Fiscal Note & Local Impact Statement

127 th General Assembly of Ohio

Ohio Legislative Service Commission
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BILL: **H.B. 270** DATE: **December 4, 2007**

STATUS: **As Introduced** SPONSOR: **Rep. Schneider**

LOCAL IMPACT STATEMENT REQUIRED: **No — Minimal cost**

CONTENTS: **Specifies that a member of the Public Employees Retirement System, Ohio Police and Fire Pension Fund, State Teachers Retirement System, or School Employees Retirement System who retires and then returns to public employment in the same position will not receive a pension while earning a salary for that employment**

State Fiscal Highlights

STATE FUND	FY 2008	FY 2009	FUTURE YEARS
General Revenue Fund			
Revenues	- 0 -	- 0 -	- 0 -
Expenditures	- 0 -	Possible increase or decrease	Possible increase or decrease
Retirement Systems – PERS, OP&F, STRS, and SERS			
Revenues	- 0 -	Possible savings	Possible savings
Expenditures	- 0 -	Possible increase	Possible increase

Note: The state fiscal year is July 1 through June 30. For example, FY 2007 is July 1, 2006 – June 30, 2007.

- The provisions to restrict a Public Employees Retirement System (PERS), Ohio Police and Fire Pension Fund (OP&F), State Teachers Retirement System (STRS), or School Employees Retirement System (SERS) member who retires from public employment and subsequently returns to the same or substantially equivalent position from receiving a pension while earning a salary for that employment may increase the number of delays in retiring and subsequently returning to the same or similar work. Consequently, the state's personnel and compensation expenditures may increase slightly. However, the retirement systems' liabilities may decrease as the number of public employees who would retire early and collect retirement benefits may be reduced.

- The provisions authorizing the retirement board to make a determination on whether the post-retirement position is the same or substantially equivalent to the pre-retirement position for all uncertain cases may minimally increase the retirement systems' administrative costs.

Local Fiscal Highlights

LOCAL GOVERNMENT	FY 2008	FY 2009	FUTURE YEARS
Counties and Other Local Governments			
Revenues	- 0 -	- 0 -	- 0 -
Expenditures	- 0 -	Possible increase or decrease	Possible increase or decrease

Note: For most local governments, the fiscal year is the calendar year. The school district fiscal year is July 1 through June 30.

- The provisions to restrict a PERS, OP&F, STRS, or SERS member who retires from public employment and subsequently returns to the same or substantially equivalent position from receiving a pension while earning a salary for that employment may increase the number of delays in retiring and subsequently returning to the same or similar work. Consequently, local governments' personnel and compensation expenditures may increase.

Detailed Fiscal Analysis

The bill proposes to prohibit any member of the Public Employees Retirement System (PERS), Ohio Police and Fire Pension Fund (OP&F), State Teachers Retirement System (STRS), or School Employees Retirement System (SERS) who retires from public employment and subsequently returns to the same position or a substantially equivalent position in public employment from receiving a pension while earning a salary for that employment.

The bill also specifies a new penalty that would forfeit pension[1] and suspend annuity portions of the retirement allowance until the end of reemployment for members who retired less than 180 days before returning to employment. The bill requires that the suspended annuity be paid in a lump sum and the total retirement allowance resume after the termination of the post-retirement employment.

The new benefit forfeiture and annuity suspension under the bill applies to all re-employed retirees in PERS, OP&F, SERS, and STRS, including an elected or appointed official in PERS. The bill also eliminates current penalty and forfeiture provisions that apply to a PERS elected or appointed public official retiree. The bill has minimal fiscal impact to the state and bcal governments. The bill would also have minimal fiscal impacts to PERS, OP&F, STRS, and SERS.

The proposed post-retirement re-employment restrictions and penalties to PERS, OP&F, STRS, or SERS retirees may discourage public employees from retiring within their first month of eligibility. The restrictions and penalties may also increase the number of delays in retiring and subsequently returning to the same or similar work. Accordingly, state and local governments' personnel and compensation expenditures may increase if delays in retirement increase. In general, personnel and compensation expenditures are lower in the early years of employment versus the end of employment.

[1] The amount based on employer contributions.

Conversely, if the number of public employees who would retire early and collect retirement benefits is reduced and individuals work longer in the same public employment, the retirement systems' liabilities may decrease. The impact on the retirement systems' future liabilities and expenditures is expected to be minimal. In addition, the bill specifies that the relevant retirement board shall make a determination on whether the post-retirement position is the same or substantially equivalent to the pre-retirement position for all uncertain cases. The board's decision is final. This provision may minimally increase the retirement systems' administrative costs.

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