



**Ohio  
Retirement  
Study  
Council**

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To: ORSC Members  
From: Jeffery A. Bernard, Senior Research Associate *JAB*  
Date: May 10, 2018  
Subject: Adequacy of HPRS Contribution Rates Report

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**Statutory Requirement to Annually Review Highway Patrol Retirement System (HPRS) Contribution Rates**

ORSC staff regularly review statutory requirements that apply to the ORSC and ORSC staff. A recent review found that the requirement to conduct an annual adequacy of HPRS contribution rates has never been completed (R.C. 5505.152). With the approval of the ORSC, staff recommend the removal of this requirement.

**Background**

Prior to 2009, HPRS employer rates were not specified in statute, instead being set by the HPRS Board and certified by the Director of Budget and Management. Am. Sub. H.B. 1 of the 128<sup>th</sup> General Assembly (the biennial budget bill) fixed the employer contribution rate at 26.5%. That bill also added a requirement, similar to OP&F law, that the ORSC annually complete a review of the adequacy of contribution rates of HPRS. These changes were not reviewed by the ORSC, only being discussed at the September 9, 2009, meeting, after the budget bill was completed.

Current ORSC staff reviewed past staff documents and found that the annual adequacy report requirement was not accounted for. The requirement does not appear on the ORSC staff analysis of H.B. 1. While the annual report mentions the freezing of the HPRS employer rate at 26.5%, it did not include a discussion of the requirement to annually review the contribution rates. ORSC staff rediscovered this requirement in our normal review process.

## Recommend Removal of Requirement

Because there was no review of this provision by the ORSC, staff cannot comment on the policy objectives of the changes in the 2009 HPRS law. However, staff would recommend that the requirement be eliminated for two reasons:

*The report is duplicative.* Under current law, the HPRS Board may request that its actuary, at any time, review the adequacy of contribution rates.<sup>1</sup> Likewise, the annual valuation, five-year review, and 10-year ORSC actuarial audit effectively review the proper funding of the system, which naturally includes an analysis of contribution rates.

*The analysis is expensive relative to HPRS' size.* The cost of the annual adequacy of contribution rates is roughly \$20,000.<sup>2</sup> There may be value that OP&F, with 17 times the assets of HPRS, be independently reviewed annually. Additionally, ORSC has applied this requirement to OP&F for 32 years. However, ORSC staff question the value of such a report for HPRS when the applicable information is available in required actuarial analyses, even if the independent analysis is done less frequently than annually.

In the past, the ORSC has asked for ad hoc and independent analyses of the adequacy of contribution rates of the retirement systems. This was last done in 2003 for PERS, STRS, SERS, and HPRS. Removal of the requirement to annually review HPRS rates *would not affect* the authority of ORSC to conduct an independent analysis, should the ORSC chose to do so in the future.

For these reasons, ORSC staff recommend that the *requirement* to annually review HPRS rates be eliminated.

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<sup>1</sup> R.C. 5505.12(C).

<sup>2</sup> PTA/KMS budgeted \$18,625 for its review of OP&F contribution rates. The cost for an analysis of HPRS would be similar.