



Ohio Legislative Service Commission

Bill Analysis

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S.B. 83

128th General Assembly
(As Introduced)

Sen. Faber

BILL SUMMARY

- Excludes amounts attributable to certain overtime or salary increases from use in determining retirement benefits under the Public Employees Retirement System (PERS).
- Excludes earnings exceeding the yearly salary of the Governor from the salary used to determine PERS contributions and retirement benefits.

CONTENT AND OPERATION

Background: calculation of retirement benefits

A member of the Public Employees Retirement System (PERS) defined benefit plan¹ receives a retirement benefit based on a formula using years of service and final average salary. For purposes of determining the benefit, final average salary is the average of the member's highest three years of earnable salary. Earnable salary is the salary, wages, and other earnings of a member, other than payments for such things as fringe benefits and reimbursement of expenses.² A member and the member's

¹ PERS has three plans: the defined benefit plan, defined contribution plan, and combined plan. The defined benefit plan provides a retirement benefit based on a formula that considers years of service, salary, and sometimes age. The plan also provides disability benefits and access to health care coverage. PERS refers to this plan as the Traditional Plan. The defined contribution plan provides a retirement benefit based solely on contributions and investment earnings on those contributions and does not provide disability or health care coverage. The combined plan has features of the defined benefit and defined contribution plan.

² R.C. 145.01.

employer are required to make contributions to PERS based on the member's earnable salary.³

The bill: exclusion of certain earnable salary

(R.C. 145.016)

The bill excludes from use in determining final average salary, and therefore retirement benefits, any earnable salary attributable to either of the following:

(1) Overtime service that exceeds the greater of (a) the member's overtime service during any of the three years immediately preceding the two years in which the member's salary was highest, or (b) overtime service considered generally applicable⁴ to members employed by the same employer;

(2) A percentage increase in salary during the two years of service in which the member's salary was highest that exceeds the greater of (a) the highest percentage increase in salary paid the member during any of the three years immediately preceding the two years of service in which the member's salary was highest, or (b) a percentage increase in salary paid the member as part of an increase that is considered generally applicable to members employed by the same employer.

At the request of the member subject to the exclusion, the PERS Board must hold a hearing to determine whether the excluded amount, up to a maximum of \$7,500, should be included in determining the member's final average salary. The Board's determination on the exclusion is final.

Because a member will have made required contributions on these amounts, the bill requires that any member contributions on the amounts excluded from final average salary be provided as a separate annuity payable to the member following retirement.

Exclusion of amounts exceeding the Governor's salary

(R.C. 145.01)

As discussed above, PERS members and their employers are required to make contributions to PERS based on the member's earnable salary. Earnable salary is used

³ The member contribution rule is 10% of the member's final average salary. The employer rate is 14% of the member's final average salary.

⁴ Under the bill, overtime service is considered generally applicable if the service was assigned in accordance with uniform criteria applicable to all such members.

in the calculation of final average salary and the member's retirement benefit. The bill excludes from earnable salary any amounts that exceed the yearly compensation of the Governor as established under Ohio law.⁵ For these amounts, neither the member nor employer will be required to make contributions to PERS. Amounts earned in excess of the Governor's salary will therefore not be used in determining a retirement benefit under PERS.

HISTORY

ACTION	DATE
Introduced	03-19-09

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⁵ R.C. 141.011.

