OHIO LEGISLATIVE SERVICE COMMISSION

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Office of Research and Drafting

Legislative Budget Office

H.B. 499
134th General Assembly

Fiscal Note & Local Impact Statement

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Version: As Reported by House Insurance

Primary Sponsor: Rep. A. Miller

Local Impact Statement Procedure Required: No

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Highlights

- Allowing an Ohio Public Employees Retirement System (OPERS), a School Employees Retirement System (SERS), or an Ohio Police and Fire Pension Fund (OP&F) disability benefit recipient who is elected or appointed to certain offices and earns $5,000 or less in annual compensation for serving in such office to continue receiving a disability benefit during the recipient's term of office would have no direct fiscal effect on the state or political subdivisions because the bill does not affect required employer contribution rates.
- These provisions may increase such retirement systems' expenditures and future liabilities.

Detailed Analysis

The bill allows an Ohio Public Employees Retirement System (OPERS), a School Employees Retirement System (SERS), or Ohio Police and Fire Pension Fund (OP&F) disability benefit recipient who is elected or appointed to certain offices and earns an annual compensation of $5,000 or less for serving in such offices to continue receiving a disability benefit during the recipient's term of office. In the cases of PERS and OP&F, the bill provision would apply to a disability benefit recipient who is elected as a member of or appointed to one of the following offices: (1) a board of township trustees, (2) a legislative authority of a municipal corporation, (3) a board of education of a city, local, or exempted village school district, (4) a governing board of an educational service center (ESC), or (5) a county board of elections. In the case of SERS, the provision would apply to eligible positions at a board of education or a board of an ESC. Under existing law, a disability benefit from OPERS would cease if the recipient is restored to service by, or elected to an office with, an employer covered under OPERS. Currently OP&F provides disability benefits to its members who are not able to perform their official duties as police officers or firefighters as a result of a disabling condition or a combination of such conditions, according to an OP&F publication.[1] The publication also states that "If you become employed in other public employment (non-police or fire) within two months of receiving retirement benefits from OP&F, then up to two months of your benefit payments and contributions for such period must be forfeited under law. A limited exception can be applied to you if you had been continuously employed in the other Ohio retirement system-covered position two months before retirement and you submit the appropriate documentation to OP&F."

Fiscal effect

Allowing eligible OPERS, SERS, and OP&F disability benefit recipients who are elected or appointed to certain offices to continue receiving a disability benefit during the recipient's term of office would have no direct fiscal effect on the state or political subdivisions. The bill does not affect required employer contribution rates, which together with a government entity's payroll determine the cost of providing pension benefits to employees.

The bill may increase OPERS's, SERS's, and OP&F's expenditures and future liabilities. The size of any such increase would depend on the number of each system's disability benefit recipients who are elected or appointed to eligible offices and meet the annual compensation requirement after the bill's effective date and the amount of such benefits.[2]

Indirect fiscal effect

Any increase in a retirement system's expenditures and future liabilities may indirectly increase public employers' (i.e., the state's, political subdivisions', school districts', etc.) future spending associated with their employees' benefits, including disability benefits provided by the system. Currently, both public employers and the employees of such employers are required to contribute a percentage of the employees' payroll (i.e., an employer share of contribution and an employee share of contribution, respectively) to a state retirement system (e.g., OPERS, SERS, and OP&F) to pay for benefits provided by the system. If an increase in system liabilities resulted in an actuary determining that the percentage needed to pay future benefits is greater than the percentage currently required, the percentage may need to be increased in order to ensure that the system is able to pay promised benefits.

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[1] Source: OP&F Member's Guide to Disability Benefits.

[2] Generally, a member's annual disability benefit amount is calculated using the member's age, final average salary (FAS), and service credit, but the minimum and maximum annual benefits are limited by certain percentages of the member's FAS.