CavMac
Actuarial Consulting Services

December 9, 2024

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

Re: Review of December 12, 2024 Ohio Retirement Study Council (ORSC) Meeting Materials on Actuarial Impact of Sub. HB296/SB 194 - Increasing Police Employer Contributions to the Ohio Police & Fire Pension Fund

Dear Ms. Foley:

We have reviewed the following materials posted for the December 12, 2024 ORSC meeting:

- "Review of Ohio Police and Fire Proposed Bill HB 296 – Expanded" prepared by PTA, the ORSC actuary
- "Report to the Ohio Retirement Study Council on Sub House Bill 296" prepared by PTA, the ORSC actuary

In this material, PTA, ORSC's actuary, confirms the reasonabless and findings of CavMac. PTA determines the impact of Sub. HB296 to be a reduction in funding period from 29.77 years to 24.57 years as of January 1, 2024. We note PTA used the actuarial value of assets to make this finding.

The remainder of the PTA analysis focuses on elements not typically found in an analysis of this type. The remainder of this letter comments on this.

PTA Fails to Analyze the Legislation

In our December 5, 2024 analysis, we note that our estimates are based upon assumptions regarding future events, which may or may not materialize. Because of the uncertainty of future events, it is almost certain that when we present the actual January 1, 2025 funding period in October 2025, it will differ from the 25.46 year funding period in our letter. PTA devotes a significant portion of their analysis on speculation of what the future may hold. Lost in all of this speculation is that the funding period will absolutely be lower under Sub. HB296 than without this legislation in all potential future situations.

Market Value

The PTA report provides metrics on the funding period and the unfunded actuarial accrued liability based on the market value of assets. In particular, the impact of the one billion dollar difference between the actuarial value and market value of assets is noted one dozen times in their presentation. Use of an actuarial value of assets is an almost universal practice of actuaries for public sector retirement systems under any funding arrangement, contrary to what PTA implies. Under the Ohio Revised Code, the funding period is based on an actuarial value of assets. Therefore, PTA's use of market value results in conclusions and recommendations is contrary to the 30-year funding requirements for OP&F.

Policy

Sub. HB296 only makes changes to the contribution rates of Police Officer employers and both Police Officer and Firefighter employees. This legislation does not change the requirements of the determination of the funding period. In their analysis, PTA recommends the use of a declining, or closed, 30-year funding period. Use of a closed period as outlined by PTA is universally not recommended by actuaries. This type of commentary which appears to drive policy is highly irregular for an auditing actuary.

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,

Wendy Ludbrook

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