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

Based on Report Prepared as of April 18, 2023

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Introduction

- OP&F actuary calculated that 30-year funding met as of January 1, 2022

- We find that their analysis is not credible

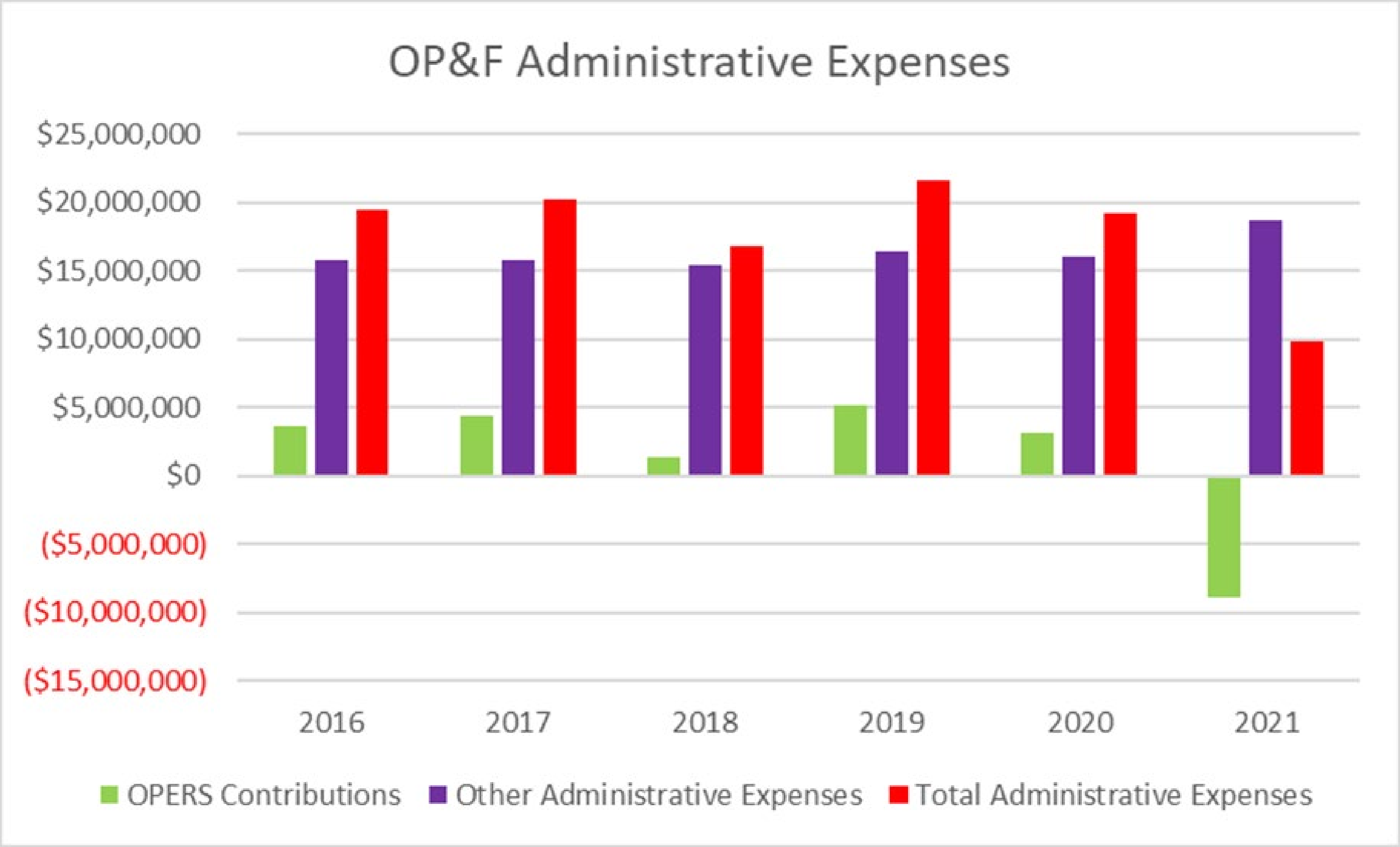
What makes OP&F 30-Year Analysis Not Credible

- In order to meet thirty-year funding period, OP&F actuarial analysis relies on one-time $9 million accounting credit from OPERS and assumes will continue for nearly thirty years

- This is merely an accounting credit. Not real money.
  – OPERS is not actually providing $9 million in cash to OP&F

- This was a one-time adjustment and will certainly not recur for the next 29 years

Analysis Hinges on Administrative Expenses



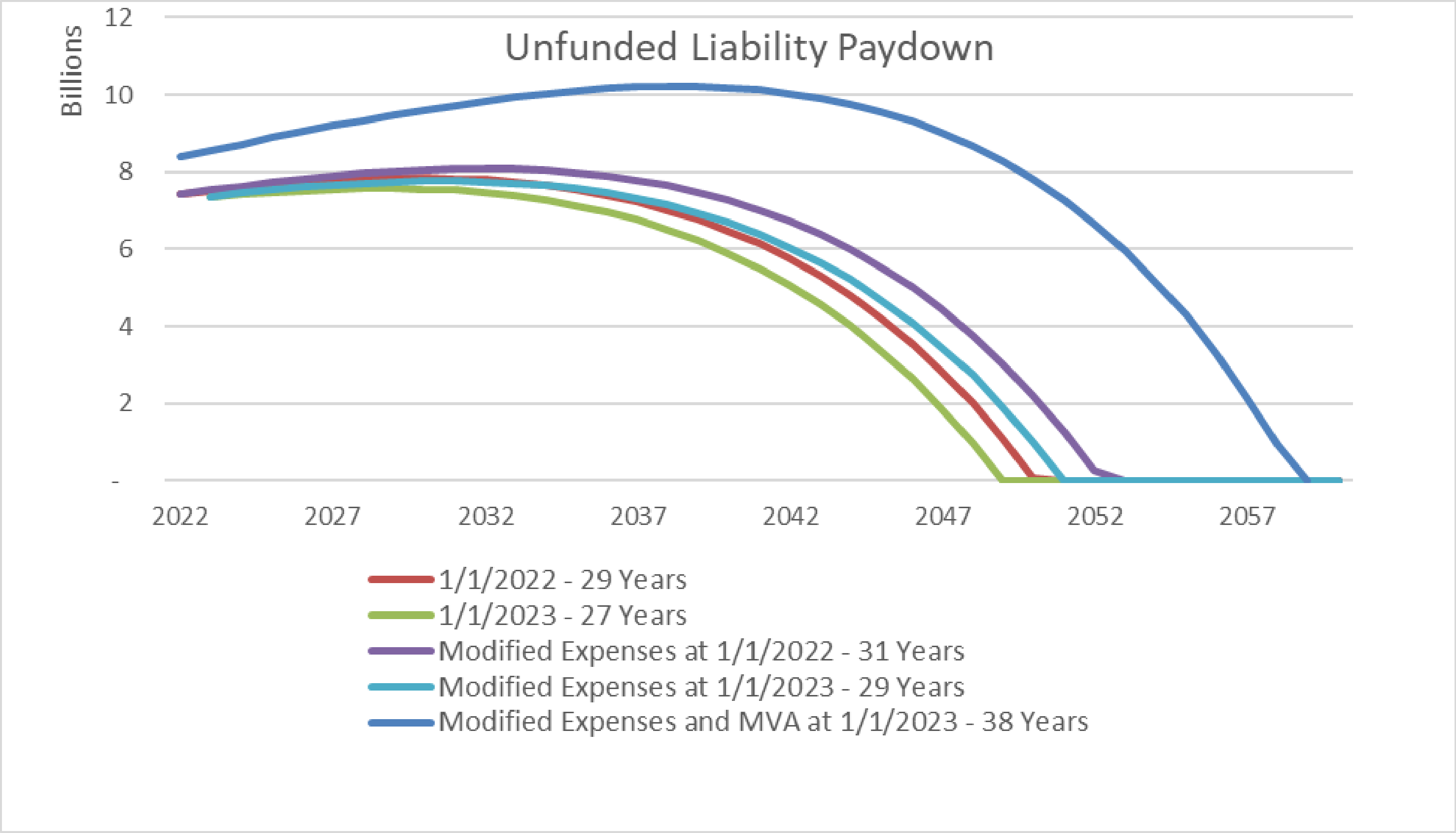
How do OP&F Administrative Expenses Impact Funding Period

- OP&F Projects Future Contributions to Amortize $7.4 billion Unfunded Liability
- 2022 Reduction in Long Term Administrative Expense Assumption Generates Extra 0.65% of payroll toward UL

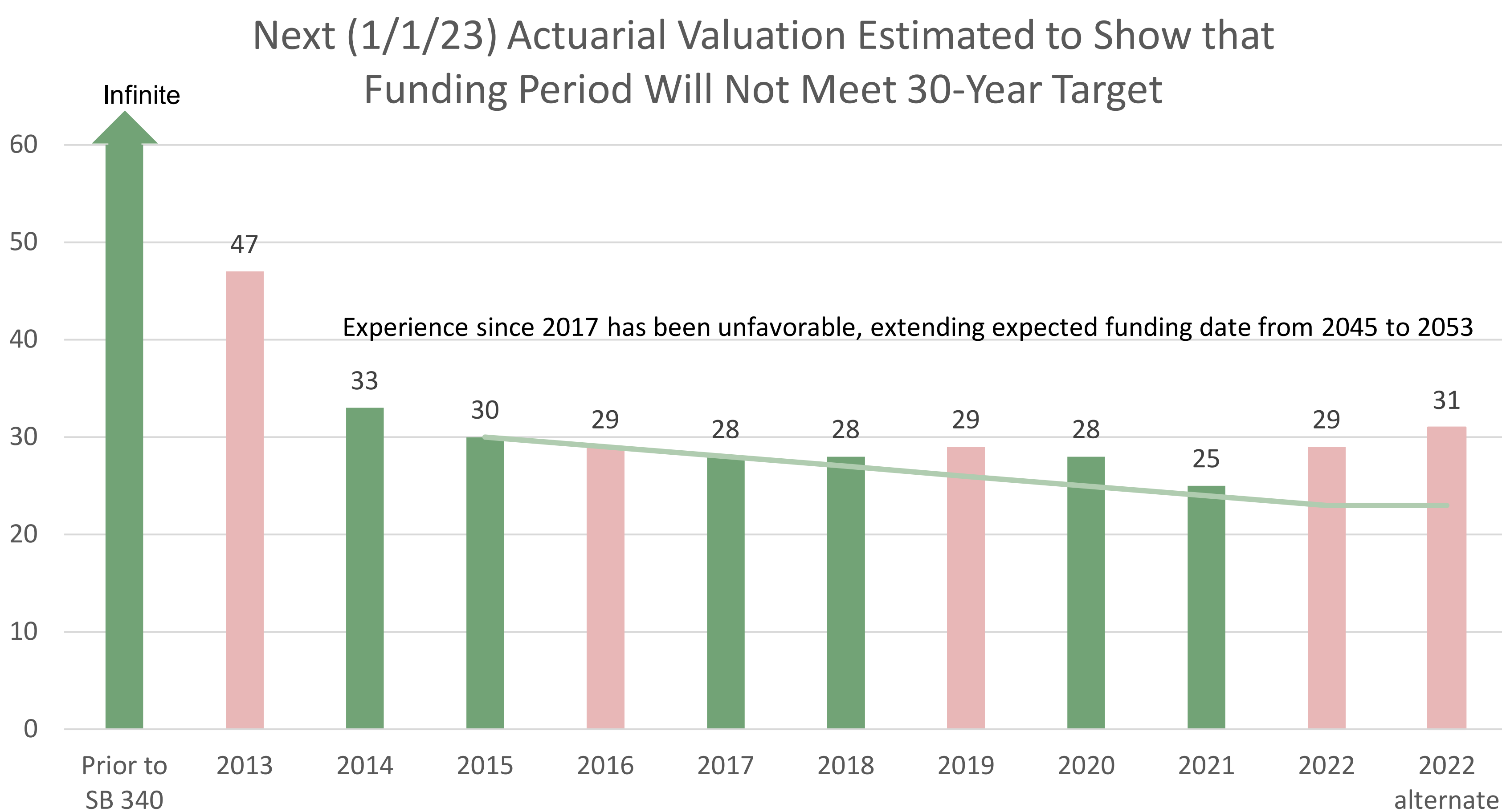
2022 Amortization Contribution based on:	1.1.2021 Valuation	1.1.2022 Valuation and old assumptions	Difference
The employer contribution rate	21.66%	21.70%	0.04%
Less the Health Care Allocation	-0.50%	-0.50%	0.00%
Less the Normal Cost rate	-14.63%	-14.56%	0.07%
Less administrative expenses	-1.03%	-0.38%	0.65%
Plus the State Subsidy	0.01%	0.01%	0.00%
Plus the member contribution rate	12.25%	12.25%	0.00%
Amortization Contribution rate	17.76%	18.52%	0.76%

What about bad 2022 returns?

- Actuarial asset smoothing will delay recognition of 2022 losses, but absent recovery, funding period will likely exceed 30 years



History of Funding Periods



Statutory Measurement Required Every Three Years Under ORC 742.14

Other Considerations

- We replicate CMC's calculations based on extra $9 million
- Actuarial return assumption reduction from 8% to 7.5% increased unfunded liability by more than $1 billion
  - We concur that this change was necessary
- 2022 is the Tri-annual Statutory Measurement Year Under ORC 742.14
  - Would trigger required plan for change to meet 30-year requirement

Conclusions

- OP&F calculated that 30-year funding met as of January 1, 2022. We do not concur.

- In order to meet thirty-year funding period, OP&F actuarial analysis relies on one-time $9 million accounting credit from OPERS and assumes will continue for nearly thirty years

- Poor 2022 investment returns also likely to further deteriorate funding
  - Although actuarial asset smoothing will delay this impact