



September 1, 2024

Ms. Bethany Rhodes, Director  
Ohio Retirement Study Council  
30 East Broad Street, Suite 219  
Columbus, OH 43215

Dear Ms. Rhodes:

Enclosed is the *Actuarial Valuation of Defined Benefit Allowances – Traditional, Combined and Member-Directed Plans as of December 31, 2023*, for the Ohio Public Employees Retirement System (OPERS or System) as required by Section 145.22 of the Ohio Revised Code. The purpose of the valuation is to measure the System's funding progress in accordance with previously established contribution rates and OPERS' funding objectives.

The report evaluates the System's financial position for the defined benefit components of OPERS' pension plans. In total, OPERS has three pension plans – the Traditional Pension Plan, which is a defined benefit plan; the Member-Directed Plan, which is a defined contribution plan; and the Combined Plan, which has a defined benefit component for the employer contributions and a defined contribution component for the member contributions. Please note that the Combined Plan is now closed to new entrants. The format of this valuation report provides summary information for the **total** valuation results associated with the defined benefit allowances for the Traditional, Combined and Member-Directed Plans. The defined benefit portion of the Member-Directed Plan reflects the annuitization of the members' account balances upon retirement. Separate summaries are provided for the valuation results of the Traditional Plan and for the defined benefit components of the Combined and Member-Directed Plans.

### **Key Results**

The actuarial report's actual 2023 investment return of 11.06% was above the 6.90% assumed investment return. The impact from the favorable 2023 investment return was offset by the realization of a portion of the large unrealized loss from 2022 of -12.31%. The December 31, 2023 funded ratio for the System declined slightly from 84.0% at the end of 2022 to 83.8% at 2023 year-end. The System's amortization period as of December 31, 2023 declined to 15 years from the December 31, 2022 measure of 16 years. As such, the System's amortization period continues to meet the 30-year amortization period required by Section 145.221 of the Ohio Revised Code.

However, similar to last year, all employer contributions, which are at the statutory maximum allowed, are currently allocated to the defined benefit pension plan (no contributions to the health care plan). Future investment returns must be favorable enough to ensure future compliance with the 30-year amortization period requirement. Additionally, OPERS will recognize \$5.5 billion in unrecognized losses over the next three years unless offset by future investment gains. If investment gains are not sufficient to offset these unrealized losses, the funded ratio will decrease in the future and the amortization period will increase.



**2023 Investment Return**

OPERS' actuarial market investment return in 2023 was 11.06%. This compares to a market investment return of -12.31% in 2022 and 15.46% in 2021. The investment return in 2023 exceeded the 6.9% investment return assumption. As with most pension plans, OPERS uses a smoothing methodology to reduce the volatility of investment gains and losses. Prior to 2023, OPERS had unrecognized losses of \$9.7 billion to recognize over the three-year period 2023-2025. The 2023 investment gain will be recognized incrementally over the period 2023-2026. The \$9.7 billion of unrecognized losses as of 12/31/2022 offset the 2023 gain, and thus the funded ratio remained level and the amortization period decreased one year. The remaining unrecognized loss as of 12/31/2023 was \$5.5 billion and will be recognized over the next three years. Unless this unrecognized loss is offset by future investment gains, OPERS' funded ratio will decrease in the future and the amortization period will increase.

**Other Valuation Trends**

OPERS continued to see positive trends. Total active members increased by 3.4%. Total active payroll also increased 6.5%. Similar to the last seven years' valuations, the number of members leaving active membership as a result of disability and death-in-service was less than expected during 2023, resulting in a liability gain which reduced the amortization period. However, similar to last year's valuation, the number of members leaving active membership as a result of retirement was slightly greater than expected during 2023, resulting in a small liability loss which increased the amortization period.

As noted in the actuarial valuation, OPERS continues to operate in accordance with actuarial principles and remains in good condition and continues to make progress in funding. OPERS continues to be diligent in monitoring the funding progress of the System.

If you have any questions or need any additional information, please let me know.

Sincerely,

A handwritten signature in cursive script that reads "Karen E. Carraher".

Karen E. Carraher  
Executive Director

Enclosure

cc: The Honorable Mark Romanchuck, Chair – ORSC  
The Honorable Phil Plummer, Vice Chair – ORSC  
The Honorable Kristina D. Roegner, Chair – Senate Government Oversight Committee  
The Honorable Monica Robb Blasdel, Chair – House Pensions Committee  
Kimberly Murnieks, Director – Office of Budget and Management