

29TH HOUSE DISTRICT

PARTS OF HAMILTON COUNTY
INCLUDING: CITY OF CINCINNATI, CITY OF
HARRISON, AND COLERAIN, CROSBY,
HARRISON, MIAMI, AND WHITEWATER
TOWNSHIPS

COMMITTEES

AGING, FAMILIES, AND HUMAN SERVICES
CRIMINAL JUSTICE
FINANCE
GOVERNMENT OVERSIGHT
RULES & REFERENCE



COLUMBUS OFFICE

VERN RIFFE CENTER
77 SOUTH HIGH STREET 14TH FLOOR
COLUMBUS, OH 43215
PHONE: (614) 466- 9091
REP29@OHIOHOUSE.GOV

State Representative Cindy Abrams Ohio House of Representatives

Chair Brinkman, Vice Chair Lampton, Ranking Member Miranda and Members of the House Insurance Committee, thank you for giving Representative Baldrige and I the opportunity to provide sponsor testimony on House Bill 512, which seeks to modernize our public safety pension fund.

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 and their beneficiaries.

I will start off by saying - 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.

I consider myself one of those advocates.

When Rep. Baldrige and I introduced 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, the expected future earnings on the pension's investments as determined by an actuary, from 8% to 7.5%, based on capital market assumptions provided by its investment consultants in February. This assumed rate of return will be evaluated again in the fall.

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.

Rep. Baldrige and I are coming to you with a single ask – to raise the employer contribution amount from 19.5% for police and 24% for fire to 26.5%, over 5-years, putting police and fire pensions in line with State Highway Patrol pensions.

This naturally begs the question – 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 512 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. Baldrige will share 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. In the operating budget, the Legislature approved grants specifically to help these departments recruit new officers and retain current employees. We, the General Assembly, recognize there is a problem.

A pension that might not fulfill its promises 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. Rep. Baldrige and I are committed working with these folks – the five-year phase in is part of that commitment. We also know that where public safety is concerned – promoting safe communities is a universal priority.

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