

Report to the
Ohio Retirement Study Council on
OP&F 30 Year Funding,
Actuarial Status as of January 1, 2021, and
Anticipated Position as of January 1, 2022

Based primarily on Report Prepared as of July 18, 2022

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December 15, 2022

Introduction

- OP&F calculated that 30-year funding met as of January 1, 2021. We concur.
- Expected return on assets of 8.0% was among the highest in the country – was to be reduced to 7.5% in 2022, making 30-year period difficult to attain.
- We estimated in July that 2022 valuation will show that 30-year funding is not met.
- OP&F has recently completed their study illustrating that 30-year funding IS met.
- While we have duplicated their calculations, we have outstanding questions which OP&F now knows

Summary of 2021 findings

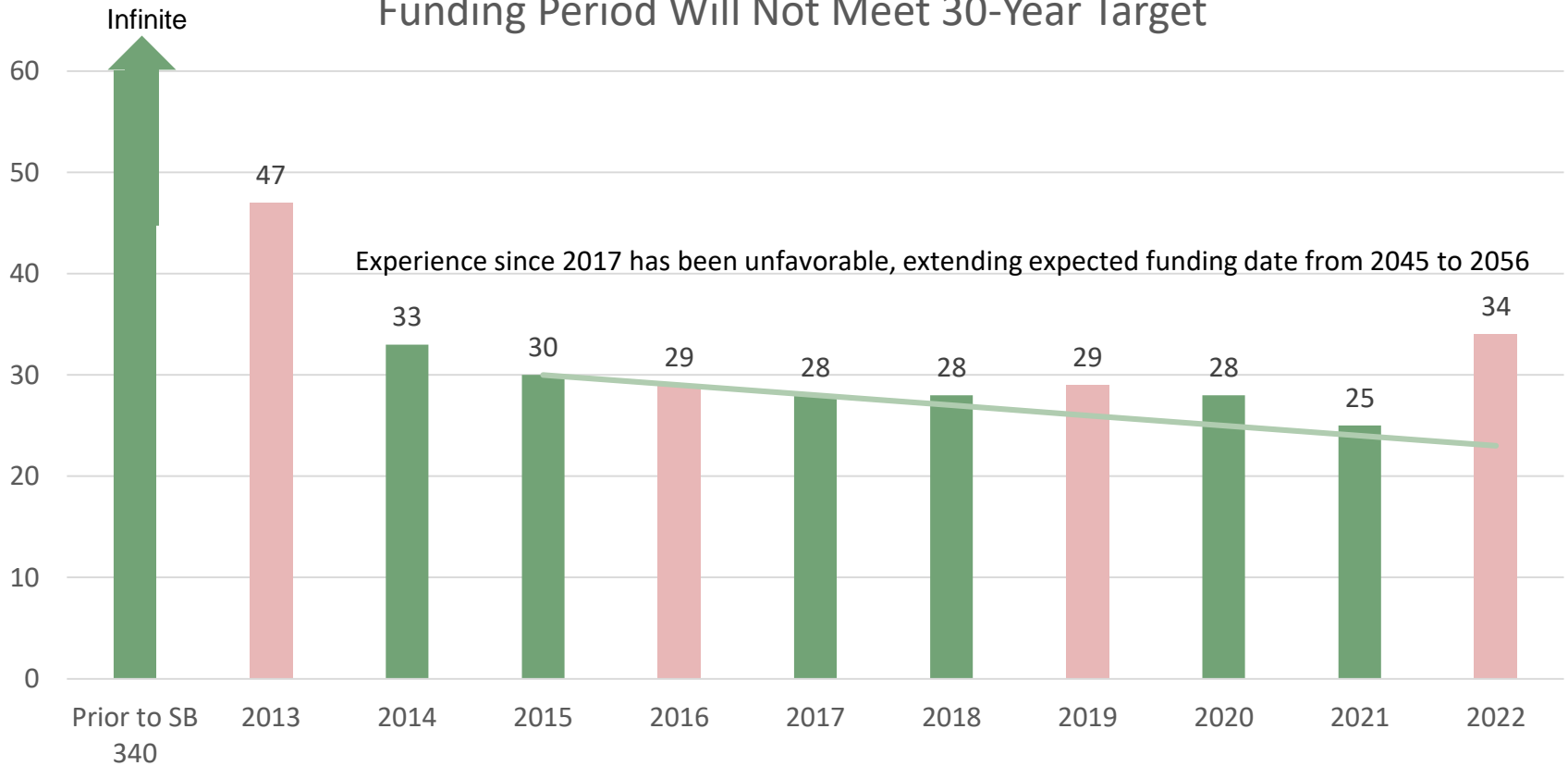
- Adequacy of Current Statutory Contribution Rates to Fund Current Statutory Benefits – 30 Year Funding Requirement
 - January 2021 – We estimated 26 years based on 12/31/20 assets
 - As a result of more favorable experience than we anticipated, actual was 25 years
 - January 2022 – Based on strong returns and actuarial smoothing, but reduction in 8% return to 7.5%, we estimated that will increase to 34
- Likelihood of Necessity for Future Changes in Benefits or Contributions – 2022
 - Future changes to actuarial assumptions, particularly 8% return, was expected to exacerbate funding position

Current OP&F Contributions Are Adequate for 30-Year Requirement

- Cavanaugh MacDonald (OP&F Actuary) calculated a 25-Year Funding Period as of 1/1/2021.
 - Previously, 28 years (as of 1/1/2020).
- We replicate CMC's projections
- Strong 2019, 2020 and 2021 Investment Return will likely not improve the funding period (including reduction in investment return assumption from 8% to 7.5%)
 - We estimated that based on 19.63% return during 2021, period will be 34 years as of January 1, 2022
 - January 2022 actuarial valuation will determine the actual funding period

History of Funding Periods

Next (1/1/22) Actuarial Valuation Estimated to Show that Funding Period Will Not Meet 30-Year Target



Statutory Measurement Required Every Three Years Under ORC 742.14

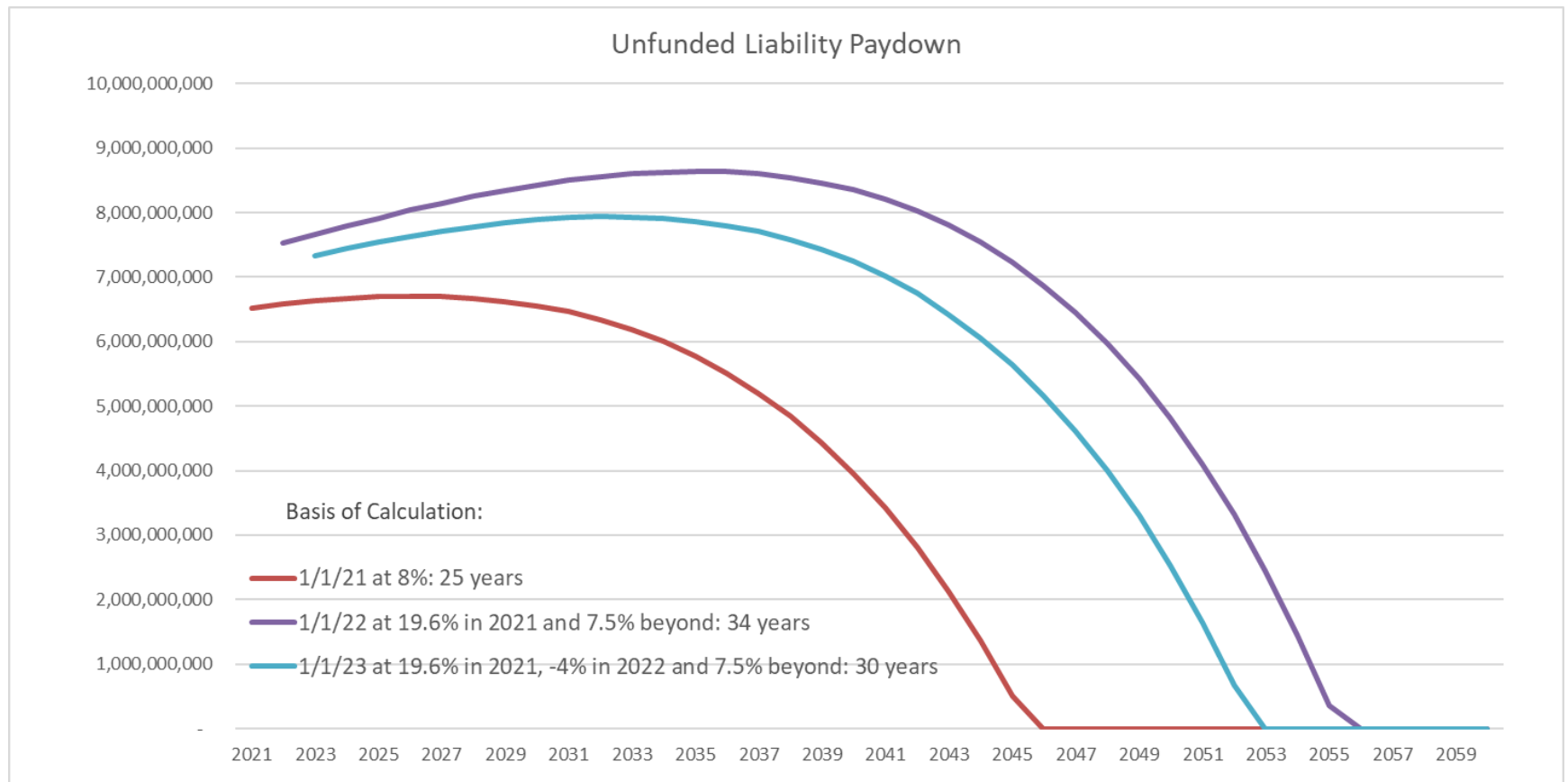
Report to ORSC on 30 Year OP&F Funding – December 15, 2022



Does OP&F Meet 30-Year Funding?

- OP&F does meet 30-year funding, because:
 - Three-Year measurement period is as of January 1, 2019
 - Health care stabilization fund is tapped
 - Members hired after July 1, 2013 have lower benefits, allowing higher share of contribution toward unfunded liability
 - Strong 2019 and 2020 returns helped offset weak 2018 returns
- Concerns that 30-year funding will be jeopardized by 2022
 - Decrease in 8% assumed rate of return on assets

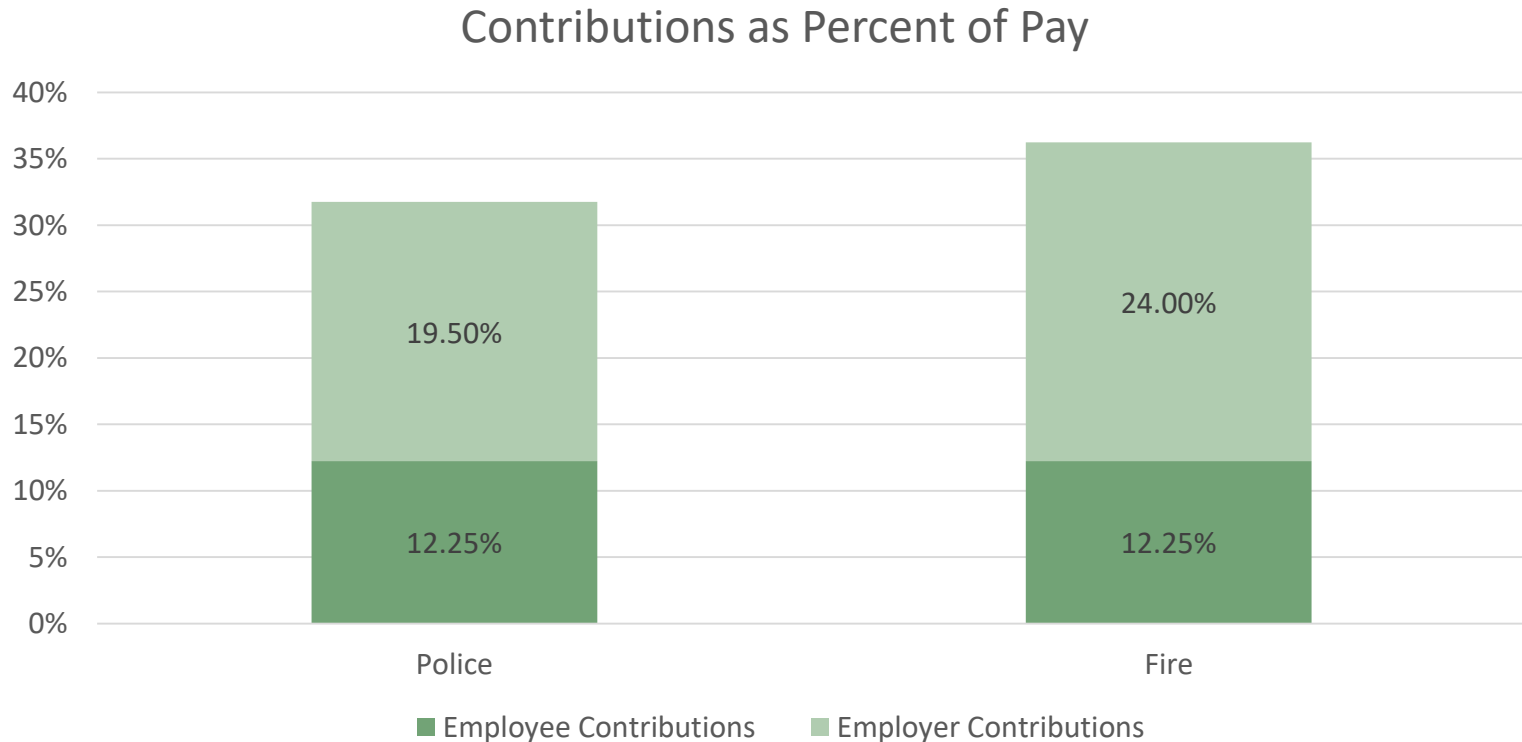
30 Year Funding Met at 1/1/2021, and Estimated to not meet at 1/1/2022



Likely Results of 2022 Actuarial Valuation

- Actuarial Valuations typically completed in October
 - Reported to ORSC by November 1
- We estimate that this will show that 30-year funding target is not met
 - We estimate it to be 34 years
 - Actual experience could impact this by 2-3 years

Note also Differences between Police and Fire Contribution Structure



We calculate that if Police and Fire were funded independently, Fire would be fully funded in 18 years, but Police would only be fully funded in 39 years.

Conclusions

- OP&F calculates that 30-year funding met as of January 1, 2021. We concur.
- We estimate that 2022 valuation will show that 30-year funding is not met.
- Expected return on assets of 8.0% is among the highest in the country – will be reduced to 7.5% in 2022, making 30-year period difficult to attain.

2022 Adequacy Study

- Report with 2022 analysis based on January 1, 2022 completed.
- OP&F calculated a 29-year funding period as of January 1, 2022. We replicated these calculations.
- We estimate that 2023 valuation will show that 30-year funding is also met.
- We have some concerns with certain methodologies used by OP&F actuaries
 - We communicated these to OP&F earlier this week and look forward to discussing.