Ohio Legislative Service Commission

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Office of Research and Drafting

Legislative Budget Office

H.B. 73
136th General Assembly

Fiscal Note & Local Impact Statement

Click here for H.B. 73's Bill Analysis

Version: As Introduced

Primary Sponsors: Reps. K. Miller and T. Hall

Local Impact Statement Procedure Required: No

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Highlights

- State universities and local public employers may pay higher costs of salaries and benefits if, due to the incentives created by the deferred retirement option plan (DROP), retirement-eligible officers with higher salaries and longer tenures choose to participate in DROP and continue their employment.

Detailed Analysis

Deferred retirement option plan for PERS law enforcement

The bill requires the Board of the Public Employees Retirement System (PERS) to establish and administer a deferred retirement option plan (DROP) for a PERS member who is a law enforcement officer and eligible for retirement. In general, PERS members who are law enforcement officers include deputy sheriffs, township police officers, and university police officers. The bill requires the Board to adopt rules to implement DROP, including the initial implementation date. The bill specifies application procedures, eligibility requirements to participate in DROP, accruals of benefits and distribution of DROP accruals, cessation of participation in DROP, restrictions while participating in DROP, and other requirements regarding the plan.

The bill specifies that election to participate in DROP takes effect on the first day of the employer's first payroll period immediately following the Board's receipt of the notice of the member's election. Under the bill, any eligible PERS law enforcement member who elects to participate in DROP will accumulate additional contributions (paid by both employee and employer) for retirement while continuing to work as an active employee and receiving a salary but does not earn any service credit. DROP participants must agree to terminate active service and begin receiving their retirement allowance not later than eight years after electing to participate in DROP. During the officer's participation in DROP, the officer and the officer's employer would continue to contribute to PERS. Currently, a PERS law enforcement officer and the officer's employer contribute 13% and 18.1% of the officer's salary, respectively.

Actuarial investigations

The bill requires the PERS Board to prepare, by or under the supervision of an actuary, an actuarial analysis of DROP, including an examination of any financial impact on PERS of offering DROP to such members, at least once every five years. The actuarial report must include certain information and be submitted to the Ohio Retirement Study Council (ORSC) and the standing House and Senate committees with primary responsibility for retirement legislation not later than the first day of November following the last fiscal year of the period the report covers. If the actuarial analysis determines that DROP has a negative financial impact on PERS, the bill requires the PERS Board to modify the plan. The bill specifies that the Board is not allowed to alter the rights and obligations of members who have already elected to participate in DROP. The bill prohibits the employer contributions to the employers' accumulation fund from being increased to offset any negative financial impact of DROP.

Fiscal effect

The bill does not have any fiscal impact to the state. However, there will be fiscal impact to state universities, local public employers, and PERS. The impact will depend on the number of law enforcement officers who elect to participate in DROP. Under the bill, a DROP participant will continue to receive active employee salary and benefits. Therefore, for every DROP participant, state universities and local public employers may pay higher costs of salaries and benefits if, due to the incentives created by the plan, retirement-eligible officers with higher salaries and longer tenures participate in DROP and continue their employment. In addition, the bill requirement regarding actuarial investigations may minimally increase PERS's administrative costs to conduct such actuarial investigations.

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