



Representative Cindy Abrams
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State Representative for the 46th House District

Chairman Peterson, Vice Chair Teska, Ranking Member Brennan and members of the Public Insurance and Pensions Committee – thank you for the opportunity to provide sponsor testimony on House Bill 280- legislation that intends to ensure the stability of the Ohio Police and Fire Pension Fund.

It is our legal obligation to fund our pension programs. It is a promise made to public employees – in this case first responders – and it's a promise we must keep.

We have a workforce shortage crisis on our hands. Industry after industry has expressed major concerns about staffing. We cannot afford to have a workforce shortage when it comes to our first responders. It is vital that we retain and recruit talented and dedicated public servants. Having a sound and stable pension fund structure is crucial when it comes to long term retention of these valued public employees.

Let's address the issue at hand. The Ohio Police and Fire Pension Fund must make changes to ensure the long-term stability of the fund. Now more than ever given the board's action in the last several years to cut the fund's assumed rate of return from an industry-high eight percent to 7.5 percent.

The actions that the fund can take are limited. The OP&F can add funding, or it can cut benefits. The General Assembly must find a way to increase contributions or cut the retirement benefits promised to police and firefighters. Ohio's police and firefighters have already experienced, in the last 8 years alone, \$3.2 billion in benefit cuts and they've seen a 2.25 percent increase in their contribution.

Local government revenues are strong and municipalities in localities are in a position to act. House Bill 280 changes the way OP&F is funded to be funded on an actuarially determined employer contribution (ADEC) basis. An actuarial funding model provides for a greater benefit security than the fixed rate funding OP&F currently uses. OP&F previously used actuarial funding until 1986 and was a suggested approach last General Assembly by Americans for

Prosperity. Currently, the employer contribution for police is 19.5% while fire is 24% and it has been this way since 1986. During this same time, the employee contributions have doubled with the most recent increase happening in 2015.

As legislators we are often responding to crisis. This legislation lets us implement a sound fiscal solution before it's an emergency. It also assures that we fulfill our promise to tens of thousands of police and firefighters across Ohio.

I respectfully ask for your support of House Bill 280. I will now have my fellow joint sponsor; Representative Abrams speak to the bill.

Thank you, Chair Peterson. I'd like to share a little history with you all.

The Ohio Police and Fire Pension Fund was established in 1967 when over 450 local pension funds united into a statewide system. The fund serves over 27,000 active duty first responders and more than 30,000 retirees who have risked their lives daily for our safety as well as their beneficiaries.

Two General Assemblies ago when Rep. Baldridge and I introduced a version of this bill, the Ohio Police and Fire Pension Fund had the highest assumed rate of return on its investments of any comparable public fund in the nation – a testament to the fund's well managed investment portfolio and overall fiscal responsibility.

Since that time, the OP&F has voted to reduce that assumed rate of return. OP&F's rate of return on investments is 8.45% and has been since the program's inception, while the system's assumed rate of return is at 7.5%, which is a .75% decrease since 2016.

While this caution was necessary and appropriate given current economic forecasts, the decision is not without consequence. Without legislative action, this new assumed rate of return will push the OP&F funding timeline to 43 – years, well outside the state mandated 30 – year solvency window. Last General Assembly, Rep. Hall and I made the ask to raise the employer contribution amount from 19.5% for police to 24% over 6-years, to bring police employer contributions into alignment with fire and close into alignment with the Ohio State Highway Patrol.

In the coming weeks, you will hear from the experts. Those who have dedicated their career to ensuring our first responders' retirement and disability benefits are managed responsibly. You will hear from the employers, the employees, and their advocates.

This General Assembly, our ask is to return OP&F to an actuarial funding model that will automatically adjust COLA and contribution rates based on actuarial fundings. Our proposal would first equalize police employer contributions to 24% within 5 years of the bill being enacted. After this point the board would have the ability to adjust the rates based on an

actuary's report if the amortization period exceeds 30 years. It is also important to note that these rates CANNOT be more than a 1.5% increase over 3 years or .5% a year.

You may be wondering – what has the Ohio Police and Fire Pension Fund already done to stabilize the fund?

In 2012, the OP&F underwent massive pension reform – an effort that consisted only of employee sacrifices. Through legislative action, the retirement age for first responders was raised from 48 to 52, cost of living adjustments (COLAs) were eliminated until members reach the age of 55, COLAs were tied to the Consumer Price Index (the metric used to measure inflation) but capped at 3%, and member contributions were raised from 10% to 12.25% with no change to employer contributions. These sacrifices resulted in a 3.2 billion dollar decrease in unfunded liabilities.

The most recent change was the OP&F's move to a stipend-based health care coverage model in 2018. While this altered employee benefits significantly, an actuarial study conducted in January 2021 found that this change increased the health care fund's solvency to 17 years. It also resulted in 130 million dollars of annual savings.

HB 280 is responsible legislation that will help our police and fire retirees. This bill recognizes that police officers and firefighters have already been asked to pay more and accept benefits cuts.

Rep. Hall shared the impact pensions have on firefighters, but it is no secret that the state of Ohio's pension program is closely tied to the recruitment and staffing challenges our police departments are currently facing. We, the General Assembly, recognize there is a problem.

A pension that might not fulfill its duty to those who invest in it will only further hurt these recruitment efforts.

My joint sponsor and I are coming to you now, knowing this issue cannot wait. If the Legislature fails to take action, the amount of money needed to fill the solvency gap will only grow. Day by day, hour by hour - the fund will become more unstable, jeopardizing the benefits our current first responders are working toward and increasing unfunded liabilities.

We know that employers – our local governments – will feel the pressure of increased costs. That is why we took the feedback from last General Assembly and introduced this bill that starts to put police pensions at the same level as their fire brothers and sisters. Rep. Hall and I are committed to continue working with these folks – the five-year phase in is part of that commitment. As always, I welcome our municipalities to come to the table to discuss solutions. We also know that where public safety is concerned – promoting safe communities is a universal priority.

Thank you all for your time. Rep. Hall and I would be happy to stand for questions