



July 20, 2017

The Honorable Dave Yost
Auditor of State
88 East Broad Street
Columbus, Ohio 43215

Dear Auditor Yost:

I am in receipt of your letter dated July 11, 2017, regarding your interest in the recent position taken by Fitch Ratings and the rate it will be using to discount public pension plan liabilities. In response, it may be beneficial to describe the procedure the Highway Patrol Retirement System (HPRS) board employs to determine HPRS's actuarial assumed rate of return.

Pursuant to section 5505.12 of the Ohio Revised Code, the board employs an actuary at least every five years to prepare an actuarial valuation of the pension assets, projected liabilities, and projected funding requirements of HPRS. This "five-year" study occurred during 2016. Based on this study, the HPRS board lowered its assumed rate of return from 8.00% to 7.75%. The study performed by the board's actuary is governed by generally accepted actuarial principles as prescribed by the Actuarial Standards Board and the Actuarial Academy of Actuaries, and the study is based on HPRS's specific asset allocation and unique market positioning.

In addition to these extensive quinquennial reviews, an annual actuarial valuation of pension assets is performed by an actuary pursuant to section 5505.12 of the Ohio Revised Code. We have been informed by our actuary that the Actuarial Standards Board now requires them, as part of this annual valuation, to review the assumed rate of return for reasonableness each year. The review for 2016 will not be finalized until August; however, the board's actuary has discussed preliminary results with the board and has once again approved the current assumed rate of return. HPRS will continue this annual and quinquennial review process, while consulting with the board's investment consultants and managers, and will make adjustments as needed.

Thank you for your concern and interest in HPRS.

Sincerely,

A handwritten signature in black ink that reads "Mark R. Atkeson". The signature is written in a cursive, flowing style.

Mark R. Atkeson
Executive Director
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matkeson@ohprs.org