

Ohio Police & Fire Pension Fund

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Feb. 24, 2022

The Honorable Kirk Schuring
Vice Chair, Ohio Retirement Study Council
1 Capitol Square
Senate Building, 2nd Floor
Columbus, OH 43215

Dear Senator Schuring,

At our Board of Trustees meeting on Feb. 23, trustees unanimously voted to lower our assumed rate of return for our investment portfolio to 7.5 percent. As you are aware, this action was not unexpected and the Board has been carefully monitoring the capital market assumptions for several years. The recent years of positive performance in the markets justified the previous assumed rate of return of 8.0 percent.

Analysts do their best to predict future returns. For the past 10 years lower returns were forecast, *but* OP&F was able to better those predictions and see returns above the 8.0 percent assumed rate (see chart below):

10-year periods (ending Dec. 31):			
	Dec. 2009- Dec, 2018	Dec. 2010- Dec.2019	Dec.2011- Dec.2020
10-year actual return (gross)	10.01%	9.95%	9.10%
10-year forecast	7.72%	7.36%	7.11%

In past years, the Board, working with our OP&F investment staff, investment managers and actuarial experts, did not recommend lowering the rate as many peers did. Our team has met the 8.0 percent target, and with expertise from them and our managers, we have been able to outperform the 8.0 percent rate.

However, reports from these trusted investment advisors now indicate that future expected returns will not support this rate. OP&F's assumed rate of return has been 8.0 percent for more than four years, the date of our last experience study (the next study is scheduled for this year). As of the end of 2020, our annualized return for the previous five years was 9.95 percent (for the last 10 years, it's been 9.1 percent and for 30 has been 8.84 percent).

Currently, we are in compliance with Ohio's 30-year funding requirement. However, moving to an assumed rate of 7.5 percent will have a negative impact. As the Council well knows, though, many additional different assumptions are evaluated when calculating the 30-year funding

period. Therefore, we will not know the new funding period until the next actuarial valuation is conducted and reported to the Board this fall. We write to notify you and the Council, as we expect it will exceed 30 years, as increased retirements, fewer new hires and lower payroll growth may also be issues. The potential negative impacts are one of the reasons OP&F and our stakeholders are pursuing HB 512.

I am available to discuss and review this decision with you and the council and can answer any questions you or they may have.

Best regards,



Mary Beth Foley, Esq.
Executive Director

cc: Ohio Retirement Study Council
Bethany Rhodes, Director/General Counsel, Ohio Retirement Study Council
Rep. Thomas Brinkman, Chair, House Insurance Committee