

recommendations to the legislature on any changes the ORSC finds desirable with respect to benefits, sound financing of benefit costs, and prudent investment of funds (R.C. 171.04(A));

(2) Report annually to the governor and legislature on its evaluation and recommendations with respect to the operations of the public retirement systems and their funds (R.C. 171.04(B));

(3) Study all proposed changes to the public retirement laws and report to the legislature on their probable costs, actuarial implications, and desirability as a matter of sound public policy (R.C. 171.04(C));

(4) Review semiannually the policies, objectives, and criteria of the systems' investment programs (R.C. 171.04(D));

(5) Have prepared, at least once every ten years, an independent actuarial review of the annual actuarial valuations and quinquennial actuarial investigations prepared by each system (R.C. 171.04(E));

(6) Have conducted a fiduciary performance audit of each system at least once every ten years (R.C. 171.04(F));

(7) Provide each Council member with copies of all proposed rules submitted by the retirement systems and submit any recommendations to the Joint Committee on Agency Rule Review (R.C. 171.04(G)); and

(8) Review the police and fire contribution rates and makes recommendations to the legislature that it finds necessary for the proper financing of OP&F benefits (R.C. 742.311).

The Council has its own consulting actuary and investment consultant, PTA/KMS and RVK. PTA/KMS conducts reviews independent of the systems' actuaries, including a review of the actuarial analysis required for all retirement legislation having any measurable financial impact on the systems. RVK conducts a semiannual review of the policies, objectives, and criteria of the systems' investment programs. The Council played an instrumental role in establishing the statutory requirements for an actuarial analysis of retirement legislation and the semiannual review of the systems' investment programs.

Additionally, in the past the Council has engaged the services of the William M. Mercer Company to undertake a comprehensive disability study of OP&F and from PTA/KMS for independent actuarial audits of all systems. The Council has also contracted with Funston Advisory Services for a fiduciary audit of STRS, SERS, OP&F, and HPRS, and AON for a fiduciary audit of PERS. The Council also contracted with PTA/KMS to provide analysis of the pension reform acts of 2012. These independent experts provide insight and analysis necessary for Council members to make informed decisions.

*SERS and STRS information based on FY ending 6/30/2022; PERS, OP&F, and SHPRS information based on calendar year ending 12/31/2022.

Ohio Retirement Study Council

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Ohio Retirement Study Council

Function of the Ohio Retirement Study Council

FY 2022*
(updated 2024)

Voting Members

Senators

Mark Romanchuk, Chairman
Bill Blessing
Paula Hicks-Hudson

Representatives

Phil Plummer, Vice-Chair
Adam Bird
Beryl Brown Piccolantonio

Governor's Appointees

Lora Miller
Dr. Anthony Podojil
Gary Scherer

Background

The Ohio Retirement Study Council (ORSC) was created in 1968 to assist the state legislature, governor, and other public officials in the formation of sound public pension policy and is one of the oldest public oversight councils in the country.

The general purpose of the Council is to advise and inform the state legislature and other elected officials on all matters relating to the benefits, funding, investment, and administration of the five statewide retirement systems in Ohio: the Public Employees Retirement System (PERS), covering all state and local government workers; the State Teachers Retirement System (STRS), covering teachers at public schools, colleges, and universities; the School Employees Retirement System (SERS), covering non-teaching school employees; the Police and Fire Pension Fund (OP&F), covering full-time police officers and firefighters; and the State Highway Patrol Retirement System (HPRS), covering state troopers. In addition, the Council provides legislative oversight of the Ohio Public Safety Officers Death Benefit Fund which is a state-funded program providing death benefits and health care to the survivors of law enforcement and public safety officers killed in the line of duty, and the Volunteer Fire Fighters' Dependents Fund which is a program providing benefits to disabled volunteer firefighters and their survivors. The Cincinnati Retirement System is the only municipal retirement system in Ohio and falls outside the jurisdiction of the Council.

ORSC was created in response to financial crises involving local police and fire pension funds. Prior to 1967 police and firefighters were members of local pension funds rather than a statewide fund. In the mid-1960's, many of Ohio's 454 local police and fire pension funds faced financial disaster. They had routinely disregarded the financial impact of benefit increases and, as a result, many were close to financial insolvency. Consequently, they were consolidated into a statewide fund in 1967. At that time, the local pension funds transferred assets totaling approximately \$75 million to the Ohio Police and Fire Pension Fund and accrued liabilities of approximately \$490 million. The cities were given a 67-year period, beginning in 1969, to pay their unfunded accrued liabilities. As of December 31, 2022, the remaining unfunded accrued liability totaled nearly \$16.1 million.

Because of this financial crisis, the General Assembly realized there was a need for continuing oversight of the state pension funds to ensure they remained financially solvent unlike the local police and fire pension funds. The creation of the ORSC was a direct result of the consolidation of those funds.

Legislators are accustomed to dealing in two-year budgetary cycles, whereas decisions about public pension plans typically involve significant long-term costs, such as 30-year pension obligations. If not made carefully and with foresight, such decisions can seriously threaten the budgetary stability of state and local governments years later when the pension obligations become due.

They can also result in an unfair burden on future generations of taxpayers and adversely affect the credit rating of the state or local government's debt.

Merits

There are several merits of Ohio's permanent pension oversight council. First, pensions are an increasingly complex subject area requiring a degree of expertise and knowledge. Second, pension laws demand continuous supervision and attention. A single retirement bill could have serious unintended fiscal consequences that are not fully recognized for many years. Third, there is a need for continuity of policy based on sound pension principles rather than special interests. Change of policy should always be possible, but it should be accompanied by knowledge of the past. Fourth, permanent pension councils can apply consistent policy to retirement bills. A great deal of pension law grows by patchwork, yielding in time to favoritism and special interests in the absence of consistent application of sound public policy. Finally, legislative term limits make the establishment of permanent pension councils essential if legislators are to have an independent source of information to help them place retirement issues in the widest possible context of public policy.

Statutory Duties

The Ohio Revised Code mandates that the Council perform the following statutory duties:

- 1) Make an impartial review from time to time of all laws governing the public retirement systems and make

History of Ohio's Public Retirement Systems

Ohio public employees contribute to one of the five statewide public retirement systems in lieu of Social Security coverage. The State Teachers Retirement System (STRS) was created in 1920 and covers public school employees whose position requires a teaching certificate. The Public Employees Retirement System (PERS) was created in 1935 and covers state and local public employees not covered by another state or local retirement system. The School Employees Retirement System (SERS) was created in 1937 and covers non-teaching public school employees.

The State Highway Patrol Retirement System (SHPRS) was created in 1944 and is limited to state highway patrol troopers. The Ohio Police and Fire Pension Fund (OP&F) was created in 1967 when 454 local police and fire pension funds from around the state were consolidated. The Fund covers full-time municipal police officers and firefighters.

The Social Security Act was adopted by Congress in 1935 and excluded state and local government employees from coverage. During the 1950's, Congress enacted several pieces of legislation making state and local government employees eligible for Social Security coverage for the first time, provided the state entered into a voluntary agreement with the Social Security Administration. States had the option to terminate these agreements up until 1983 when Congress unilaterally decided to make these pre-1983 agreements permanent as part of an effort to save Social Security from impending financial insolvency.

In 1990, Congress mandated Social Security coverage for state and local employees not covered by a public employee retirement system. Many states, including Ohio, responded by amending their plans to mandate coverage for all part-time and seasonal employees who had previously elected to exempt themselves from coverage.

ORSC Background

The Ohio Retirement Study Council (ORSC) was created in 1968 to assist the state legislature, governor, and other public officials in the formation of sound public pension policy and is one of the oldest public oversight councils in the country. Committed to a fair and fiscally sound retirement program for Ohio's public employees, the Ohio legislature saw a real need for independent fiscal and policy advice. The Council was created to provide leadership before the legislature when the retirement systems and interest groups are divided in their objectives.

The state retirement systems have combined assets totaling approximately \$240 billion as of December 31, 2023. Approximately 2.3 million people participate in the systems as active and inactive members, retirees, or their beneficiaries.

The Council is composed of fourteen members: three members of the House appointed by the Speaker; three members of the Senate appointed by the President; three members appointed by the Governor, one representing the state, another representing local government, and the third representing public education institutions; and the five executive directors of the state retirement systems, who are nonvoting members.

By law, each system pays a proportionate share of the Council's annual expenses; the Council receives no legislative appropriations.

**SERS and STRS information based on FY ending 6/30/22. PERS, OP&F, and SHPRS information based on the calendar year ending 12/31/22.*

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Ohio Retirement Study Council



Health Care Facts for Ohio's Public Retirement Systems

FY 2022*
(updated 2024)

Voting Members

Senators

Mark Romanchuk, Chairman
Bill Blessing
Paula Hicks-Hudson

Representatives

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In 1974, the five state retirement boards were given broad discretionary authority to provide health care coverage to retirees and their dependents. The pension systems' primary obligation, by law, is to provide pension benefits to retired public employees. Unlike pension benefits, which become vested upon retirement, health care benefits are not a vested right under Ohio's public pension laws. Therefore, the boards are authorized to change the premiums, eligibility, and level of health care benefits at any time. A 2004 ruling by the Tenth District Court of Appeals (Ohio Association of Public School Employees, et al. v. School Employees Retirement System Board, et al.) upheld the discretionary nature of health care benefits in a lawsuit that had attempted to prevent the SERS Board from making changes to its health care plan. The Ohio Supreme Court declined to review the decision in 2005.

Since 1974, each system has provided some level of comprehensive hospital, medical, and prescription drug coverage. As of 2019, 2021, and 2024, OP&F, PERS, and HPRS respectively, do not provide insurance coverage, instead providing a stipend for beneficiaries to purchase health care coverage through a health care exchange. In 1977, the systems were required statutorily to reimburse benefit recipients for Medicare Part B premiums (medical). This requirement was later reduced, and since 2017, neither HPRS nor PERS provided any Part B reimbursement. Retirees who do not qualify for Medicare Part A (hospital) may be provided equivalent coverage under the systems' health care plans or provided access to other coverage. A 1986 federal law change extends Medicare coverage to all employees hired on or after April 1, 1986.

By law, any health care costs borne by the retirement systems must be financed by employer contributions only. The retirement systems' actuaries review annually the amount of contributions required to fund vested pension benefits. Contributions in excess of what is needed to support those benefits can be allocated to health care.

Total Health Care Expenses (in millions)		
	2022	2021
PERS	\$591	\$853
STRS	\$194	\$437
SERS	\$129	\$128
OP&F	\$88	\$128
HPRS	\$10	\$16

Health Care Assets (millions)		
	2022	2021
PERS	\$11,465	\$14,225
STRS	\$4,570	\$4,930
SERS	\$612	\$600
OP&F	\$790	\$967
HPRS	\$115	\$130

Monthly Medicare B Reimbursement Rate		
	2022	2021
PERS	\$0.00	\$0.00
STRS	\$30.00	\$29.90
SERS	\$45.50	\$45.50
OP&F	\$107.00	\$107.00
HPRS	\$0.00	\$0.00

Allocation to Health Care		
	2022	2021
PERS	0.00%	0.00%
STRS	0.00%	0.00%
SERS ¹	0.00%	0.00%
OP&F	0.50%	0.50%
HPRS	3.36%	0.00%

Health Care Solvency Period		
	2022	2021
PERS	2043	2050
STRS	Indefinite	Indefinite
SERS	2060	2058
OP&F	2038	2046
HPRS	2037	2035

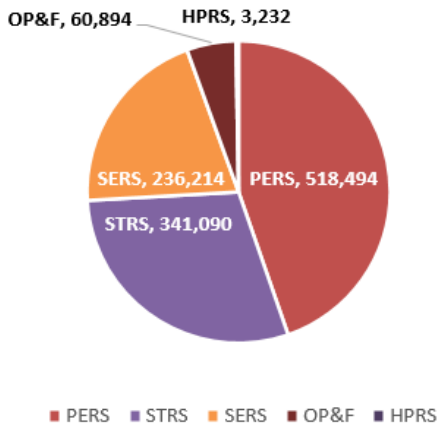
¹ Excludes employer surcharge for health care. Ohio law permits SERS to impose a surcharge on employers of up to a statewide average of 1.5% of employee payroll for health care coverage of retirees.

Membership

Active Contributing Members		
	2022	2021
PERS	297,827	290,321
STRS	184,865	176,367
SERS	155,063	146,646
OP&F	29,931	29,384
HPRS	1,380	1,454

Beneficiaries and Recipients		
	2022	2021
PERS	220,667	219,088
STRS	156,225	156,921
SERS	81,151	80,721
OP&F	30,963	30,794
HPRS	1,852	1,807

2022 Total Active/Retired Population



Contribution Rates 2024		
Fund	Employees	Employers
PERS State and	10.00%	14.00%
PERS-LE	13.00%	18.10%
PERS-PS	12.00%	18.10%
STRS	14.00%	14.00%
SERS	10.00%	14.00%
OP&F Police	12.25%	19.50%
OP&F Fire	12.25%	24.00%
HPRS	13.00%	26.50%

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Pension Facts for Ohio's Public Retirement Systems

FY 2022*
(updated 2024)

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Expenditures (in millions)

Pension Benefits		
	2022	2021
PERS	\$7,038.0	\$6,773.0
STRS	\$7,123.0	\$7,048.4
SERS	\$1,327.8	\$1,297
OP&F	\$1,532.8	\$1,511.2
HPRS	\$78.4	\$78.7

Health Care Expenses		
	2022	2021
PERS	\$591	\$853
STRS	\$194	\$437
SERS	\$129	\$128
OP&F	\$89	\$87
HPRS	\$10	\$16

Average Annual Age and Service Benefit	
	2022
PERS	\$31,195
STRS	\$48,166
SERS	\$15,963
OP&F	\$54,052
HPRS	\$48,148

Income and Investments

Assets (in millions)		
	2022	2021
PERS	\$95,312	\$112,732
PERS-HC	\$11,465	\$14,225
STRS	\$87,604	\$96,735
SERS	\$18,441	\$17,574
OP&F	\$16,897	\$19,744
HPRS	\$976	\$1,069

Actuarial Assumed Rate of Return		
	2022	2021
PERS	6.90%	6.90%
PERS-HC	6.00%	6.00%
STRS	7.00%	7.00%
SERS	7.00%	7.00%
OP&F	7.50%	7.50%
HPRS	7.25%	7.25%

Investment Return		
	2022	2021
PERS	(12.03%)	15.34%
STRS	(9.64%)	19.24%
SERS	(5.60%)	17.13%
OP&F	(9.38%)	19.63%
HPRS	(9.96%)	15.37%

Funding

Unfunded Accrued Liabilities (in millions)		
	2022	2021
PERS	\$19,611	\$18,807
STRS	\$20,203	\$20,830
SERS	\$5,485	\$5,498
OP&F	\$7,605	\$7,422
HPRS	\$329	\$339

Funded Ratio		
	2022	2021
PERS	84%	84%
STRS	81%	80%
SERS	75%	74%
OP&F	70%	70%
HPRS	74%	73%

Amortization Period		
	2022	2021
PERS	16	16
STRS	12	14
SERS	22	23
OP&F	27	29
HPRS	21	24