



THE BUCKEYE INSTITUTE

Promoting Responsible Public-Sector Compensation

Interested Party Testimony
Ohio House Public Insurance and Pensions Committee
Ohio House Bill 473

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Chair Peterson, Vice Chair Teska, Ranking Member White, and members of the Committee, thank you for the opportunity to testify regarding **Ohio House Bill 473**.

My name is Greg R. Lawson, and I am the research fellow at **The Buckeye Institute**, an independent research and educational institution—a think tank—whose mission is to advance free-market public policy in the states.

When public employers, such as school districts and municipalities, pay the employer *and* employee contributions to employee retirement plans, they significantly increase the price of local government that must ultimately be paid by local taxpayers. Public compensation is the single largest line item for local governments and a leading cause of ever-rising property taxes.

Double-dipping on the taxpayers' dime this way puts public employees far ahead of private-sector employees who must make their own retirement contributions to receive employer matching funds. In Ohio, private-sector employers contribute roughly 10 percent to their employees' retirement accounts—6.2 percent of employee wages paid to Social Security and an average four percent matching contribution to 401(k) retirement plans. By contrast, the **Ohio Public Employees Retirement System** and the **State Teachers Retirement System** offer a 14 percent retirement matching contribution for their public employees—a four percent advantage. Picking up the employees' share only adds insult to taxpayer injury.

There are concrete fiscal consequences for such “pension pick-up” arrangements. What may seem a small bargaining concession becomes an expensive long-term, recurring liability that erodes local budgets. A pension pick-up compounds as salaries grow, payrolls expand, and inflation rises. The additional costs divert money from public services that taxpayers expect or require property tax hikes that taxpayers don't. That concern lies near the center of Ohio's current debate over property taxes and whether to abolish them altogether. Pension pick-up plans are just the sort of opaque and expensive public perk that has fueled taxpayer frustration.

Proponents of pension pick-up plans may argue that ending such plans would require offsetting salary adjustments. But if compensation changes are warranted, they should occur transparently, through open negotiations that allow taxpayers to see the true cost of public employment, rather than through the hidden costs of pension subsidies. As Representative Thomas has rightly observed, pension pick-up plans distort the labor market for public employees by hiding the true costs of labor in jurisdictions that use pension pick-ups to defer employee compensation that taxpayers must ultimately pay.

House Bill 473 is a prudent reform that will help local governments live within their means and make public employee compensation more transparent for taxpayers. As Ohio faces new fiscal realities, aligning public compensation systems with sustainable, transparent practices is essential.

Thank you for your time and attention. I would be happy to answer any questions that the Committee might have.

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