



**OHIO HOUSE PENSIONS COMMITTEE  
OPPONENT TESTIMONY ON HOUSE BILL 296**

Chair Mathews, Vice Chair King, Ranking Member Lightbody, and Members of the House Pensions Committee, thank you for the opportunity to share our concerns regarding House Bill 296 (HB 296). My name is Keary McCarthy, I am the Executive Director of the Ohio Mayors Alliance, a bipartisan coalition of mayors in Ohio's 30 largest cities and suburbs. Our communities collectively make up over one-third of the Ohio population and represent the largest contributors to the Ohio Police & Fire Pension Fund (OP&F).

**CITIES INVEST SIGNIFICANT TAXPAYER RESOURCES IN CURRENT PUBLIC SAFETY WORKFORCE COSTS AND ONGOING PENSION FUND OBLIGATIONS.**

**Public safety is the largest single budgetary expenditure for cities.** Our communities spend over half of their entire municipal budgets on police and fire services. In many cases, the costs for public safety can be as much as 60 to 70 percent of a city's total budget. Ohio Mayors Alliance **cities collectively spend over \$2.1 billion on public safety each year.** Our mayors and communities are extremely proud of this investment as public safety is the most important issue in their respective communities.

The **current OP&F Fund obligations cost twice as much as our cities receive through the recently reduced Local Government Fund (LGF).** We have received data from 20 of our 30 member cities, and our total contribution to the OP&F Fund is \$265 million a year and growing. We estimate the total cost for all 30 of our cities to exceed \$300 million a year. The Local Government Fund (LGF), which was cut in half over a decade ago, provides only about \$152 million annually for ALL Ohio cities.

Except for the Ohio Highway Patrol Retirement System (HPRS), **cities currently have the highest employer contribution rates of any of the public pension systems in Ohio.** These state mandated employer rates for OP&F are 19.5 percent for police and 24.0 percent for fire. The Public Employees Retirement System (PERS), State Teachers Retirement System (STRS), School Employees Retirement System (SERS) all have **employer contribution rates of 14.0 percent.** The PERS Law Enforcement Fund and the Public Safety Fund has an **employer contribution rate of 18.1 percent.**

Increasing the employer contribution rate for police up to 24.0 percent, as proposed in HB 296, would also significantly increase the gap between employer and employee contribution rates. For both police and fire employees, the contribution rate for employees is 12.25 percent. **No other Ohio pension fund, except for HPRS, has such a high differential between employer and employee rates.** Yet, despite the long-term solvency concerns outlined by OP&F, HB 296 proposes no new changes to the current employee contribution rate, no further examination of costs or expenses within the fund,

and no investment of state tax dollars. Instead, it relies solely on a substantial rate increase for Ohio’s cities and local taxpayers.

**STATE MANDATED INCREASES IN LOCAL PENSION FUND COSTS WILL DECREASE MUNICIPAL INVESTMENTS INTO CURRENT PUBLIC SAFETY WORKFORCE**

Over the last few years, the costs to attract and retain high-quality law enforcement professionals have increased significantly. Through collective bargaining contracts, many of our cities have increased wages and benefits for our officers, increased staffing levels, and have paid retention bonuses to keep our officers on the job. Investing in our current public safety workforce is a critical priority for our cities and these investments will have an immediate benefit for our communities and the OP&F Fund.

Because the municipal contribution rate is a percentage of total police payroll, **the substantial investments our cities are making today will drive more money into the fund now and benefit our pensioners over the long-term.** However, if our cities’ pension fund obligations are significantly increased as proposed in HB 296, cities will be forced to shift more municipal funds towards the pension system instead of investing in wage increases and hiring new officers that benefit our current public safety workforce and our communities overall.

As you will see in the enclosed chart representing just over half of Ohio Mayors Alliance members, the estimated costs of HB 296 once fully implemented are significant. Cities like Toledo and Dayton will see cost increases of over \$2.5 million year after year. For our medium-sized cities the costs range between \$350,000 and \$500,000 year after year. In cities like Lancaster and Parma, this means that instead of hiring three or four new officers, or providing wage increases, safety equipment, they must divert these resources to their pension fund obligations or raise taxes.

<b>Ohio Cities</b>	<b>Cost Increase of HB 296 at 24%</b>
Akron	\$1,756,572
Beavercreek	\$207,000
Canton	\$242,871
Cincinnati	\$4,627,135
Cleveland	\$5,500,000
Columbus	\$15,116,033
Dayton	\$2,601,824
Dublin	\$405,939
Euclid	\$411,660
Fairfield	\$507,853
Grove City	\$379,155
Kettering	\$415,728
Lakewood	\$500,000
Lancaster	\$322,762
Lima	\$383,100
Parma	\$540,835
Reynoldsburg	\$350,000
Toledo	\$2,734,767

As the LSC Fiscal Note indicates, and is illustrated below, HB 296 will be phased in over 4 years. While we appreciate the recognition of the cost impacts on our cities, once phased in 2027, these additional costs of over \$70 million a year remain in place until amended by the Ohio General Assembly. These costs are in addition to the over \$300 million our cities are already contributing to the OP&F Fund.

Phase In	Proposed Public Employer Rate Increases by year	LSC Estimated Cost to Cities and Local Taxpayers
2024	19.5 to 21%	\$21.2 million
2025	22%	\$36.6 million
2026	23%	\$52.8 million
<b>2027</b>	<b>24%</b>	<b>\$70.1 million*</b>

## CITIES WANT A SOUND AND STABLE PENSION FUND FOR OUR MUNICIPAL FIRST RESPONDERS

While we are concerned about the costs of HB 296 and the impact these costs will have on our cities' investments in our current public safety workforce, **we do want to ensure that the OP&F Fund is sound and stable for the long-term.** We have appreciated the bill sponsors' efforts to bring together the stakeholders and to foster constructive conversations about how to address accounting changes within the OP&F Fund that have brought us here today.

We have said before and we state again that our cities are not unwilling to do our part. Our member communities are the largest contributors to the OP&F Fund, and we want to make sure those investments are well-managed and stable. **While we oppose HB 296 in its current form, we would like to submit the following solution-oriented concepts for the committee to consider:**

1. First, it is imperative that taxpayers, local communities, and the Ohio General Assembly gain a clear and objective understanding the long-term actuarial requirements of the OP&F Fund. This must include a sober assessment of the cost drivers within the fund as well potential additional revenue needs. **We believe this committee should hear from the Ohio Retirement Study Council and/or another independent pension expert to assess the needs of the fund and the available options to address those needs.** We strongly advocate for this evaluation to precede any formal legislative action on the proposed bill. This proactive approach ensures that this body has exhaustively pursued measures to safeguard taxpayers, protect pensioners, and notably, safeguard the well-being of active-duty safety service officers.
2. Second, as noted earlier, **HB 296 in its current form does not include any changes to address the growing costs within the fund.** It does not propose to reduce the local cost burden with any off-setting state matching dollars or any other new state revenue support. The only solution proposed is a significant cost increase to cities and local taxpayers. **All options must be on the table.**
3. Third, the cost adjustments that OP&F took on over a decade ago included a two percent increase in the employee contribution rate, as well as other changes that helped reduce costs to the fund. **Except for our public safety personnel, who are also pensioners, Ohio's cities have no representation on the OP&F Board.** As a result, we have very little insight into the cost adjustments that were made to the fund. We believe it would be prudent to have a third-party assess the impact of the previous changes that were made to the fund and consider adding some additional municipal representation to the OP&F Board.

We look forward to continuing this important dialogue and working with the bill sponsors and the committee members to get this right. We are not unwilling to do our part. We want the fund to be sound and stable for the long-term, but we need a more balanced approach that doesn't adversely impact our ongoing investments into our current public safety workforce. Thank you for your time. I would be happy to address any questions.