OHIO LEGISLATIVE SERVICE COMMISSION

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Office of Research and Drafting

Legislative Budget Office

H.B. 473
136th General Assembly

Fiscal Note & Local Impact Statement

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Version: As Introduced

Primary Sponsor: Rep. D. Thomas

Local Impact Statement Procedure Required: No

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Highlights

- The bill is unlikely to significantly change total compensation costs for state or local public employers, as it only prohibits employer "pick-ups" of employee retirement contributions. Any administrative adjustments to implement the policy are expected to be minor.
- Over time, employees who previously received employer-paid contributions may request higher wages to offset the loss of this benefit, particularly through collective bargaining or individual negotiations. The extent and timing of any resulting payroll increases are uncertain and could be spread over multiple budget cycles.
- Employer-paid employee contributions are relatively common among Ohio's public employers, including school districts, counties, and municipalities, particularly for teachers, administrators, police officers, and firefighters. These arrangements are documented through ordinances, board resolutions, and collective bargaining agreements.

Detailed Analysis

Prohibition on public employer payment of employee retirement contributions

The bill may have a minimal fiscal effect on state and local public employers. It bans the practice of employer "pick-ups" of employee retirement contributions to state pension systems, requiring employees to remit their own contributions directly. This change is unlikely to result in significant immediate cost savings for employers, as the total compensation costs would remain unchanged. Any administrative adjustments needed to implement the policy shift are expected to be minimal, given that payroll systems and retirement boards already accommodate direct employee contributions. Over time, however, employees who previously received employer-paid contributions may seek higher wages to offset the loss of this benefit. The extent of such wage adjustments would depend on various factors, including collective bargaining outcomes and individual employment negotiations.

Prevalence of employer-paid employee contributions

Employer payment of employee retirement contributions is relatively common among Ohio's public employers, particularly for teachers, school administrators, police officers, firefighters, and certain nonbargaining municipal employees. These arrangements, often referred to as "pick-ups," are authorized under federal tax law and implemented through ordinances, board resolutions, or collective bargaining agreements.

For example, Cuyahoga County has a long-standing pick-up plan for employees participating in the Ohio Public Employees Retirement System (OPERS). Under Chapter 304 of the Cuyahoga County Code, effective January 1, 2013, "the full amount of the statutorily required employee contributions . . . shall be 'picked up' (assumed and paid to OPERS) by Cuyahoga County." The ordinance specifies that affected employees may not opt out or receive the contribution amount directly, and all payments are remitted by the employer to the retirement system.[1]

Similarly, the city of Cleveland provides a pick-up for police officers through its collective bargaining agreement with the Cleveland Police Patrolmen's Association. The 2022-2025 contract specifies that the city will "pick up and pay" the employees' contributions to the Ohio Police & Fire Pension Fund and treat them as employee contributions for benefit calculation purposes.[2]

The city of Hilliard has a similar arrangement for its police officers. Article 28 of the Fraternal Order of Police contract (January 2023-December 2025) requires the city to "pick up (assume and pay) on behalf of each member the percentage of the member's required contribution" to the Ohio Police & Fire Pension Fund.[3]

In smaller jurisdictions, the village of Byesville formally codified its pick-up policy for all public employees. Section 155.02 of the village code provides that the "pick-up" of the employee's contribution to OPERS "shall be designated as public employee contributions . . . in lieu of contributions" made directly by each official or employee.[4]

Among school districts, pick-ups are often adopted through board resolutions or collective bargaining agreements. For instance, the Ashtabula Area City School District Board of

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[1] Cuyahoga County. Cuyahoga County Code, Title 3 – Employment Practices, Chapter 304: Ohio Public Employees Retirement System Contributions. Effective January 1, 2013, which may be accessed on the county's website: cuyahogacounty.gov.

[2] City of Cleveland and Cleveland Police Patrolmen's Association. Collective Bargaining Agreement, 2022-2025. Article 26 – Pension "Pick-Up" Payments (PDF), available online at clevelandohio.gov.

[3] City of Hilliard and Fraternal Order of Police, Ohio Labor Council. Contract, January 2023-December 2025. Article 28 – Pension Pick-Up (PDF), available online at hilliardohio.gov.

4 Village of Byesville. Municipal Code §155.02 – P.E.R.S. Pick-Up, which may be accessed on the American Legal website: codelibrary.amlegal.com.

Education adopted a resolution effective August 1, 2021, to "pick up" employee contributions to the School Employees Retirement System (SERS) for designated administrative staff positions.[5]

Indirect fiscal effects

While the bill does not directly increase employer costs, it may have indirect fiscal effects if employees seek higher wages in future contracts to replace the lost pick-up benefit. Police, fire, and teacher unions may negotiate wage adjustments during collective bargaining cycles, and nonunion managerial staff may request salary increases to offset the change in retirement contributions. The timing and magnitude of any such increases would be uncertain and likely spread over multiple budget cycles.

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[5] Ashtabula Area City School District Board of Education. Resolution Adopting a Pick-Up Plan for SERS (PDF), effective August 1, 2021, available online at go.boarddocs.com.