



December 9, 2024

Ms. Mary Beth Foley  
Executive Director  
Ohio Police and Fire Pension Fund  
140 East Town Street  
Columbus, OH 43215

Re: Actuarial Impact of Sub. HB296 - Increasing Police Employer Contributions to the Ohio Police & Fire Pension Fund

Dear Ms. Foley:

We have estimated the impact on the funding period of the proposed legislation which increases contribution amounts that employers of full-time municipal police officers must make to the Ohio Police & Fire Pension Fund. This legislation was amended November 19, 2024. Our analysis is due 60 days later, on January 18, 2025, to the Ohio Legislature, but we have endeavored to provide this **draft** for the information of the Ohio General Assembly considering the bill in the coming weeks. (The first bill, HB 512 was introduced November 2022 and sought an employer contribution rate of 26.50% of pay for Police Officer and Firefighter employees, the rate employers contribute to the Ohio Highway Patrol Retirement System). We expect no material changes.

### **Proposed Change**

Section 1 of the bill amends Sections 742.31 and 742.33.

*Section 742.31* is amended to increase the Police Officer and Firefighter *employee* contributions to the Fund from 12.25% of pay for all years to 12.50% of pay effective for salary earned in pay periods beginning not earlier than July 1, 2030.



Section 742.33 is amended to increase the Police Officer employers' contributions to the Fund from 19.50% of pay for all years to the following schedule:

For Salaries Earned by Police Member in Pay Periods Beginning:	Rate
Before July 1, 2025	19.50%
On or after July 1, 2025, but not later than June 30, 2026	20.25%
On or after July 1, 2026, but not later than June 30, 2027	21.00%
On or after July 1, 2027, but not later than June 30, 2028	21.75%
On or after July 1, 2028, but not later than June 30, 2029	22.50%
On or after July 1, 2029, but not later than June 30, 2030	23.25%
On or after July 1, 2030	24.00%

Note that Firefighter employers' contributions remain unchanged at 24.00%

### **Actuarial Impact on OP&F**

Based on the results of the January 1, 2024 Actuarial Valuation, we project a funding period as of January 1, 2024 of 29.77 years. Section 742.14 of the ORC, as amended by Senate Bill No. 340, sets forth that the 30-year funding analysis be performed every three years and the 30-year funding plan, if necessary, be developed and presented not later than 90 days after the Board of Trustees' receipt of the actuarial valuation and 30-year funding analysis. The next analysis will be performed based on the January 1, 2025 actuarial valuation. Based on the results of the January 1, 2024 actuarial valuation, the funding period is projected to increase to 31.70 years as of January 1, 2025; however, the structured underfunding of OP&F is an issue unrelated to that 30 year funding rate.

Implementing Sub HB 296 results in an estimated reduction in the January 1, 2025 funding period from 31.70 years to 25.46 years. This amount would increase to 25.88 years without the increase in employee contributions. This legislation does not increase the actuarial accrued liabilities or the employer normal cost percentage and as a result there is no increase in the level percent of payroll required to amortize the increase in the actuarial accrued liabilities.



The exhibit below contains employer contributions before and after Sub HB 296 for calendar years 2024 through 2031. Note that the employer rates for both Police Officers and Firefighters are 24.00% for pay periods on or after July 1, 2030.

Ohio Police & Fire Fund								
Projection of Employer Contributions Under								
Current Provisions and Proposed Sub HB 296 Provisions								
\$ Millions								
	Calendar Year							
	2024	2025	2026	2027	2028	2029	2030	2031
<b>Police Officer</b>								
Current Provisions	\$ 289	\$ 298	\$ 308	\$ 318	\$ 328	\$ 339	\$ 350	\$ 361
Proposed Increase	<u>0</u>	<u>6</u>	<u>18</u>	<u>31</u>	<u>45</u>	<u>59</u>	<u>74</u>	<u>84</u>
Proposed Contributions	\$ 289	\$ 304	\$ 326	\$ 349	\$ 373	\$ 398	\$ 424	\$ 445
<b>Firefighter</b>								
Current Provisions (no Change)	\$ 351	\$ 363	\$ 375	\$ 387	\$ 399	\$ 412	\$ 426	\$ 440
<b>Total</b>								
Current Provisions	\$ 640	\$ 661	\$ 683	\$ 705	\$ 727	\$ 751	\$ 776	\$ 801
Proposed Increase	<u>0</u>	<u>6</u>	<u>18</u>	<u>31</u>	<u>45</u>	<u>59</u>	<u>74</u>	<u>84</u>
Proposed Contributions	\$ 640	\$ 667	\$ 701	\$ 736	\$ 772	\$ 810	\$ 850	\$ 885
<b>Employer Contribution Rates</b>								
<b>Current</b>								
Police Officer	19.50%	19.50%	19.50%	19.50%	19.50%	19.50%	19.50%	19.50%
Firefighter	24.00%	24.00%	24.00%	24.00%	24.00%	24.00%	24.00%	24.00%
<b>Proposed under Sub HB 296</b>								
Police Officer	19.50%	20.25%*	21.00%*	21.75%*	22.50%*	23.25%*	24.00%*	24.00%
Firefighter	24.00%	24.00%	24.00%	24.00%	24.00%	24.00%	24.00%	24.00%

\* Effective July 1 of the Calendar Year

The employer contribution rate for the employer normal cost, which is the cost of benefits accruing, is currently 4.34% for Police Officers and 4.44% for Firefighters. This suggests that the current employer rates of 19.50% for Police Officers and 24.00% for Firefighters results in Firefighter employers subsidizing Police Officer Employers. Sub HB 296, by making the Employer Rates the same for Police Officer and Firefighters at 24.00% results in removing this inequity.



### Comparison to Original HB 296

In 2023 HB 296 was being considered and included increasing Police Officer contribution rates to 24.00% by increasing the rate to 21.00% on January 1, 2024, 22.00% on January 1, 2025, 23.00% on January 1, 2026 and 24.00% on January 1, 2027 when Police Officer and Firefighter employer contribution rates would both be 24.00%. The original HB 296 included no increase in employee contributions. Sub HB 296 increases employee contributions by \$13 million through CY 2031. The chart below shows the giveback between HB 296 and Sub HB 296. The total giveback is \$121 million. Note that for this purpose we have assumed the increases in HB 296 begin on January 1, 2025, as opposed to in 2024 from the original legislation. Under this scenario the HB 296 funding period is projected to be 25.36 years as of January 1, 2025. This funding period is comparable to the 25.88 funding period from Sub HB296 without considering a change in the employee contributions shown above. Including the employee contribution changes would further lower the HB296 funding period 0.42 years.

Ohio Police & Fire Fund								
Projection of Employer Contributions Giveback and Employee Contribution Increase from								
Original HB 296 to Sub HB 296								
\$ Millions								
	Calendar Year							
	2024	2025	2026	2027	2028	2029	2030	2031
<b>Police Officer</b>								
Proposed under HB 296	\$ 289	\$ 321	\$ 347	\$ 375	\$ 404	\$ 417	\$ 431	\$ 445
Proposed Contribution Giveback	<u>0</u>	<u>(17)</u>	<u>(21)</u>	<u>(26)</u>	<u>(31)</u>	<u>(19)</u>	<u>(7)</u>	<u>-</u>
Proposed under Sub HB 296	\$ 289	\$ 304	\$ 326	\$ 349	\$ 373	\$ 398	\$ 424	\$ 445
<b>Firefighter</b>								
Current Provisions (no Change)	\$ 351	\$ 363	\$ 375	\$ 387	\$ 399	\$ 412	\$ 426	\$ 440
<b>Total</b>								
Proposed under HB 296	\$ 640	\$ 684	\$ 722	\$ 762	\$ 803	\$ 829	\$ 857	\$ 885
Proposed Contribution Giveback	<u>0</u>	<u>(17)</u>	<u>(21)</u>	<u>(26)</u>	<u>(31)</u>	<u>(19)</u>	<u>(7)</u>	<u>-</u>
Proposed under Sub HB 296	\$ 640	\$ 667	\$ 701	\$ 736	\$ 772	\$ 810	\$ 850	\$ 885
<b>Employer Contribution Rates</b>								
Proposed under HB 296								
Police Officer	19.50%	21.00%	22.00%	23.00%	24.00%	24.00%	24.00%	24.00%
Firefighter	24.00%	24.00%	24.00%	24.00%	24.00%	24.00%	24.00%	24.00%
Proposed under Sub HB 296								
Police Officer	19.50%	20.25%*	21.00%*	21.75%*	22.50%*	23.25%*	24.00%*	24.00%
Firefighter	24.00%	24.00%	24.00%	24.00%	24.00%	24.00%	24.00%	24.00%

\* Effective July 1 of the Calendar Year

### Important Disclosures

In order to prepare the results in this letter we have utilized appropriate actuarial models that were developed for this purpose. These models use assumptions about future contingent events along with recognized actuarial approaches to develop the needed results.

The estimates above are based upon assumptions regarding future events, which may or may not materialize. They are also based upon present plan provisions and actuarial methods that are outlined in the January 1, 2024 actuarial valuation reports and proposed plan provisions outlined in this actuarial note. If you have reason to believe that the assumptions that were used are unreasonable, that the plan provisions are incorrectly described, that important plan provisions relevant to this proposal are not



described, or that conditions have changed since the calculations were made, you should contact the authors of this actuarial note prior to relying on this information.

Future actuarial measurements may differ significantly from current measurements due to plan experience differing from that anticipated by the economic and demographic assumptions, increases or decreases expected as part of the natural operation of the methodology used for these measurements, and changes in plan provisions or applicable law. Because of limited scope, Cavanaugh Macdonald performed no analysis of the potential range of such future differences.

The undersigned are Members of the American Academy of Actuaries and meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion contained herein.

If you have any questions concerning this information, please let us know.

Respectfully submitted,

Larry Langer, ASA, EA, FCA, MAAA  
Principal and Consulting Actuary

Wendy Ludbrook, FSA, EA, FCA, MAAA  
Consulting Actuary