



# Report to the Ohio Retirement Study Council on OP&F 30 Year Funding, Actuarial Status as of January 1, 2025, and Anticipated Position as of January 1, 2026

Based on Adequacy Report Prepared as of November 26, 2025

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# Findings

- OP&F actuary (CMC) calculated that 30-year funding met as of January 1, 2025
  - We find that 30-year funding was satisfied under CMC assumptions used in 1/1/2025 triennial valuation
  - No funding plan is required at this time
- We continue to be concerned with likely 1/1/2026 positions
  - Our estimate, based on 7.5% investment return through December, 2025 is that funding period will exceed 30 years

# Background

- Each year, the OP&F's actuary performs an actuarial valuation
  - Based on assets, population, assumptions and benefit structure
- This determines unfunded liability (UL)
- Law requires that statutory contribution rate be sufficient to extinguish UL within 30 years
- ORSC actuary reviews OP&F's calculation each year (*R.C. 742.311 Annual adequacy report*)
- Typically, OP&F actuary completes actuarial valuation in fourth quarter of the year (October 2025)
  - Our review is completed soon thereafter
  - Therefore, this report is based on information as of January 1, 2025
  - We make estimates as to anticipated funding period as of January 2026

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

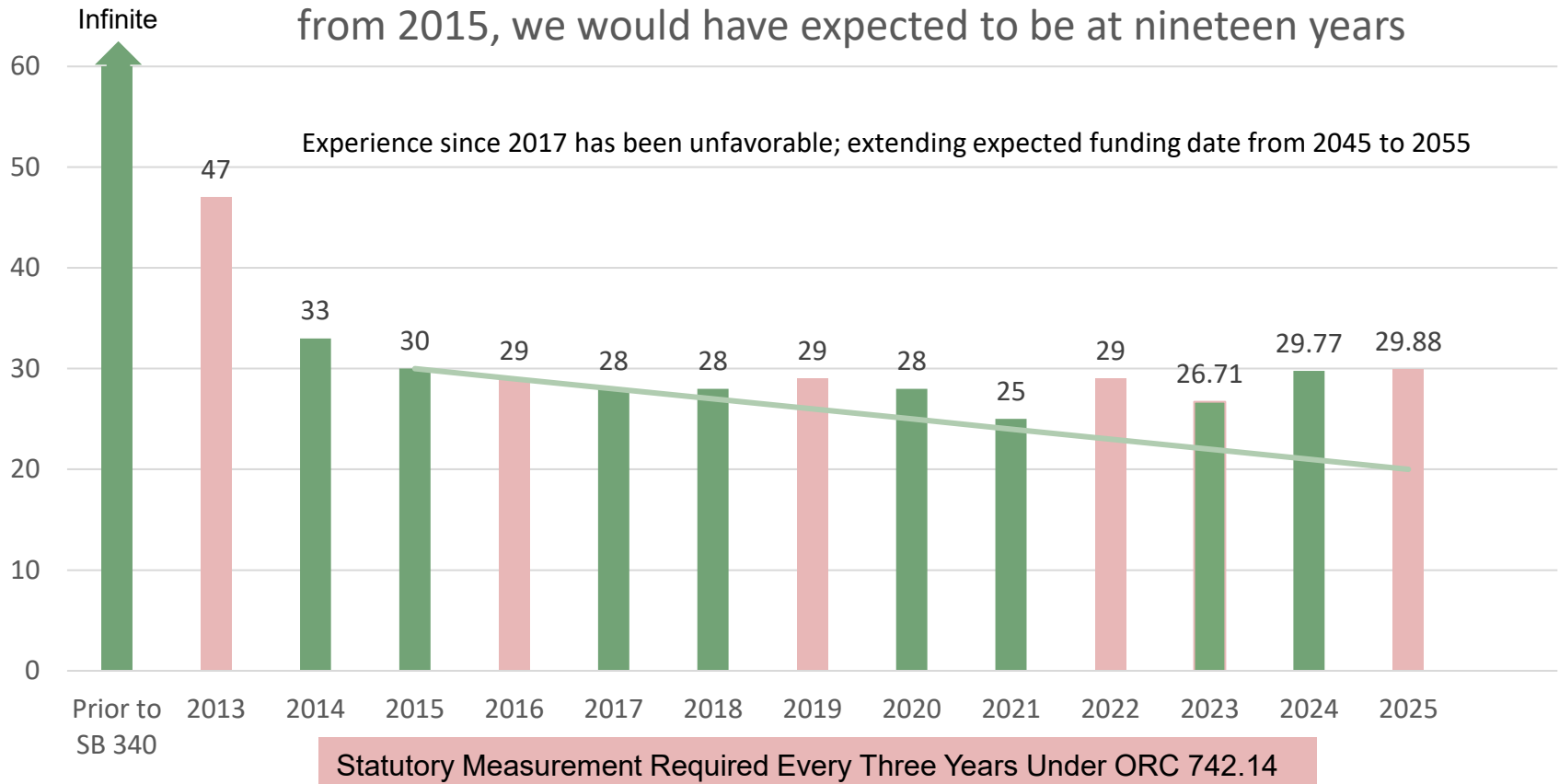
- Cavanaugh MacDonald (OP&F Actuary) calculated a 29.88-Year Funding Period as of 1/1/2025.
  - Previously, 29.77 years (as of 1/1/2024).
- We replicate CMC's projections
- Strong 2025 Investment Return will likely not be sufficient to improve the funding period as of 1/1/2026
  - We estimate that based on 7.5% return during 2025, period will be 34 years as of January 1, 2026
  - The January 1, 2026 actuarial valuation will determine the actual funding period

# Major Findings

- Statutory requirement as of 1/1/2025 is satisfied
- Reasonable likelihood that 1/1/2026 will not satisfy 30-year requirement
  - Due to delayed recognition (through actuarial smoothing) of poor returns in 2022

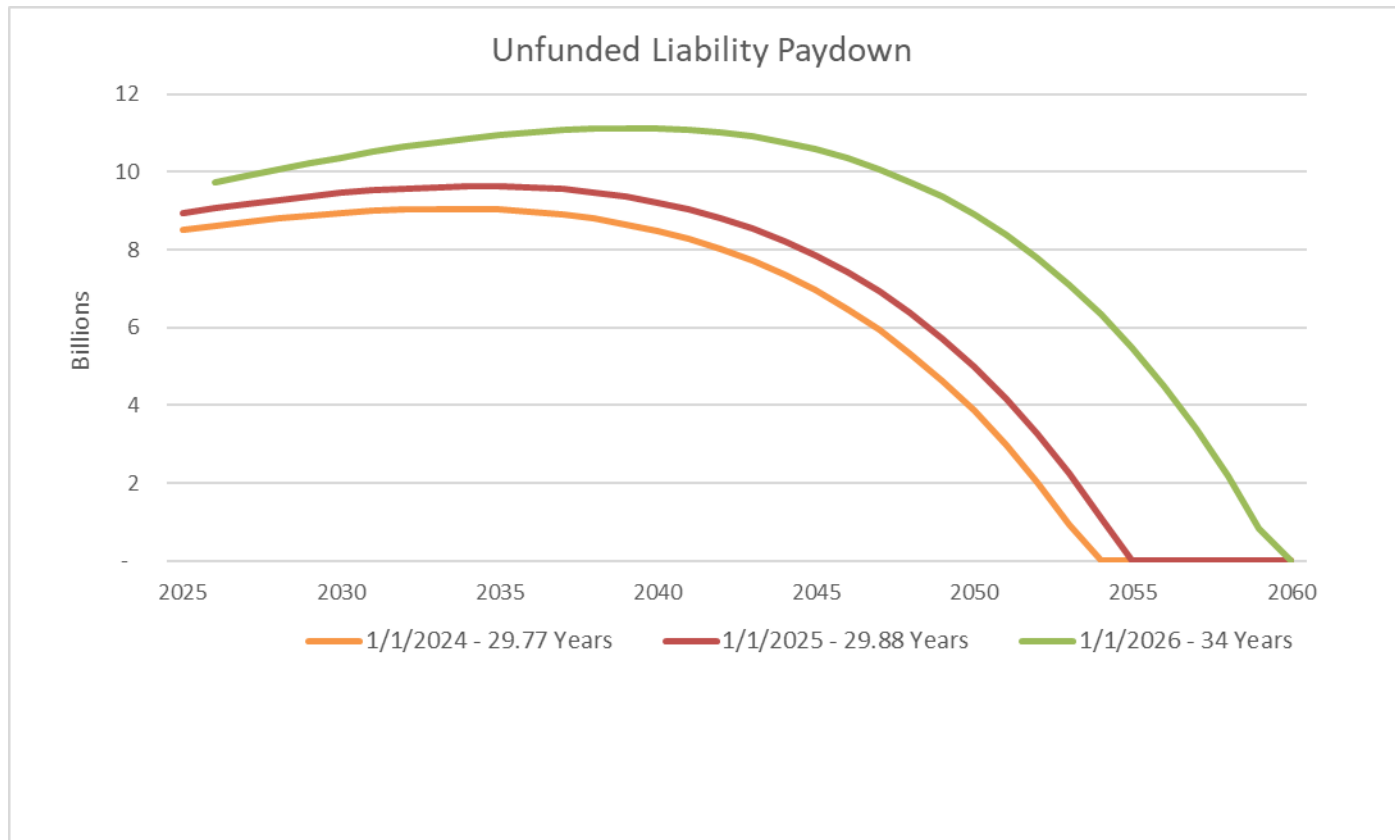
# History of Funding Periods

Although 30-year target has continued to be met, eleven years from 2015, we would have expected to be at nineteen years



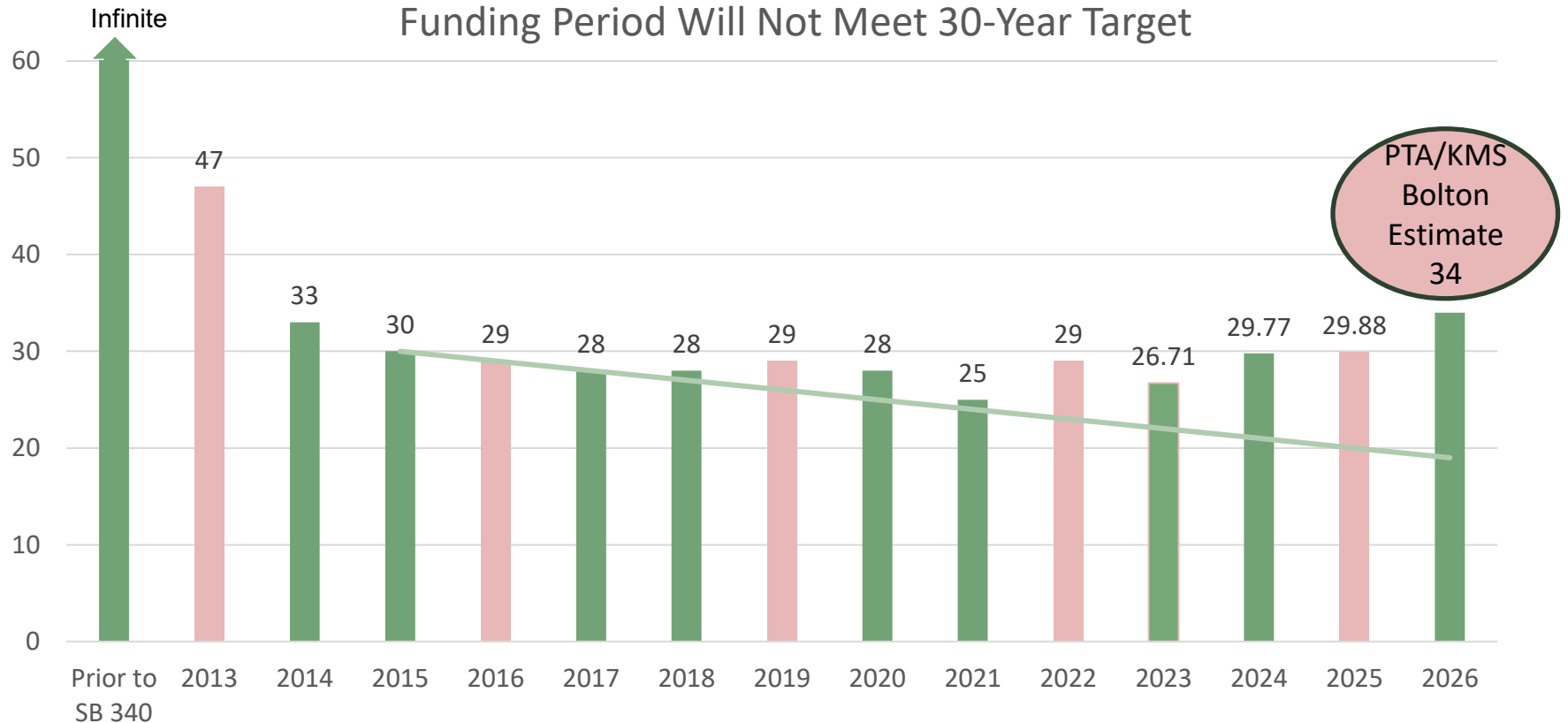
# What about favorable 2025 returns?

Actuarial smoothing has delayed recognition of 2022 investment losses, but recovery not strong enough, and 1/1/26 funding period will likely exceed 30 years



# History of Funding Periods

January 1, 2026, Actuarial Valuation Estimated to Show that Funding Period Will Not Meet 30-Year Target



Statutory Measurement Required Every Three Years Under ORC 742.14

# Concerns with Discount Rate

- OP&F continues to assume 7.50% investment return on plan assets
- This is among the highest of US pensions
  - As of March 2025, OP&F was one of only three (of 131 plans) surveyed by NASRA to use an assumption this high
- Current economic outlook for inflation and bond returns continue to be fairly low
- Based on this, we would expect that OP&F will reduce this assumed rate, which would have substantial impact on funding period
  - Was lowered as of 2022 valuation, so possibly not until 2027 actuarial valuation, following five-year experience study

# Conclusions

- OP&F actuaries calculated that 30-year funding met as of January 1, 2025. The reported funding period is 29.88 years. We concur.
  - This is a substantial improvement over the 2012 and 2013 situation.
  - It is no improvement since 2015 when plan was projected to be fully funded by 2044.
- We do not anticipate that 30-year funding target will be met as of January 1, 2026.
- Will the OP&F actuary reduce the 7.5% assumed rate of return in next few years? If so, will have an additional adverse impact on funding period.