



Mount Vernon

City of Mount Vernon

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Second Ward

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Fourth Ward

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At Large

Janis Seavolt
At Large

Mel Severns
At Large

Friday, November 24, 2023

Dear Chairman Mathews and House Pension Committee Members:

I am writing today to voice my opposition to the unfunded mandate of raising the employer contributions to the Ohio Police and Fire (OP&F) Pension Funds in House Bill 296 for a variety of reasons.

First, the estimated cost of this bill would significantly impact future budgets for our Police Department. Table 1 shows the estimated payroll and pension costs as we look to how the percentages are factored into the proposed schedule of execution:

TABLE 1. Payroll for City of Mount Vernon Police Department and respective percentage of employer contributions based on HB 296.

Year	Estimated Payroll*	Proposed %	Employer Contribution
2023	\$2,534,095.00	19.5	\$494,148.53
2024	\$2,660,799.75	21	\$550,767.95
2025	\$2,793,839.74	22	\$614,644.74
2026	\$2,905,593.33	24	\$697,342.40

*Based on no additional officers added to the staffing levels.

In this scenario, if the employer contribution would remain at 19.5% throughout the rollout period, our City would reflect a cumulative savings over the entire period of over \$240,000. That savings could be invested in three more police officers to provide protection for our community who would also contribute to the pension fund.

Second, OP&F liabilities are included in municipalities financial statements. Therefore, if there are any shortfalls observed regarding solvency or other factors of the OP&F Fund, it is reflected in the municipality’s bond rating. Adding more employer contributions potentially confounds that issue and could further demonstrate less than favorable ratings which would drastically interfere with our investment of new facilities and related infrastructure. Our bond rating will be crucial to the investment that is required to provide services to our citizens.

Third, it seems another option of increasing the funds to the OP&F Pension Fund would be to closely examine the investment portfolio. Based on the 2021 Actuarial Valuation of the fund, there is a 25-year solvency period for the pension fund.¹ My understanding is that public retirement portfolios should be solvent for up to 30 years. Is this lower solvency rate based on lack of contributions or lack of a well-balanced portfolio? Granted, these 2021 figures follow a pandemic, but the market needs time to rebound.

According to the American Academy of Actuaries, risks for underfunding pensions can be managed through *benefit, funding, and investment policies*.² Given that Ohio is seeing an enormous uptick in investment in technology, healthcare, and manufacturing, the market is ripe in offering investment opportunities that likely are to provide higher yields which would boost pension investments. Perhaps starting with *investment policy* with better yields is a more prudent measure than draining more money from municipal employers through another unfunded mandate.

Finally, as a Mayor, raising revenues is something about which I sympathize with the committee. I explain to my constituents that we can pay for the things that we need or those that are broken one of two ways: either 1) raise taxes or 2) get more people contributing to the revenue streams. With the reshoring of American jobs, the population projections³ in Central Ohio alone will necessitate the need for more police officers. I believe it would benefit Ohio and the OP&F to advocate for more police officers to serve our communities which would naturally enhance investment contributions without stressing taxpayers any more than they are when it comes to pension fund contributions.

Being a police officer is tough these days, but I believe the savings of the required employer contribution levels will allow municipalities to hire more dedicated and well-equipped officers to serve our communities - something we need anyway. That coupled with a thorough examination of the OP&F Pension investment portfolio are much more responsible ways to take care of those who have served our communities honorably.

Thank you for your consideration of my examination on this matter. Please understand how your decision will impact not only the City of Mount Vernon, but also many other municipalities and villages in Ohio - many of whom have limited resources as it is.

Sincerely,

Dr. Matthew T. Starr
Mayor, City of Mount Vernon, Ohio

References:

1 Ohio Police and Fire Pension Fund Report. Actuarial Valuation as of January 1, 2021.
<https://www.op-f.org/Files/ActuarialValuationasof01012021.pdf>

2 American Academy of Actuaries. 2012 'The 80% Pension Funded Standard Myth.' Washington, DC.
https://www.actuary.org/sites/default/files/files/80_Percent_Funding_IB_071912.pdf

3 Mid-Ohio Regional Planning Commission Growth Projections.
https://www.morpc.org/wordpress/wp-content/uploads/2023/02/Population_Growth_Forecast_2024-50.pdf