

House Insurance Committee
October 3, 2023
Testimony on House Bill 94

Chairman Mathews, Vice-Chair King, Ranking Member Lightbody, and members of the House Pensions Committee, my name is Gordon Gatien, Director – External Relations for the Ohio Public Employees Retirement System (OPERS). Thank you for allowing me to testify on behalf of OPERS, the largest state retirement system in Ohio representing over one million members, retirees, and their beneficiaries.

We acknowledge that the issue H.B. 94 attempts to correct is a legitimate issue, and one which should be addressed. As a matter of record, OPERS has attempted to correct the issue before by working with OP&F, other interested parties, and the General Assembly. While OPERS strongly supports retirement portability among Ohio's five state retirement systems and the Cincinnati Retirement System, I would like to point out that H.B. 94 (As Introduced) fails to recognize or remedy completely the current impediment to portability for our members and for members of all the other Ohio retirement systems. Additionally, it potentially adds a significant burden to OPERS. And while we are not supportive of the bill as introduced, we come to the table with a solution that supports the first responders at the heart of the issue.

As a matter of historical background, service credit transfers among Ohio's state retirement systems and the Cincinnati Retirement System were created decades ago to maximize portability for public employees. Since 1953, OPERS and the other "non-uniform" Ohio retirement systems (the School Employees Retirement System (SERS) and State Teachers Retirement System (STRS)) have had statutes in place that allow maximum portability for our members—provisions that require two things: Service credit and contributions are combined at the time of retirement and the retirement system with the greater amount of service credit is the paying system. These two principles have consistently allowed members of the non-uniform systems to maximize portability with little or no limitations on the transfers (e.g., only concurrent service is not counted twice). In more recent times, the Ohio retirement systems have worked to address issues to reduce subsidization by the receiving system.

In the late 1990s, transfers between the "non-uniform" retirement systems and the "uniform" systems (Ohio Police & Fire Retirement System (OP&F) and Highway Patrol Retirement System (HPRS)) and the Cincinnati Retirement System (CRS) were established with the intent to create the same level of portability for all of our members. At that time, certain limitations were put into place that prevented or restricted OPERS members from transferring service credit to the "uniform" systems. When these laws were enacted, these limitations were not a concern for our members because transfers to OPERS were completely without limitation.

It was about ten years ago that OPERS asked the Ohio legislature to amend the law governing transfers with the "uniform" systems (and CRS) to allow **the transfers to occur under the same conditions** that are required for the "non-uniform" systems. We

asked that the service credit transfers were limited to the time of retirement (as opposed to whenever a career change occurred at the discretion of the member). Additionally, we asked that the transfers to OPERS would be permitted only if OPERS was the retirement system with a majority of the member's service credit. The intent of these changes was to minimize subsidization between systems; continue to promote retirement portability; but to do so in a manner that made all transfers among the Ohio retirement systems and CRS consistent. Rather than allow *certain* members to "system shop," this policy change allowed *all* members of Ohio's retirement systems and CRS to be treated equitably (and consistently).

The key issue is a provision that directly impedes retirement portability between OP&F and OPERS. For first responders to transfer service credit to OP&F, the individual must be "actively" employed by a police or fire department covered by OP&F.

In 2017, OPERS worked with the General Assembly to correct the issue for a limited number of members by temporarily removing the barriers to service credit transfers (90 days). The window for those members to transfer credit was limited to those who were eligible to retire within 90 days of the transfer. At that time we expressed concern that this was a temporary solution rather than a permanent solution.

With that said, we would ask the Committee to consider an alternative solution to the H.B. 94 proposal and one which is consistent with how other Ohio retirement systems allow service credit transfers today. **This issue can and should be resolved by eliminating the "active duty" requirement within Ohio Revised Code Section 742.21.** Doing so eliminates the issue described in all of the testimony presented to this committee. Under current law, individuals who have service credit with OP&F cannot retire from that system if they are not actively employed by an employer covered under OP&F. This limitation is an unnecessary impediment to retirement portability and, in today's economy, where public employees are more transitory than employees decades ago, the current OP&F law should be modified to bring consistency and equity to the inter-system transfer process. The historical justification for requiring an OP&F member to "retire" from his or her employer and not from the retirement system is inconsistent with today's labor market for first responders. In fact, when the Ohio Retirement Study Council (ORSC) reviewed the bill that allowed for the 90-day transfer window, the recommendation stated that, "the active service requirement has been one of the most significant blocks to portability...."

To highlight our proposed remedy to this inconsistency, please allow me to offer an example of an impacted member. An OP&F member with 18 years of service credit who accepts a deputy sheriff position covered under OPERS and work seven more years cannot, under current OP&F law, transfer those seven years of service credit to OP&F and retire under that system. As described in testimony before this committee, that same member cannot retire under OPERS because they have more service in OP&F. Because the law will not allow the transfer due to the "active duty" provision in

OP&F statute, the member is held in limbo. By eliminating the “active duty” provision, the member may transfer the OPERS service credit to OP&F and retire. If the scenario was reversed (i.e., 18 years of service credit at OPERS; seven years at OP&F), the member would be able to transfer the OP&F credit to OPERS and retire.

We believe that this approach is more efficient and accomplishes the objectives set out in H.B. 94, one that members across the board should support. This bill as written could potentially add unfunded liability to OPERS.

Thank you for the opportunity to testify today on H.B. 94. I would be happy to answer any questions.