

Ohio Police & Fire Pension Fund

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Nov. 1, 2022

The Honorable Phil Plummer
Chair, Ohio Retirement Study Council
77 South High Street, 13th Floor
Columbus, OH 43215

Rep. Plummer,

Please find the attached actuarial reports, prepared by our independent actuary, Cavanaugh Macdonald Consulting, who are members of the American Academy of Actuaries, Enrolled Actuary and Associates of the Society of Actuaries and who meet the Qualification Standards of the American Academy of Actuaries to render actuarial opinions. (We shared their initial presentation to the Board via correspondence dated October 26, 2022.)

In total, three formal reports are due to you today:

- Triennial actuarial report as of Jan. 1, 2022 (ORC 742.14 A);
- Quinquennial Experience Review covering the years 2017-2021 (ORC 742.14 B);
- The Jan. 1, 2022 Deferred Retirement Option Plan (DROP) Neutrality Study (ORC 742.14 E).

Cavanaugh Macdonald's analysis shows that the funding period for OP&F stands at 28.07 years as of Jan. 1, 2022, below the state's mandated 30 year requirement.

OP&F's portfolio strategy and management have resulted in our fund remaining in compliance with Ohio's funding standard. The results are based on factors recommended by Cavanaugh Macdonald and adopted by the Board of Trustees at its Oct. 26, 2022 Board meeting. As required by Ohio Revised Code Section 742.14, this report must be submitted every three years.

When constructing pension reform legislation in 2012, the General Assembly came to the conclusion that requiring the report every three years was prudent (OP&F had requested a five-year period, in line with the quinquennial review. We still believe that standard to be appropriate). A three-year period provides lawmakers a better perspective of the funding health of the systems than annual submissions. The next statutory actuarial valuation will be submitted to you in 2025. Under the statute, since OP&F complies with Ohio's funding requirements, no funding plan is required before at least 2025. However, the Board will still pursue its funding legislation, currently House Bill 512.

The need for changes in the OP&F employer contribution formula remains vital for the long-term health of the retirement system. While we remain compliant with funding requirements, remember that the valuation uses data as of Jan. 1, 2022, and the negative investment results of the current calendar year are not included.

House Bill 512 currently under consideration by Ohio legislators would make long overdue changes to the employer contribution rates, which have not been changed since 1986.

Recommendations to equalize these rates have been recommended to the council by its own actuaries since 1994.

Finally, we are pleased to report that the Health Care Stabilization Fund currently has enough funds to remain solvent until 2047 (beyond the 15-year target set by the Board); and the DROP study continues to show that the plan is cost neutral.

Thank you for the opportunity to present these reports and feel free to contact me with questions or concerns.

Best Regards,

A handwritten signature in cursive script that reads "Mary Beth Foley".

Mary Beth Foley, Esq.
Executive Director

Enclosures (3)

CC: The Honorable Phil Plummer
Chair, Ohio Retirement Study Council
77 South High Street, 13th Floor
Columbus, OH 43215

The Honorable Bob Hackett
Chair, Senate Insurance Committee
1 Capitol Square, 1st Floor
Columbus, OH 43215

The Honorable Kris Jordan
Chair, Financial Institutions Committee
77 South High Street, 11th Floor
Columbus, OH 43215

The Honorable Matt Huffman
Senate President
1 Capitol Square, 2nd Floor
Columbus, OH 43215

The Honorable Robert Cupp
Speaker of the House
77 South High Street, 14th Floor
Columbus, OH 43215

The Honorable Mike DeWine
Governor
77 South High Street, 30th Floor
Columbus, OH 43215

Kimberly Murnieks
Director, Office of Budget and Management
30 E. Broad Street, 34th Floor
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