



# OHIO LEGISLATIVE SERVICE COMMISSION

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## Fiscal Note & Local Impact Statement

**Bill:** S.B. 296 of the 132nd G.A.

**Status:** As Reported by Senate Finance

**Sponsor:** Sens. LaRose and Hottinger

**Local Impact Statement Procedure Required:** No

**Subject:** To revise the payments that surviving family members receive from the Ohio Public Safety Officers Death Benefit Fund and to permit surviving spouses and children to participate in the health, dental, and vision benefits offered to state employees

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### State & Local Fiscal Highlights

- The provisions that increase the death benefit amounts paid and extend the number of years of payments from the Ohio Public Safety Officers Death Benefit Fund (hereinafter DBF) would increase costs to the state GRF of providing such benefits. The DBF receives quarterly transfers from the state GRF.
- Increasing the monthly transitional benefits for all recipients under the DBF from 50% to 75% of an officer's monthly salary would increase state GRF costs by nearly \$9.4 million per year initially, increasing over time as new beneficiaries begin to receive payments. The actual cost in each year would depend on the number of officers who die in the line of duty in the future, the monthly salary and retirement eligibility dates of such officers, and the number and age of eligible spouses.
- Extending initial death benefit payments to beneficiaries receiving benefits under the DBF by approximately another eight years would initially increase GRF costs by roughly between \$136,000 and \$273,000 for the first year, but would grow gradually to perhaps \$1 million to \$2 million annually after eight years and then level off.
- Eliminating the required reduction of survivor benefits paid from the DBF by survivor benefits payable by one of the state retirement systems is estimated to increase costs to the state GRF at least \$4.2 million per year.
- The provision that requires the state to pay for the state share cost of all DBF recipients who participate under the state employees' health benefit plan is estimated to increase annual health care costs to the state GRF by between \$7.4 million and \$7.9 million per year initially, based on FY 2018 premiums under the state plan.
- Health care costs of providing such coverage for DBF recipients are likely to increase each year, as the costs of health care increase and if the number of eligible individuals increases.

- The bill may minimally increase the Department of Administrative Services' administrative cost related to the requirement to provide DBF recipients' health care coverage. Any increase in such cost would be paid from the Internal Service Activity Fund (Fund 1250) and Employee Benefit Fund (Fund 8080).
- No direct fiscal effect on local governments.

## **Detailed Fiscal Analysis**

### **Benefit payments from the DBF**

The Ohio Public Safety Officers Death Benefit Fund (hereinafter DBF) currently pays benefits to the surviving spouse and children of a public safety officer, generally a law enforcement officer or firefighter,<sup>1</sup> killed in the line of duty. In certain cases, other survivors of the public safety officer are eligible for benefits. The Board of Trustees of the Ohio Police and Fire Pension Fund (OP&F) administers this program.

The bill makes the following changes to the death benefit amounts paid from the DBF to such survivors: (1) extends payment of the initial death benefit to the date that such officers would have been eligible to retire with the maximum age and service pension for the officer's position, instead of the date the officer would first have been eligible to retire, (2) increases the transitional benefit paid after the officer's maximum pension eligibility date from 50% to 75% of monthly salary received by the officers at the time of death, including all increases that would have been granted had the officer lived, and (3) eliminates a requirement that the death benefit amount be reduced by any survivor benefits payable by the officer's retirement system. The bill specifies that survivors already receiving the transitional benefit who are within the extension period will receive the initial death benefit instead of the reduced transitional benefit until the deceased officer's maximum pension eligibility date. Under specified circumstances, initial death benefit payments to a surviving spouse or surviving child that terminated before the bill's effective date will resume under the bill's provisions.<sup>2</sup>

### **Health care coverage to DBF recipients under the state employees' health benefit plan**

The bill allows beneficiaries of the DBF to participate in any health, medical, hospital, dental, surgical, or vision benefit under the state employees' health benefit plans that are contracted or provided by the Department of Administrative Services (DAS). The bill specifies that a DBF recipient who elects to participate in a benefit under

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<sup>1</sup> Specific examples of public safety officers eligible for these survivor benefits under current law include: members of the Ohio Police and Fire Pension Fund, members of the State Highway Patrol Retirement System, county sheriffs and deputy sheriffs, full-time park district rangers and patrol officers, full-time law enforcement officers of the state Department of Natural Resources, full-time Department of Public Safety enforcement agents, state and local corrections officers, and state university law enforcement officers. This list is not comprehensive, but a full list can be found in the LSC Bill Analysis.

<sup>2</sup> See division (L) of Section 742.63 of the bill.

this bill is required to do both of the following: (1) file a notice with DAS of the death benefit fund recipient's election to participate that specifies the benefits or combination of benefits in which the recipient elects to participate, and (2) pay to DAS the percentage of the premium or cost for the applicable benefits that would be paid by a state employee who elects that coverage.<sup>3</sup> The bill specifies that a DBF recipient is ineligible to participate in the state employees' health benefit plans if the recipient is eligible to enroll in the Medicare Program.

The bill requires DAS to pay the percentage of the premium or cost for the applicable benefits that would be paid by a state employer for a state employee who elects such coverage for each DBF recipient who participates in the applicable coverage. The bill requires the Director of DAS to prescribe procedures for the administration of benefits for DBF recipients under this bill, including the development of required forms for enrollment, disenrollment, or re-enrollment in such benefits.

**Other provision**

The bill requires the Board of Trustees of OP&F to provide any required information to DAS, including information regarding the identities, ages, and family relationships of DBF recipients.

**Fiscal effect**

The table below shows the estimated costs to the state GRF, by provision. The bill is estimated to increase costs to the state GRF of providing benefits for DBF beneficiaries by roughly \$21 million in the initial year. Currently, the DBF is funded from the state GRF through quarterly transfers from line item 090575, Police and Fire Death Benefits under the Pension Subsidies' budget<sup>4</sup> to the OP&F. From calendar year (CY) 2012 through CY 2016, the annual cost for benefits paid from the DBF ranged between \$18.7 million and \$19.1 million.

Provision	Estimated First Year Cost
Extending payment of the initial death benefit to the maximum pension eligibility	Between \$136,000 and \$273,000
Increasing the monthly transitional benefits from 50% to 75%	About \$9.4 million
Eliminating reduction of survivor benefit payments payable by a retirement system from benefits paid from the DBF	At least \$4.2 million per year
Providing health care coverage for DBF recipients under the state employees' health benefit plan	Between \$7.4 million and \$7.9 million

**Revising benefit payments from the DBF**

According to data provided by an OP&F official, there are currently 939 surviving spouses and 79 children receiving benefits from the DBF. The average

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<sup>3</sup> A parent, guardian, custodian, or other person responsible for the care of a DBF who is under 18 years of age or a disabled DBF recipient may file the election required on the recipient's behalf.

<sup>4</sup> All GRF line items under the Pension Subsidies' budget are administered by the Treasurer of State.

monthly initial death benefit for all beneficiaries of deceased officers killed in the line of duty paid from the DBF is \$3,934<sup>5</sup> while the average monthly transitional benefit is \$1,661.<sup>6</sup>

These data imply that nearly all of the current beneficiaries are receiving transitional benefits (since  $\$1,661 \times 12 \text{ months} \times 939 = \$18.7 \text{ million}$ ). **The provision that increases the monthly transitional benefits for all recipients under the DBF from 50% to 75% of the monthly amount would increase the cost by nearly \$9.4 million per year initially, increasing over time as new beneficiaries begin to receive payments.** The actual cost in each year could be lower or higher than the estimated amount, depending on the number of officers who die in the line of duty in the future, the monthly salary and retirement eligibility dates of such officers, and the number and age of eligible spouses.<sup>7</sup>

The provision that extends payment of the initial death benefit to the date the officer would have been eligible to retire with the maximum age and service pension for the officer's position instead of the date the officer would first have been eligible to retire would increase the number of years that such payments would be made to eligible DBF recipients by approximately eight years. For example, a municipal police officer or firefighter who is an OP&F member is eligible to retire with 25 years of service. The OP&F pension for this length of service is an amount equal to 60% of the member's average annual salary. However, the maximum OP&F pension is 72% of average annual salary, which requires 33 years of service. Therefore, the bill extends by eight years the period of time during which a surviving spouse of an OP&F member is eligible to receive the initial death benefit. The maximum pension eligibility date may differ for members of the State Highway Patrol Retirement System (SHPRS), the Ohio Public Employees Retirement System (OPERS), or a municipal retirement system.

**The estimated additional costs related to the provision that extends initial death benefit payments to beneficiaries receiving benefits under the DBF by approximately another eight years would initially be roughly a couple of hundred thousand dollars per year but would grow gradually to perhaps \$1 million to \$2 million annually after eight years and then level off.** We assume again that most of the 939 spouses currently drawing DBF benefits are receiving transitional benefits, so that the eligibility of perhaps five to ten spouses for initial death benefits expire during

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<sup>5</sup> The average monthly initial death benefit for OP&F, OPERS, and SHPRS beneficiaries are \$4,838.65, \$3,304.50, and \$3,658.86, respectively. The average monthly transitional benefit for OP&F, OPERS, and SHPRS beneficiaries are \$1,432.11, \$1,437.84, and \$2,113.37, respectively.

<sup>6</sup> The entire amounts are distributed among various eligible survivors (e.g., spouse only, if no eligible child, or spouse and eligible child, etc.). When a survivor loses his or her eligibility, such survivor's portion is redistributed among any remaining survivors.

<sup>7</sup> In general, any monthly survivor benefit currently paid to such survivors is deducted from the initial benefit amount paid under the DBF, but the bill removes this requirement.

each of the first few years of the enhanced benefit. Then the number receiving increased benefits in the first year the program was effective would be between five and ten, the second year the number would grow to ten to 20, the third year would grow to 15 to 30, etc. Growth would continue until the number of beneficiaries reached 40 to 80 after eight years, then it would roughly level off as the first cohort receiving the increased benefit saw benefits decline to the transitional benefit amount.

**Assuming the increased benefit amount averages roughly \$2,273 per month (the difference between \$3,934 and \$1,661), under these assumptions the cost of the proposal would be between \$136,000 and \$273,000 for the first year.** The cost would grow from there to \$273,000 to \$546,000 in the second year, and so on, until reaching between \$1.1 million and \$2.2 million annually starting in the eighth year. The actual cost in each year would also depend on such officers' monthly salaries, retirement eligibility dates, retirement system memberships, and the number and age of surviving spouses and eligible children of such officers.

#### **Eliminating reduction of survivor benefits payments payable by a retirement system from benefits paid under the DBF**

**The estimated cost to the state GRF of eliminating the reduction of survivor benefits payable by the officer's retirement system from the monthly death benefits under the DBF would be at least \$4.2 million per year.** For example, under existing law the amount of surviving spouses' survivor benefit payable from OP&F is \$4,920 per year (or \$410 per month) while the surviving child would receive \$1,800 per year (or \$150 per month) payable until such child attains age 18 or marries, whichever occurs first.<sup>8</sup> According to data provided by an OP&F official, there are 843 surviving spouses and 56 surviving children currently receiving benefits under the DBF. Assuming all of OP&F surviving spouses and children receive survivor benefits from OP&F, the estimated costs of eliminating the reduction of survivor benefits payable by OP&F from the death benefits under the DBF would be roughly \$4.2 million per year. Surviving spouses and children of officers killed in the line of duty who are members of PERS, SHPRS, or a municipal retirement system also receive surviving benefits as specified under the statute, so the revenue loss calculated for OP&F members above would serve as a lower bound to the cost of this provision for benefits payable from all retirement systems.

#### **Health care coverage to DBF recipients under the state employees' health benefit plan**

**The estimated annual health care costs to the state GRF of providing health care coverage to all DBF recipients above through the state employees' health benefit plan is estimated to be between \$7.4 million and \$7.9 million per year initially, based**

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<sup>8</sup> The survivor payment continues until age 22 if such child is an unmarried full-time student. A dependent disabled child is entitled to a benefit until death or recovery from disability, regardless of age at time of OP&F member's death.

**on FY 2018 premiums under the state plan.** Costs are likely to increase each year, as the costs of health care increase and if the number of eligible individuals increases. Under the bill, DAS is required to pay the same state-share as a state employee for the applicable coverage for all eligible recipients under the DBF if they chose to enroll under the state employees' health benefit plan. The bill does not specify the funding source for the associated spending, nor does it include an appropriation. LSC staff assume the funding would come from the state GRF.

Health coverage premiums depend on whether a covered individual has single coverage or family coverage. The total annual cost to the state for an individual who has single coverage for FY 2018 is \$7,308.24, consisting of medical and prescription coverage (\$6,777.00), dental coverage (\$410.76), and vision coverage (\$120.48).<sup>9</sup> To receive this coverage under the bill, an individual would have to pay a premium of \$100.07 per month. The total annual cost to the state to provide family coverage for FY 2018 is \$20,121.84 for medical and prescription coverage (\$18,600.24), dental (\$1,190.28), and vision (\$331.32), with the family having to pay either \$273.94 or \$286.44 per month to qualify for the benefit. Because the cost difference to the state between single coverage and family coverage is considerable, amounting to nearly \$13,000 annually, the estimated costs to the state of this provision depend heavily on any assumptions made about the prevalence of each type of coverage in the population to be added. Given that the number of children receiving benefits under the DBF are small relative to the number of spouses, it is clear that most of the spouses will need single coverage rather than family coverage. The estimated costs above assume a range, with the low cost estimate assuming that family coverage applies to families with an average of two children per family, and the high cost estimate assuming that family coverage applies to families with an average of one child per family.

The bill may minimally increase the Department of Administrative Services' administrative cost related to DBF recipients' health care coverage requirement. Any increase in such cost would be paid from the Internal Service Activity Fund (Fund 1250) and Employee Benefit Fund (Fund 8080).

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<sup>9</sup> Currently, each state agency pays 85% of total premiums for medical and prescription insurance for each exempt full-time employee and 100% of premiums for dental and vision coverage for each exempt full-time and part-time permanent employee and their eligible dependents. The remaining 15% of total premiums for medical and prescription insurance would be paid by eligible individuals who enroll in the plan.