PTA

William B. Fornia, FSA | President

May 25, 2022

Ms. Bethany Rhodes
Executive Director
Ohio Retirement Study Council

Subject: Review of Ohio Police and Fire Proposed Bill HB512

Dear Bethany:

As required by Section 742.14(C) of the Ohio Revised Code (ORC), the actuary for the Ohio Police and Fire Pension Fund (OP&F) has conducted an analysis of Proposed Bill HB 512. We have reviewed this analysis and find it to be reasonable and appears to be completed in accordance with the pertinent actuarial standards of practice.

This analysis was presented in a letter to Wendy Zahn, Director, Legislative Service Commission dated February 14, 2022. We did not *replicate* the actuarial valuation upon which that letter was based but were able to conduct several reasonableness tests and find that its basic conclusions are reasonable and consistent with our expectations. We do not anticipate that a complete replication would produce findings that are materially different from the conclusions made by the actuary.

HB 512 would increase employer contributions made to OP&F on behalf of police and fire members as indicated in the following table:

Salaries Earned for Pay Period	**Police**	**Fire**
Beginning before December 31, 2022 (Current Rate)	19.50%	24.00%
January 1, 2023 – December 31, 2023	20.90%	24.50%
January 1, 2024 – December 31, 2024	22.30%	25.00%
January 1, 2025 – December 31, 2025	23.70%	25.50%
January 1, 2026 – December 31, 2026	25.10%	26.00%
Beginning on or after January 1, 2027	26.50%	26.50%

Using these new rates and expanding on the analysis which the actuary conducted in 2021 to determine the funding period, we were able to confirm that this actuarial analysis is reasonable.

The primary findings of the actuaries' analysis are:

I. The current statutory contribution rates were adequate to fund the statutory benefits over a period of 24 years as of January 1, 2022.
II. After reducing the assumed rate of return from 8.00% to 7.50%, based on the current contribution rates, the funding period is estimated to be 39 years.
III. After reducing the assumed rate of return from 8.00% to 7.50%, based on the contribution rates anticipated by HB512, the funding period is estimated to be 25 years.

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We did replicate the calculations from Finding I (24 years status quo). We do not have the complete information necessary to precisely replicate the calculations from Finding II and Finding III (7.5% basis as of January 1, 2022), but based on various estimation techniques, we find the conclusions to be consistent with our estimates.

This analysis does not consider other changes in actuarial assumptions beyond the discount rate reduction. The actuaries indicated that the quinquennial review will take place this year and be incorporated into the actuarial valuation as of January 1, 2022 which will be completed in the fall. There is some possibility that this review would result in periods somewhat longer than the 39 and 25 year periods estimated in Findings II and III. And of course, should investment returns for 2022 continue to be poor, the results as of January 1, 2023 would also increase the funding period.

But based on currently available information, including the assumption return decrease to 7.50%, we concur with the actuaries' essential conclusion that HB 512 would improve the funding position from more than thirty years to under thirty years.

Actuarial calculations were performed under my direction. I am a Member of the American Academy of Actuaries and qualified to render this actuarial opinion. We are available to discuss these findings and recommendations in more detail.

Sincerely,

WB Fornia

William B. Fornia, FSA

Cc: Jeff Bernard – ORSC
Linda Bournival – KMS