

January 29, 2024

Ms. Bethany Rhodes
Executive Director
Ohio Retirement Study Council

Subject: Review of Ohio Public Employees Retirement System Proposed Bill HB 261

Dear Bethany:

House Bill 261 (H. B. 261) would allow current and future Ohio Public Employees Retirement System (OPERS) members who are certified emergency medical services (EMS) workers to be considered Public Safety division members. Current members would need to elect out of the General group and into the Public Safety group. Future hires would be considered Public Safety from the time they are hired. Public Safety group members have access to earlier full retirement ages and higher pensions benefits.

The Ohio Legislative Service Commission (OLSC) has provided a Fiscal Note and Local Impact Statement on the Bill. In their analysis, the OLSC determined that there would be no impact to the funded status of the respective plans. This is because the Bill only allows service after a member joins the Public Safety group to be counted in determining the benefit from that group. The OLSC also determined that there would be a 29% increase in the cost of the plan for Local employers (the State does not employ any EMS workers) as the required employer contribution rate for Public Safety group members is 18.10% versus only 14.00% for General group members.

A complicating aspect of the analysis is that OPERS does not have records indicating how many positions and which current employees are in an EMS role and could be part of the electing group. As a result, the OLSC estimated the total potential dollar amount of the annual impact on the Local employers by using records from the Ohio Department of Public Safety's Division of Emergency Medical Services (September 2023) and U. S. Bureau of Labor Statistics (May 2022). Based on these two sources, and assuming 100% of the current Local qualified EMS OPERS members elect into the Public Safety group, the OLSC estimates the cost impact in dollars would be between \$3.5 million and \$5.9 million per year.

Consultant Analysis

We have reviewed the OLSC analysis and find it to be reasonable. We do note two items for consideration:

1. The OPERS plan is funded using the Entry Age Normal method. Under this method, a member moving from the General group to the Public Safety group will have the effect of improving funded ratios in the General group. For the Public Safety group the expected contribution should cover any small initial increase in unfunded liability. There would be at most an insignificant impact in the funding position of OPERS as a whole.

2. It is unlikely that all eligible members will elect to join the Public Safety group. This is because, based on plan design, a member would want to have at least twenty-five years of Public Safety service credit in order to take advantage of the earlier retirement age provisions.

In reviewing the information in the most recent OPERS report (December 31, 2022), we estimate at most 60% of the Local General group (percent with under 10 years of service currently) would be in a position to take advantage of the election, which would reduce the estimated fiscal impact.

In conclusion, we concur with the OLSC's essential conclusion that HB 261 would result in 29% higher costs for Local employers for impacted positions. We believe the impact would be relatively small at first as there are likely to be relatively few initial takers due to the higher employee contribution requirement in the Public Safety group and the need to have the majority of career service in that group, but that over time as new members are brought on, the costs will grow (100% of future hires would be in the Public Safety group).

We are Members of the American Academy of Actuaries and qualified to render this actuarial opinion. We are available to discuss these findings in more detail.

Sincerely,



William B. Forna, FSA



Thomas Vicente, FSA

Cc: Jeff Bernard – ORSC
Alex Strickmaker – ORSC
Linda Bournival – KMS