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# OHIO LEGISLATIVE SERVICE COMMISSION

Office of Research  
and Drafting

Legislative Budget  
Office

H.B. 512  
134<sup>th</sup> General Assembly

## Fiscal Note & Local Impact Statement

[Click here for H.B. 512's Bill Analysis](#)

**Version:** As Introduced

**Primary Sponsors:** Reps. Abrams and Baldrige

**Local Impact Statement Procedure Required:** Yes

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### Highlights

- Increasing contribution rates for the employers of police officers and firefighters, who are members of the Ohio Police and Fire Pension Fund (OP&F), would increase the costs of such public employers. The estimated additional contribution costs for such employers statewide would be about \$23.4 million in calendar year (CY) 2023: approximately \$17.6 million for employing police officers and \$5.8 million for employing firefighters. After the contribution rate increases are fully phased in in CY 2027, the estimated additional costs for employers statewide would be about \$117 million per year.
- The contribution rate increases will be phased in over a five-year period from CY 2023 to CY 2027, with employers of police officers and firefighters facing contribution rates increasing by an additional 1.4 percentage points and 0.5 percentage point each year, respectively. After the increases are fully phased in in CY 2027, contribution rates for employers of both police officers and firefighters will be the same rate of 26.5% of the OP&F members' earned salaries. In comparison, CY 2022 contribution rates for police officer employers and for firefighter employers are 19.5% and 24.0%, respectively.
- Actual additional contributions that must be made by such public employers to OP&F would depend on the actual number of police officers and firefighters that are employed by such employers and the officers' and firefighters' earned salaries in each pay period.
- LBO staff believe that there is no direct fiscal effect on the state.

### Detailed Analysis

The bill increases contribution rates for employers of police officers and firefighters (i.e., the employer's share of the contribution) that must be paid to the Ohio Police and Fire Pension Fund (OP&F) from 19.5% and 24.0% in CY 2022, respectively, to 26.5% for each type of employee

in CY 2027. The table below shows employer contribution rates under the bill, by type of employee and year.<sup>1</sup>

The contribution rate increases will be phased in over a five-year period based on the OP&F members' earned salaries in pay periods from CY 2023 to CY 2027. During the phase-in period, employers of police officers and firefighters will be required to contribute increasing contribution rates on the members' earned salaries (i.e., an additional 1.4 percentage points and 0.5 percentage point in each year in contribution rates, respectively). In CY 2022, contribution rates for police officer employers and firefighter employers are 19.5% and 24.0%, respectively; employer contribution rates for the current year are unchanged by the bill.

<b>Employer Contribution Rates as Proposed under H.B. 512 (As Introduced), by Type of Employee</b>		
<b>For Salaries Earned by OP&amp;F Members in...</b>	<b>Police Officers</b>	<b>Firefighters</b>
CY 2023	20.9%	24.5%
CY 2024	22.3%	25.0%
CY 2025	23.7%	25.5%
CY 2026	25.1%	26.0%
Years beginning on and after January 1, 2027	26.5%	26.5%

## **Fiscal effect**

The increases in employer contribution rates would increase the costs that must be contributed by police officer employers and firefighter employers to OP&F. The estimated total additional required contributions by public employers statewide would amount to about \$23.4 million in CY 2023; of the estimated amount, approximately \$17.6 million would be paid on behalf of police officers while an additional \$5.8 million would be paid on behalf of firefighters.<sup>2</sup> The estimated total additional required contributions for public employers would continue to increase in CY 2024, CY 2025, and CY 2026 to about \$46.8 million, \$70.2 million, and \$94.6 million, respectively.

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<sup>1</sup> Currently, all OP&F members and employers are required to contribute a percentage of each member's earned salaries to OP&F. Those contributions, including investment earnings on such contributions, are used to pay for such members' retirement and other benefits provided by OP&F. The bill does not make any changes to the employee's share of the contribution.

<sup>2</sup> The reference to amounts paid "on behalf" of employees is to the required employer share of contributions; it is not related to employers' payments associated with pick-up plans (arrangements by which employers "pick up" some portion of the employee share of required contributions).

After the contribution rate increases are fully phased in, in CY 2027, the total estimated additional required contributions for public employers would be approximately \$116.9 million per year. Of that amount, approximately \$88.0 million would be paid on behalf of police officers and \$28.9 million would be paid on behalf of firefighters. Actual additional contributions that must be made by each public employer to OP&F would depend on the actual number of police officers and firefighters that are employed by such employer and the officers' and firefighters' earned salaries in each pay period.

The estimated statewide additional required contributions for police officer employers and firefighter employers were calculated using OP&F members' annual salaries as of January 1, 2021, derived from an OP&F actuarial valuation report as of January 1, 2021,<sup>3</sup> and the bill's proposed contribution rates. As of that date, total annual salaries for police officers and firefighters statewide were about \$1.26 billion and \$1.16 billion, respectively. Estimated breakdowns of additional required contributions by individual local governments are undetermined due to lack of information on the number of police officers and firefighters employed by each local government and the amount of salaries earned by such officers and firefighters in each pay period.

LBO staff believe the bill has no direct fiscal effect on the state.

### **Actuarial analysis for H.B. 512**

An actuarial analysis of H.B. 512 (As Introduced), prepared by the OP&F actuarial consultant, dated February 2, 2022, stated that "Based on the results of the January 1, 2021 Actuarial Valuation, we [the actuarial consultant] project a funding period as of January 1, 2022 of 24 years." The "funding period" is the number of years that OP&F is expected to need to fully amortize its liabilities. However, the consultant went on to note that "a scheduled quinquennial review of actuarial assumptions will be performed in calendar year 2022 for the period January 1, 2017 - December 31, 2021 and will be first used for the January 1, 2022 actuarial valuation. Absent this legislation, the review is expected to push the funding period over 30 years. For example, if the discount rate is lowered to 7.50%, the resulting January 1, 2022 funding period absent this legislation is estimated to be 39 years. Including this legislation, it is estimated to be 25 years." They explain further that a more complete analysis will be available when the results of the January 1, 2022 actuarial valuation are available and the actual quinquennial review is completed, in the fall of 2022. Under existing law, in any year a retirement system's funding period exceeds the 30-year requirement, the system is required to submit a report to the Ohio Retirement Study Council outlining its plans to reduce the funding period to 30 years or less.

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<sup>3</sup> Source: Police and firefighter annual salaries, derived from Table 9, Summary of Membership Data as of January 1, 2021, published in [Pension Funding Report Ohio Police & Fire Pension Fund, Actuarial Valuation as of January 1, 2021](#).