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Dec. 9, 2024

The Honorable Mark Romanchuk, Chair ORSC
Senate Building
1 Capitol Square, Ground Floor, 049
Columbus, OH 43215

Dear Senator Romanchuk and voting members of council,

We urge you to vote no on Staff's recommendation against the bipartisan compromise Substituted House Bill 296 and Senate Bill 194.

After thirty years of ORSC reports and three years of testimony outlining the need for a change in OP&F's unequal employer contribution rates for police and fire personnel, your staff inexplicably recommends against the bill and for a reduction of employer rates for fire. This is despite bipartisan approval of compromise Substituted HB 296. (OP&F's original request in 2021 was for 26.5%, the same as the highway patrol.) The bill passed out of the House Pension Committee by a bipartisan vote of 12-3, and the full House of Representatives has passed it with a bipartisan vote of 66-25.

Both OP&F's and ORSC's actuaries have noted the unequal police and fire employer contributions rates numerous times, and PTA has stated on more than one occasion that police rates at 24% "solves the whole issue". (ORSC actuary PTA, Sep. 14, 2023). Yet, the rates have remained unchanged since 1986.

We have responded to previous inaccuracies in the legislative analysis of OP&F funding bills. Our response is the same this time: ORSC staff and actuary ignore that OP&F was improperly funded from the beginning to bail out insolvent municipal plans. (\$75 million in assets from municipalities for \$490 million in already accrued liabilities) The underfunding was compounded by unequal rates since 1986. OP&F Members have stepped up for \$3.2 billion in cuts to their benefits. This bill would greatly improve our funding status and it is time the employers pay their fair share. (see analysis of Cavanaugh Macdonald, attached letter)

We urge council members to vote against the unsupported recommendations and support the bill as their Ohio House colleagues have done.

Best Regards,

A handwritten signature in blue ink that reads "Mary Beth Foley".

Mary Beth Foley
Executive Director

cc: Ohio Retirement Study Council members
Bethany Rhodes, ORSC Executive Director

ORSC Actuary Report Excerpts

While researching previous reports to the ORSC concerning OP&F employer contribution rates, we have found many instances where the ORSC's own actuary has advocated for changing the rates. Examples are outlined below:

In addition to the initial underfunding, the different employer contribution rates for police and fire set in 1986 have compounded the issue. Several ORSC reports have noted this.

Since 2016, the annual reports on the adequacy of OP&F contribution rates by the ORSC's actuary, Pension Trust Advisors (PTA), have consistently stated that "because of the disparity between police and fire rates, it could be argued that firefighter employers are paying a larger share of the unfunded liability than are police employers. While this is accurate, the police and fire components are completely merged, and the assets are not explicitly separated between police and fire." p. 5.

Each report then provides the funding levels for police and fire separately and then combined. An example from PTA's March 2021 report states that "we estimate that rather than both being fully funded in 28 years, the fire would be fully funded in 21 years while police would be fully funded only after 40 years." p. 7.

The 2022, OP&F's annual report of adequacy of contributions was on the agenda for the ORSC meeting on September 14, 2023, with William Fornia presenting on behalf of PTA. ORSC Chair Kirk Schuring asked Mr. Fornia about the report on the adequacy of contributions and he responded that "this report is April 18th and it says no, I do not believe it is adequate." ORSC member Ed Montgomery asked Mr. Fornia about the equalization of the police and fire employer rates at 24%. Mr. Fornia stated that "it probably would completely solve the issue if the contribution rates were set to the higher amount."

ORSC's previous actuary, Milliman USA, also recommended that the police and fire employer contribution rates be equalized in 2002 and 2006. In its 2002 report, Milliman noted that it had recommended equalization of the employer rates since 1994. That 2002 report also stated that the employer contribution rates (19.5% for police and 24% for fire) "result in firefighters subsidizing the cost of providing benefits to police officers." p. 1. The 2006 report stated that there is no apparent cost justification for the difference in the employer contribution rates since "the normal cost of the benefits provided to police are substantially the same as the normal cost of the benefits provided to fire members." p. 3. The 1994 Milliman report noted that the lower contribution rate for police compared to firefighters is "inconsistent with the actuarially determined rates for the two groups."

Montgomery @ 45:15

In prior reports at ORSC, you recommend the contribution rates for police safety forces and fire safety forces be equalized at 24%. Right now they are not. Is that being considered in this report? I have seen it considered before.

Fornia

Um, through the Chair, Mr. Montgomery, I wouldn't say that I have recommended that, but certainly it would help address the issue. It probably would completely solve the issue if the contribution rates were set to the higher amount. There's I think, their actuary can confirm that, but it, they're not that far off and that certainly can be one solution.

ORSC Meeting – September 14, 2023