

HOUSE PUBLIC INSURANCE & PENSIONS COMMITTEE OPPOSITION TESTIMONY ON H.B. 73 (AS INTRODUCED)

March 25, 2026

Chair Peterson, Ranking Member White, and members of the House Public Insurance and Pensions Committee—thank you for the opportunity to testify. I am Karen Carraher, Executive Director of the Ohio Public Employees Retirement System (OPERS) – Ohio’s largest public retirement system representing 1.3 million active, inactive, and retired members and holding trust assets exceeding \$130 billion dollars.

I am here today to testify in opposition to H.B. 73 (as introduced), a bill that would impose an unfunded mandate on OPERS – namely, to establish a deferred retirement option plan (DROP) for members participating in our Law Enforcement (LE) division.

OPERS strongly opposes this DROP legislation because it does not address the root issue it is attempting to solve (e.g., employment issues), imposes significant costs and complexity for the benefit of a very small subset of members, and creates actuarial risk for the retirement system.

Throughout OPERS’ history, the OPERS Board of Trustees has been proactive in examining the System’s pension and health care plans to ensure that OPERS is properly meeting our mission—to provide a secure retirement for our members and their beneficiaries. OPERS also takes our fiduciary responsibility seriously and we strive to follow the Legislature’s expressed desire to reduce our unfunded liabilities. To meet those goals, OPERS scrutinizes the existing benefit structure and the potential impact of proposed legislation. We carefully consider how to incent members to take desired actions and carefully evaluate how the benefits are funded. This piece of legislation would add a benefit enhancement to a very small group of members in a manner that is not necessary as there is already a vehicle to achieve similar outcomes.

OPERS evaluated adding a DROP program over the years but instead determined that a partial lump sum option plan (PLOP), which would be available for all active members, was more efficient, fair, and could truly be implemented in an actuarially neutral manner.

OPERS strongly opposes H. B. 73 for the following reasons.

- The DROP benefit design of this bill creates a liability risk.
- The bill attempts to address an employment problem, not a retirement problem.
- The cost and complexity are high, benefiting very few members.
- The existing PLOP provides better benefits for members.
- The proposed DROP is not actuarially neutral.

Let me explain each of these reasons in more detail.

1. The rich benefit design creates a liability risk. This bill, as proposed, materially changes OPERS' benefit structure in a way that is inconsistent with how DROP operates in other Ohio systems—and incompatible with OPERS' funding model.

I want to highlight two critical design issues. As introduced, this bill creates a DROP that is materially richer than the DROPs in Ohio's other law enforcement retirement systems. Unlike the Ohio Police & Fire Pension Fund and the Highway Patrol Retirement System, this proposal would return 10% of the member's contributions, credit interest during the DROP period, and **apply a cost of living adjustment to the DROP** accumulation itself. At the same time, OPERS **receives lower combined employee and employer contribution rates** than those systems. That mismatch—a new benefit program without corresponding funding—introduces real financial risk that those systems are structured to absorb, but OPERS is not.

For direct comparison, the Ohio Police & Fire Pension Fund provides members with 50% of a 12.25% contribution rate in years 1-3, 75% of the 12.25% contribution rate in years 4-5, and finally reaches 100% in years 6-8. This bill would require OPERS to pay 10% of a 13% member contribution rate in all years of the DROP. By contrast, the Ohio Highway Patrol Retirement System gives DROP participants 10%, but of a 14% member contribution rate. Also, comparing the total member and employer contribution rate of all three systems, OPERS has the lowest overall rate and the lowest employer contribution rate of all the systems. The bill also requires that the annual cost of living adjustment provided to our current retirees be added to the DROP benefit, another difference between this bill and the other law enforcement systems.

Additionally, the bill introduces a health care component into law, our health care program is not statutorily required nor is there any separate funding provided for healthcare and therefore should not be considered.

In short, this bill layers a richer DROP design onto a retirement system that does not have the contribution structure or the population to support it.

2. This bill attempts to solve an employment problem, not a retirement problem. The driving force behind requests for a DROP option is not a deficiency in OPERS' retirement benefits. It is an employment and workforce management issue, specifically, the desire for employees to retire without employer awareness while retaining seniority or employment status.

OPERS already provides **two robust, financially advantageous options** to members who retire and return to employment:

- The **Partial Lump Sum Option Plan**, and
- The **Money Purchase Plan (MP)** for re-employed retirees.

These existing programs already meet member needs without adding plan design complexity. Using retirement legislation as a workaround for employer issues misplaces risk onto the pension system instead of addressing the root cause directly.

The employment issue at hand can be resolved through collective bargaining at an employer level, in fact we have already seen several large employers resolve it through reemployment provisions in their contracts.

Additionally, OPERS law enforcement rules do not mandate a retirement age and thus law enforcement members can continue to work and accrue retirement benefit credits earning as much as 90% of their final average salary if they continue to work. By comparison, the Ohio Highway Patrol Retirement System has a mandatory retirement age of 60 and the Ohio Police and Fire Pension Fund's retirement benefit formula limits their members from receiving a benefit that is more than 72% of the member's final average salary.

3. The cost and complexity are high—benefiting very few members. Implementing a DROP program at OPERS would require **at least \$10 million and approximately five years** of system development and integration due to the fundamentally different administrative model. We have no category in any of our information technology systems of a partially retired member. Essentially, the addition of this DROP would require us to reprogram every retirement-related system that we have, especially given the nature of the application of the cost of living adjustment and the disability, death, and survivor benefits, which grants participants a higher benefit than a regular retiree.

This investment would serve less than 3% of OPERS' active members—approximately 9,000 members out of over 330,000 active members statewide.

Any required changes would need a clearly identified funding source, and this proposal does not provide one. This represents a disproportionate use of system resources with minimal system-wide benefit.

4. OPERS' existing Partial Lump Sum Option Plan, combined with the Money Purchase Plan, provides a higher level of benefits for our members. Given the results of a financial comparison between OPERS Money Purchase and PLOP programs, it is unlikely that members will choose to participate in DROP, which may render the implementation costs unwarranted.

Our analysis shows that OPERS' existing PLOP and MP options are more financially advantageous for members than a DROP, while also maintaining system integrity. In every scenario we modeled, the PLOP yielded a benefit that was financially more beneficial for the member than DROP. Additionally, the PLOP and the MP Plan already exist and do not require development, implementation, and other educational outreach. Most importantly, the **PLOP is actuarially neutral.**

5. The proposed DROP is not actuarially neutral. Actuarial neutrality describes the comparison of different benefits and suggests that the ultimate payout from the system is the same. True actuarial neutrality can best be determined at payout when most of the facts are known, which is the case with our existing PLOP. The proposed DROP has a pre-defined benefit structure which is richer than the one that exists in the other retirement systems today.

Additionally, defining the structure in statute does not allow for future updates without legislative approval. Given that all members will select the benefit structure that best serves them based on their individual circumstances, they will and should always pick the benefit structure that would be best for them.

We strongly oppose adding an additional benefit structure defined in statute with limited options for adjusting based on experience and changing future factors and that is only available to a small subset of members.

Finally, it is important to remind the members of this Committee that the Ohio Retirement Study Council (Council) reviewed a prior proposal requiring OPERS to establish and administer a DROP for our LE members. The Council voted to disapprove the legislation containing such a mandate. OPERS supports the Council's conclusion and appreciates their review.

In summary, we strongly oppose this proposed legislation. We work hard to address our unfunded liabilities and ensure that the System is funded by our available resources. OPERS respectfully urges the committee to reject this legislation.

Thank you for the opportunity to testify today. I would be happy to answer any questions.