



State Representatives Rick Carfagna and Dan Ramos
Joint-Sponsor Testimony - House Bill 362
October 18, 2017

Chairman Arndt, Vice Chair Pelanda, Ranking Member Howse and members of the House Aging and Long Term Care Committee. Thank you for allowing us the opportunity to provide joint-sponsor testimony on House Bill 362. We stand before you today not just as legislative colleagues, but also as House members of the Ohio Retirement Study Council.

The need for HB 362 arises from several legislative changes requested by the Ohio Highway Patrol Retirement System (HPRS). According to correspondence we have received from the Ohio State Highway Patrol Retirees' Association (over 1,300 active members), the HPRS system has faced some large actuarial assumption changes – most notably the reduction of the investment assumed rate of return. The changes in these assumptions have increased the unfunded actuarial accrued liabilities of the pension system. The necessary legislative changes pursued under HB 362 will decrease the amortization period by several years and improve the solvency of this system.

More specifically, the proposed changes to HPRS under HB 362 are as follows:

- HB 362 restores the minimum retirement age to 52 (as it was prior to 1989) for new hires after January 1, 2020 – all others are grandfathered. This is similar to what the Ohio Police & Fire Pension Fund (OP&F) and OPERS-LE did in 2012;
- HB 362 calculates pension benefits for off-duty disabilities based on a minimum 12-year service benefit instead of a minimum 20-year service benefit. This does not affect in-the-line-of-duty disabilities;
- HB 362 eliminates the automatic 50% unfunded survivor benefit and establishes a set amount (\$900.00) for survivor benefits while increasing that amount annually as the board determines – this does not affect those already retired or in DROP. This is similar to OP&F's survivor benefit; and
- HB 362 provides no survivor benefits for those who marry after retirement – this does not affect those already retired. As with current law, retirees will still have the option of changing to a Joint and Survivor Annuity (JSA) to provide similar or even increased benefits to spouses.

These proposed changes were approved by the HPRS Board of Trustees, and were later unanimously approved by the Ohio Retirement Study Council at our June 8, 2017 meeting. At last Thursday's Ohio Retirement Study Council meeting, our council voted unanimously to accept the staff recommendations regarding HB 362. As outlined in a memorandum, ORSC staff recommends the ORSC-approved HB 362 for the following reasons:

- The elimination of unreduced retirement at age 48 standardizes HPRS' retirement age with OP&F and OPERS-LE and complies with ORSC retirement principles.
- HB 362 moderates off-duty disability benefits within the range of other law enforcement retirement systems and also allows HPRS to proactively improve its funding condition.
- HB 362 eliminates a situation in which a survivor benefit did not accurately reflect the actuarial cost. This change removes a significant cost to the system and would materially improve its funding condition.
- The changes will proactively strengthen the funding status of HPRS.

With these proposed changes having been vetted at both the system level and the ORSC level, they must now be enacted via legislation. The HPRS believes these changes to be non-controversial, and since they would reduce their unfunded actuarial accrued liabilities by several years, they will provide additional solvency to the HPRS system.

Thank you for the opportunity to provide sponsor testimony on House Bill 362. We would be happy to answer any questions you may have at this time.