

AN ACT

To amend sections 5505.01, 5505.03, 5505.15, 5505.174, 5505.28, and 5505.54 of the Revised Code to revise the law governing the State Highway Patrol Retirement System.

Be it enacted by the General Assembly of the State of Ohio:

SECTION 1. That sections 5505.01, 5505.03, 5505.15, 5505.174, 5505.28, and 5505.54 of the Revised Code be amended to read as follows:

Sec. 5505.01. As used in this chapter:

(A) "Employee" means any qualified employee in the uniform division of the state highway patrol, any qualified employee in the radio division hired prior to November 2, 1989, and any state highway patrol cadet attending training school pursuant to section 5503.05 of the Revised Code whose attendance at the school begins on or after June 30, 1991. "Employee" includes the superintendent of the state highway patrol. In all cases of doubt, the state highway patrol retirement board shall determine whether any person is an employee as defined in this division, and the decision of the board is final.

(B) "Prior service" means all service rendered as an employee of the state highway patrol prior to September 5, 1941, to the extent credited by the board, provided that in no case shall prior service include service rendered prior to November 15, 1933.

(C) "Total service" means all service rendered by an employee to the extent credited by the board. Total service includes all of the following:

(1) Contributing service rendered by the employee since last becoming a member of the state highway patrol retirement system;

(2) All prior service credit;

(3) Restored service credit as provided in this chapter;

(4) Military service credit purchased under division (D) of section 5505.16 or section 5505.25 of the Revised Code;

(5) Credit granted under division (C) of section 5505.17 or section 5505.201, 5505.40, or 5505.402 of the Revised Code;

(6) Credit for any period, not to exceed three years, during which the

member was out of service and receiving benefits under Chapters 4121. and 4123. of the Revised Code.

(D) "Beneficiary" means any person, except a retirant, who is in receipt of a pension or other benefit payable from funds of the retirement system.

(E) "Regular interest" means interest compounded at rates designated from time to time by the retirement board.

(F) "Plan" means the provisions of this chapter.

(G) "Retirement system" or "system" means the state highway patrol retirement system created and established in the plan.

(H) "Contributing service" means all service rendered by a member since September 4, 1941, for which deductions were made from the member's salary under the plan.

(I) "Retirement board" or "board" means the state highway patrol retirement board provided for in the plan.

(J) Except as provided in section 5505.18 of the Revised Code, "member" means any employee included in the membership of the retirement system, whether or not rendering contributing service.

(K) "Retirant" means any member who retires with a pension payable from the retirement system.

(L) "Accumulated contributions" means the sum of the following credited to a member's individual account in the employees' savings fund:

(1) All amounts deducted from the salary of the member;

(2) All amounts paid by the member to purchase state highway patrol retirement system service credit pursuant to this chapter or other state law.

(M)(1) Except as provided in division (M)(2) of this section, "final average salary" means the average of the highest salary paid a member during any ~~three~~ five consecutive or nonconsecutive years.

If a member has less than ~~three~~ five years of contributing service, the member's final average salary shall be the average of the annual rates of salary paid to the member during the member's total years of contributing service.

(2) If a member is credited with service under division (C)(6) of this section or division (D) of section 5505.16 of the Revised Code, the member's final average salary shall be the average of the highest salary that was paid to the member or would have been paid to the member, had the member been rendering contributing service, during any ~~three~~ five consecutive or nonconsecutive years. If that member has less than ~~three~~ five years of total service, the member's final average salary shall be the average of the annual rates of salary that were paid to the member or would have been paid to the member during the member's years of total service.

(N) "Pension" means an annual amount payable by the retirement system throughout the life of a person or as otherwise provided in the plan.

(O) "Pension reserve" means the present value of any pension, or benefit in lieu of any pension, computed upon the basis of mortality and other tables of experience and interest the board shall from time to time adopt.

(P) "Deferred pension" means a pension for which an eligible member of the system has made application and which is payable as provided in division (A) or (B) of section 5505.16 of the Revised Code.

(Q) "Retirement" means termination as an employee of the state highway patrol, with application having been made to the system for a pension or a deferred pension.

(R) "Fiduciary" means any of the following:

(1) A person who exercises any discretionary authority or control with respect to the management of the system, or with respect to the management or disposition of its assets;

(2) A person who renders investment advice for a fee, direct or indirect, with respect to money or property of the system;

(3) A person who has any discretionary authority or responsibility in the administration of the system.

(S)(1) Except as otherwise provided in this division, "salary" means all compensation, wages, and other earnings paid to a member by reason of employment but without regard to whether any of the compensation, wages, or other earnings are treated as deferred income for federal income tax purposes. Salary includes all of the following:

(a) Payments for shift differential, hazard duty, professional achievement, and longevity;

(b) Payments for occupational injury leave, personal leave, sick leave, bereavement leave, administrative leave, and vacation leave used by the member;

(c) Payments made under a disability leave program sponsored by the state for which the state is required by section 5505.151 of the Revised Code to make periodic employer and employee contributions to the retirement system.

(2) "Salary" does not include any of the following:

(a) Payments resulting from the conversion of accrued but unused sick leave, personal leave, compensatory time, and vacation leave;

(b) Payments made by the state to provide life insurance, sickness, accident, endowment, health, medical, hospital, dental, or surgical coverage, or other insurance for the member or the member's family, or amounts paid by the state to the member in lieu of providing that insurance;

(c) Payments for overtime work;

(d) Incidental benefits, including lodging, food, laundry, parking, or services furnished by the state, use of property or equipment of the state, and reimbursement for job-related expenses authorized by the state including moving and travel expenses and expenses related to professional development;

(e) Payments made to or on behalf of a member that are in excess of the annual compensation that may be taken into account by the retirement system under division (a)(17) of section 401 of the "Internal Revenue Code of 1986," 100 Stat. 2085, 26 U.S.C.A. 401 (a)(17), as amended;

(f) Payments made under division (B), (C), or (E) of section 5923.05 of the Revised Code, Section 4 of Substitute Senate Bill No. 3 of the 119th general assembly, Section 3 of Amended Substitute Senate Bill No. 164 of the 124th general assembly, or Amended Substitute House Bill No. 405 of the 124th general assembly.

(3) The retirement board shall determine by rule whether any compensation, wages, or earnings not enumerated in this division are salary, and its decision shall be final.

(T) "Actuary" means an individual who satisfies all of the following requirements:

(1) Is a member of the American academy of actuaries;

(2) Is an associate or fellow of the society of actuaries;

(3) Has a minimum of five years' experience in providing actuarial services to public retirement plans.

Sec. 5505.03. (A) The funds created by this section are the "employees' savings fund," "employer's accumulation fund," "pension reserve fund," "survivors' benefit fund," "income fund," and "expense fund." When reference is made to any of such funds, such reference is made to each as a separate legal entity; provided that the moneys in the funds may be intermingled for deposit and investment purposes.

(B) The employees' savings fund is the fund in which shall be accumulated the contributions deducted from the salaries of members, except as provided in division (B)(1)(b) of section 5505.54 of the Revised Code. Any refunds of accumulated contributions, as provided in the plan, shall be paid from such fund. Upon a member's retirement, ~~his~~ the accumulated contributions standing to ~~his~~ the member's credit in the fund shall be transferred to the pension reserve fund if ~~his~~ the member's retirement occurs on or after January 1, 1966, or to the employer's accumulation fund if ~~his~~ the member's retirement occurred prior to January 1, 1966. If a pension is payable on account of the death of a member, ~~his~~ the

accumulated contributions standing to ~~his~~ the member's credit in the employees' savings fund shall be transferred to the survivors' benefit fund if ~~his~~ the member's death occurs after January 1, 1966, or to the employer's accumulation fund if ~~his~~ the member's death occurs prior to January 1, 1966.

(C)(1) The employer's accumulation fund is the fund in which shall be accumulated the state's contribution to the state highway patrol retirement system and the amounts contributed under division (B)(1)(b) of section 5505.54 of the Revised Code. Upon a member's retirement after January 1, 1966, the difference between ~~his~~ the member's pension reserve and ~~his~~ the member's accumulated contributions shall be transferred to the pension reserve fund. If a pension is payable on account of a member's death occurring after January 1, 1966, the difference between the pension reserve for that pension and ~~his~~ the member's accumulated contributions shall be transferred to the survivors' benefit fund.

(2) All pensions allowed and payable prior to January 1, 1966, shall be continued according to the provisions of the plan in force the day preceding January 1, 1966, unless otherwise provided for in this chapter and shall be paid from the employer's accumulation fund.

(D) The pension reserve fund is the fund from which shall be paid all pensions on account of members who retire on or after January 1, 1966. If a disability retirant returns to the employ of the state highway patrol, ~~his~~ the disability retirant's pension reserve at that time shall be transferred to the employees' savings fund and the employer's accumulation fund in the same proportion as the pension reserve was originally transferred to the pension reserve fund.

(E) The survivors' benefit fund is the fund from which shall be paid all pensions, payable under section 5505.17 of the Revised Code, on account of members who die on or after January 1, 1966.

(F)(1) The income fund is the fund to which shall be credited all interest, dividends, distributions, and other income derived from deposits and investments of moneys of the retirement system, all gifts and bequests to the system, all transfers from the employees' savings fund because of lack of claimant, and any other moneys the disposition of which is not otherwise provided for in the plan.

(2) If the balance in the income fund exceeds the requirements of the fund, the state highway patrol retirement board may transfer amounts from the income fund to meet special requirements of the various other funds of the retirement system.

(G) The expense fund is the fund from which the expense of the administration of this chapter shall be paid, exclusive of amounts payable as

retirement allowances and as other benefits. The state highway patrol retirement board shall estimate annually the amount to be provided in the expense fund and such amount shall be transferred from the income fund. If such amount is insufficient during any year, the board is authorized to transfer the amount of such insufficiency from the income fund.

Sec. 5505.15. (A)(1) A member of the state highway patrol retirement system shall contribute ~~ten per cent~~ a certain percentage of the member's annual salary to the state highway patrol retirement fund. The percentage shall be not less than ten per cent of the member's annual salary but not more than fourteen per cent. The state highway patrol retirement board shall establish and may adjust the rate as it considers necessary to meet the amortization period requirement of section 5505.121 of the Revised Code. The board shall base its determination of the necessary rate on the annual actuarial valuation required by section 5505.12 of the Revised Code. The amount shall be deducted by the employer from the employee's salary for each payroll period.

(2) The total contributions arising from deductions made prior to January 1, 1966, from the salaries of members in the employ of the state highway patrol and standing to the credit of their individual accounts in the retirement fund shall be transferred and credited to their respective individual accounts in the employees' savings fund.

(B) The state shall annually pay into the employer accumulation fund, in monthly or less frequent installments as the state highway patrol retirement board requires, the employer contribution. The employer contribution shall be an amount equal to twenty-six and one-half per cent of the total salaries paid contributing members. If a member severs connection with the patrol or is dismissed, the employer contribution shall remain in the retirement system.

The rate percentage of the employer contribution shall be certified by the board to the director of budget and management and shall not be lower than nine per cent of the total salaries paid contributing members and shall not exceed three times the rate percentage being deducted from the annual salaries of contributing members. The board shall prepare and submit to the director, on or before the first day of November of each even-numbered year, an estimate of the amounts necessary to pay the state's obligations accruing during the biennium beginning the first day of July of the following year. Such amounts shall be included in the budget and allocated as certified by the board.

Sec. 5505.174. (A) ~~The following persons are eligible to receive an increase under this section:~~

~~(1) Persons~~ Eligibility for an increase under this section shall be determined as follows:

(1) For a person whose pension effective date is prior to the effective date of this amendment, an "eligible person" is one of the following:

(a) A person fifty-three years old or older who ~~have~~ has been receiving ~~pensions~~ a pension pursuant to division (B) of section 5505.16, division (A)(1) of section 5505.17, or division (B) of section 5505.18 of the Revised Code for not less than twelve months;

~~(2) Persons who have~~ (b) A person who has been receiving ~~pensions~~ a pension pursuant to division (B) of section 5505.18 of the Revised Code for not less than sixty months regardless of age;

~~(3) Persons who have~~ (c) A person who has been receiving ~~pensions~~ a pension pursuant to section 5505.162 or division (A)(3), (4), (5), (6), or (7) of section 5505.17 of the Revised Code for not less than twelve months regardless of age.

(2) For a person whose pension effective date is on or after the effective date of this amendment, an "eligible person" is a person who is sixty years old or older who has been receiving a pension pursuant to division (B) of section 5505.16, section 5505.162, division (A)(1), (3), (4), (5), (6), or (7) of section 5505.17, or division (B) of section 5505.18 of the Revised Code for not less than twelve months.

(B) The ~~(1) Except as otherwise provided in this section, the state highway patrol retirement board shall annually increase each benefit pensions payable to eligible persons under this chapter by three per cent, except that no benefit shall exceed the limit established by section 415 of the "Internal Revenue Code of 1986," 100 Stat. 2085, 26 U.S.C.A. 415, as amended.~~

~~The first increase is payable to all persons becoming eligible on or after November 18, 1981. The increase is payable for each ensuing twelve-month period or until the next increase is granted under this section, whichever is later in accordance with the following:~~

(a) For each person sixty-five years of age or older who is receiving a pension not greater than one hundred eighty-five per cent of the federal poverty level for a family of two persons, as revised annually by the United States department of health and human services in accordance with section 673(2) of the "Omnibus Reconciliation Act of 1981," 95 Stat. 511, 42 U.S.C. 9902, as amended, the board shall increase the pension by three per cent.

(b) For persons other than those described in division (B)(1)(a) of this section, the board may increase the pension. Any increase shall be

determined by the board based on compliance with the amortization period requirement of section 5505.121 of the Revised Code. The board's determination shall be based on the annual actuarial valuation required by section 5505.12 of the Revised Code. If the board determines that an increase may be made, the increase shall not exceed three per cent of the eligible person's pension.

(2) No increase under this section shall exceed the limit established by section 415 of the "Internal Revenue Code of 1986," 100 Stat. 2085, 26 U.S.C. 415, as amended.

(3) The date of the first increase paid under this section shall be the anniversary date for future increases. The pension used in the first calculation of an increase under this section shall remain as the base for all future increases paid under this section, unless a new base is established.

~~Increases paid in years subsequent to the year of the first increase paid under this section shall be paid to all persons who, on the date that the increase is authorized by the board, are eligible as provided in this section.~~

(C) If payment of a portion of a benefit is made to an alternate payee under section 5505.261 of the Revised Code, increases under this section granted while the order is in effect shall be apportioned between the alternate payee and the eligible person in the same proportion that the amount being paid to the alternate payee bears to the amount paid to the eligible person.

If payment of a portion of a benefit is made to one or more beneficiaries under "option 4" under division (A)(4) of section 5505.162 of the Revised Code, each increase under this section granted while the plan of payment is in effect shall be divided among the designated beneficiaries in accordance with the portion each beneficiary has been allocated.

(D) The board shall adopt, and may amend or rescind, any rule necessary to carry out this section.

Sec. 5505.28. (A) The state highway patrol retirement board may enter into an agreement with insurance companies, health insuring corporations, or government agencies authorized to do business in the state for issuance of a policy or contract of health, medical, hospital, or surgical benefits, or any combination thereof, for those persons receiving pensions and subscribing to the plan. Notwithstanding any other provision of this chapter, the policy or contract may also include coverage for any eligible individual's spouse and dependent children and for any of the individual's sponsored dependents as the board considers appropriate.

If all or any portion of the policy or contract premium is to be paid by any individual receiving a service, disability, or survivor pension or benefit,

the individual shall, by written authorization, instruct the board to deduct from the individual's pension or benefit the premium agreed to be paid by the individual to the company, corporation, or agency.

The board may contract for coverage on the basis of part or all of the cost of the coverage to be paid from appropriate funds of the state highway patrol retirement system. The cost paid from the funds of the system shall be included in the employer's contribution rate as provided by section 5505.15 of the Revised Code.

(B) The board shall, beginning the month following receipt of satisfactory evidence of the payment for coverage, pay monthly to each recipient of a pension under the state highway patrol retirement system who is eligible for ~~medical insurance~~ coverage under part B of the medicare program established under Title XVIII of "The Social Security Amendments of 1965," 79 Stat. 301 (1965), 42 U.S.C.A. 1395j, as amended, an amount established by board rule not exceeding the basic premium for such coverage.

(C) The board shall establish by rule requirements for the coordination of any coverage, payment, or benefit provided under this section with any similar coverage, payment, or benefit made available to the same individual by the public employees retirement system, Ohio police and fire pension fund, state teachers retirement system, or school employees retirement system.

(D) The board shall make all other necessary rules pursuant to the purpose and intent of this section.

Sec. 5505.54. (A) During the period beginning on the effective date of an election to participate in the deferred retirement option plan and ending on the date participation ceases, a member's monthly pension amount determined under section 5505.53 of the Revised Code shall accrue to the member's benefit. To this amount shall be added any benefit increases the member would be eligible for under section 5505.174 of the Revised Code had the member, on the effective date of the member's election, retired under section 5505.16 of the Revised Code.

(B)(1) The amounts contributed under division (A) of section 5505.15 of the Revised Code by a member participating in the deferred retirement option plan shall ~~accrue to the member's benefit~~ be credited as follows:

(a) Ten per cent of the member's annual salary shall accrue to the member's benefit.

(b) Any amount of the member's annual salary that is in excess of ten per cent shall be credited to the employer's accumulation fund.

(2) The state highway patrol retirement system shall credit to the

employer's accumulation fund the amounts contributed by the state under section 5505.15 of the Revised Code on behalf of a member participating in the deferred retirement option plan.

(C) During the period beginning on the election's effective date and ending on the date the member ceases participation in the plan, the amounts described in divisions (A) and (B)(1)(a) of this section shall earn interest at an annual rate established by the state highway patrol retirement board and compounded annually using a method established by rule adopted under section 5505.50 of the Revised Code.

SECTION 2. That existing sections 5505.01, 5505.03, 5505.15, 5505.174, 5505.28, and 5505.54 of the Revised Code are hereby repealed.

SECTION 3. Sections 1 and 2 of this act take effect January 7, 2013, except that section 5505.15 of the Revised Code, as amended by this act, takes effect one hundred and eighty days after the effective date of this section and section 5505.01, as amended by this act, takes effect January 1, 2015.

SECTION 4. (A) The Ohio Retirement Study Council shall study and make recommendations regarding the authority of the State Highway Patrol Retirement Board to adjust employee contributions rates as provided in section 5505.15 of the Revised Code, as amended by this act.

(B) Not later than ninety days after the effective date of this section, the council shall prepare and submit to the President of the Senate and Speaker of the House of Representatives a report of its findings and recommendations.

Speaker _____ *of the House of Representatives.*

President _____ *of the Senate.*

Passed _____, 20____

Approved _____, 20____

Governor.

Sub. S. B. No. 345

129th G.A.

The section numbering of law of a general and permanent nature is complete and in conformity with the Revised Code.

Director, Legislative Service Commission.

Filed in the office of the Secretary of State at Columbus, Ohio, on the ____ day of _____, A. D. 20____.

Secretary of State.

File No. _____ Effective Date _____