26 and 3307.28)

The amendment requires all employee and employer contributions to be remitted at intervals required by STRS, instead of annually by June 30 for teacher contributions. The amendment also removes the requirement that the amount of the employer contribution be certified by the secretary of the STRS Board.

### **Restoration and purchase of service credit**

(R.C. 3307.71 and 3307.74)

The amendment clarifies that the interest an individual pays to STRS to restore withdrawn service credit is divided between the member's account and the Employer's Trust Fund proportionally based on the amount to restore the credit representing the employee's contributions and that of the employer's contributions. The amendment also removes the five-year limit on the amount of service credit for which a member made contributions to the STRS defined contribution plan that can be purchased under the defined benefit plan.

### **Minimum survivor benefits**

(R.C. 3307.60)

The amendment specifies that an individual may not elect a joint and survivor benefit that would result in a monthly payment of \$100 or less to the beneficiary unless the individual is married and must elect a joint and survivor benefit.

### **Disclosure of personal history records**

(R.C. 3307.20)

The amendment authorizes the STRS Board to release personal history records on the request of specified outside entities, which are the same as those listed under "**Information sharing**," above, with two exceptions: STRS also may share with a law enforcement agency that makes the request and with a party under contract with STRS (rather than the SERS Board).

### **Multiple positions at retirement**

(R.C. 3307.351)

The amendment permits a person who holds both an STRS position and a higher paid position covered by PERS or SERS to retire from the higher paid position under coordination of benefits provisions or a defined contribution plan and continue in the STRS position.

STRS, PERS, and SERS have coordination of benefits. Coordination of benefits permits a government employee who has contributed to more than one retirement system to retire using service credit from more than one system. The employee retires under the system in which he or she has earned the most service credit.

Under current law, an STRS member can retire under STRS coordination of benefits provisions using PERS and SERS service credit, as well as STRS service credit, and continue in an STRS position. The amendment permits an STRS member to continue in an STRS position after retiring under PERS or SERS coordination of benefits provisions from a higher paying PERS or SERS position. An example of this situation could be a full-time state employee in PERS who also has a lower paid part-time teaching position covered by STRS. The employee could retire under PERS coordination of benefits from the state position using both PERS and STRS service credit while continuing in the teaching position and contributing to STRS.

The amendment also permits an STRS member to continue in STRS after retiring under a PERS or SERS defined contribution plan. PERS offers a defined contribution plan in which a retirement allowance is based solely on contributions and their earnings as an alternative to the traditional defined benefit plan under which the allowance is

determined by a formula that uses salary and service credit. SERS has authority to establish a defined contribution plan but has not done so.

### **Terminology change**

(R.C. 3307.25, 3307.251, 3307.352, 3307.44, 3307.48, 3307.562, 3307.58, 3307.60, 3307.62, and 3307.66)

Throughout the law governing STRS, the amendment replaces "filing" paperwork with the STRS Board with "submitting" paperwork to the Board. The amendment maintains current law requiring paperwork be filed with other entities, such as the Secretary of State. According to STRS, this change is necessary to distinguish between legal filings and other types of paperwork.

### **Health care for sponsored dependents**

(R.C. 3307.39)

The amendment removes a retirant's or disability benefit recipient's sponsored dependents from being eligible for health care coverage under a STRS policy or contract because STRS no longer provides coverage to these individuals.

### **Technical and conforming changes**

(R.C. 3307.05, 3307.14, 3307.23 (repealed), 3307.231, 3307.241 (repealed), 3307.56, 3307.562, 3307.761, 3307.96 (repealed), 3307.97 (repealed), and 3307.98 (repealed))

The amendment removes obsolete provisions in the law regarding local pension district system mergers into STRS and employee statements of service upon employment. The amendment also makes other technical and conforming changes.

If you have any questions or would like any changes to the amendment, please contact me at [Kailey.Henry@lsc.ohio.gov](mailto:Kailey.Henry@lsc.ohio.gov) or (614) 728-4815.

Sincerely,



Kailey Henry  
Research Associate

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