

Report to the
Ohio Retirement Study Council on
OP&F 30 Year Funding,
Actuarial Status as of January 1, 2020, and
Anticipated Position as of January 1, 2021

William B. Fornia, FSA
May 13, 2021

Summary

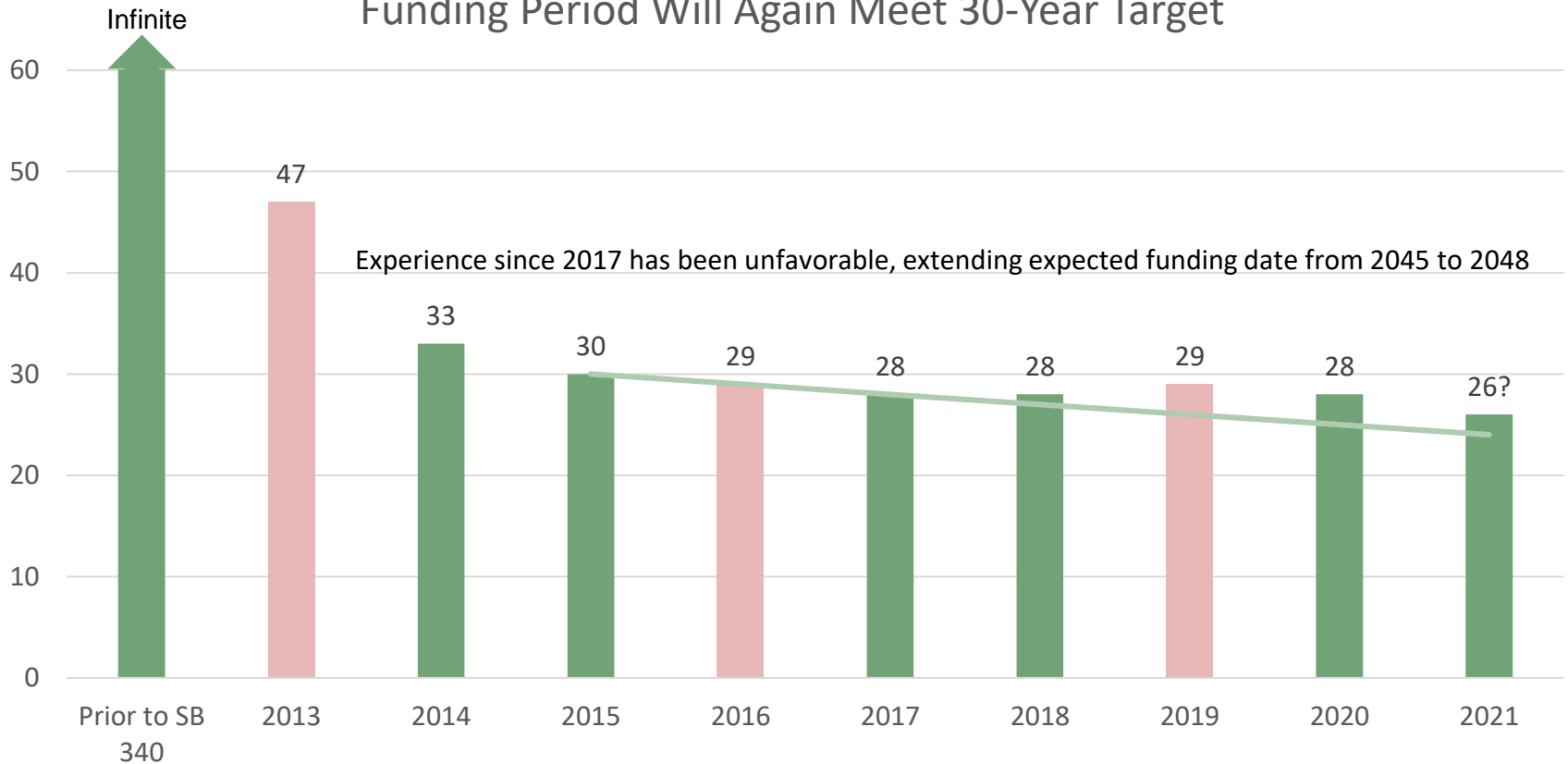
- Adequacy of Current Statutory Contribution Rates to Fund Current Statutory Benefits – 30 Year Funding Requirement
 - January 2020 – We estimated 29 years based on 12/31/19 assets
 - As a result of favorable experience than we anticipated, actual was 28
 - January 2021 – Based on strong returns and actuarial smoothing, we estimate that will decrease to 26
- Likelihood of Necessity for Future Changes in Benefits or Contributions – 2022
 - Likely future changes to actuarial assumptions, particularly 8% return, will exacerbate funding position
 - Although Board scheduled change is not until 2022, actuary has obligation to assess reasonableness of 8% assumption each year

Current OP&F Contributions Are Adequate for 30-Year Requirement

- Cavanaugh MacDonald (OP&F Actuary) calculated a 28-Year Funding Period as of 1/1/2020
- We replicate CMC's projections
- Strong 2019 and 2020 Investment Return will likely improve the funding period slightly (all other things being equal)
 - We estimate that based on 9.21% return during 2020, period will be 26 years as of January 1, 2021
 - Next actuarial valuation will determine the actual funding period

History of Funding Periods

Next (1/1/21) Actuarial Valuation Estimated to Show that Funding Period Will Again Meet 30-Year Target



Statutory Measurement Required Every Three Years Under ORC 742.14

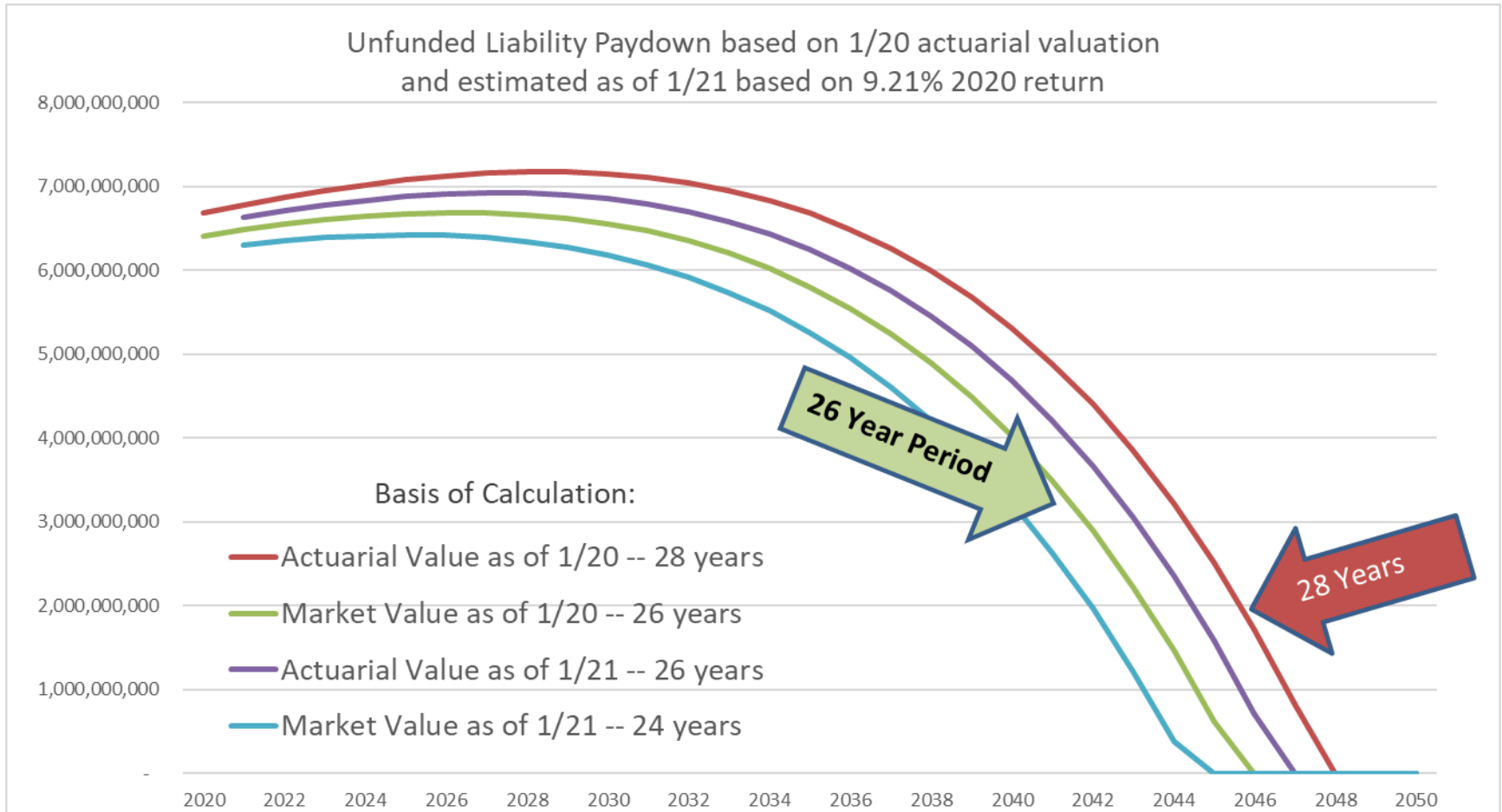
Report to ORSC on 30 Year OP&F Funding – May 13, 2021



Does OP&F Meet 30-Year Funding?

- OP&F does meet 30-year funding, because:
 - Three-Year measurement period is as of January 1, 2019
 - Health care stabilization fund is tapped
 - Members hired after July 1, 2013 have lower benefits, allowing higher share of contribution toward unfunded liability
 - Strong 2019 returns helped offset weak 2018 returns
- Concerns that 30-year funding will be jeopardized by 2022
 - Likely decrease in 8% assumed rate of return on assets

30 Year Funding Met at 1/1/2020, and Estimated to also meet at 1/1/2021

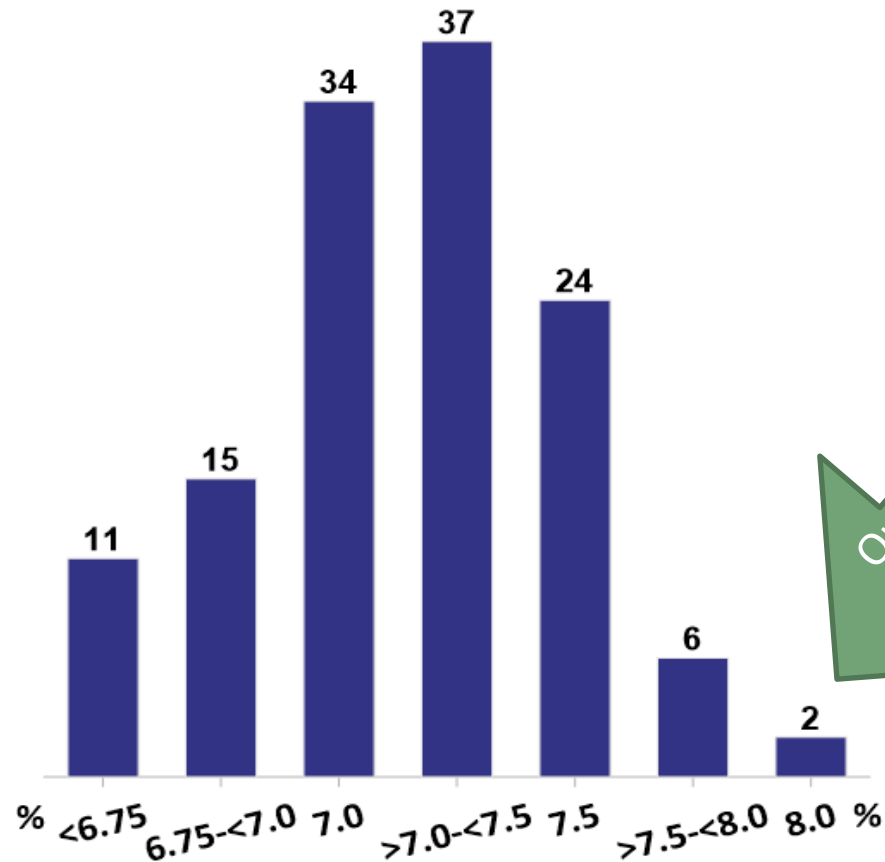


Concerns with Discount Rate

- OP&F continues to assume 8.00% investment return on plan assets
- This is among the highest of US pensions
 - As of April 2021, OP&F was one of only two (of 129 plans) surveyed by NASRA to use an assumption this high
- Current economic indices for inflation and bond returns continue to be low
- We would expect that OP&F will reduce this assumed rate, which would have substantial impact on funding period
 - Was lowered as of 2017 valuation, so possibly not until 2022 actuarial valuation, following five-year experience study

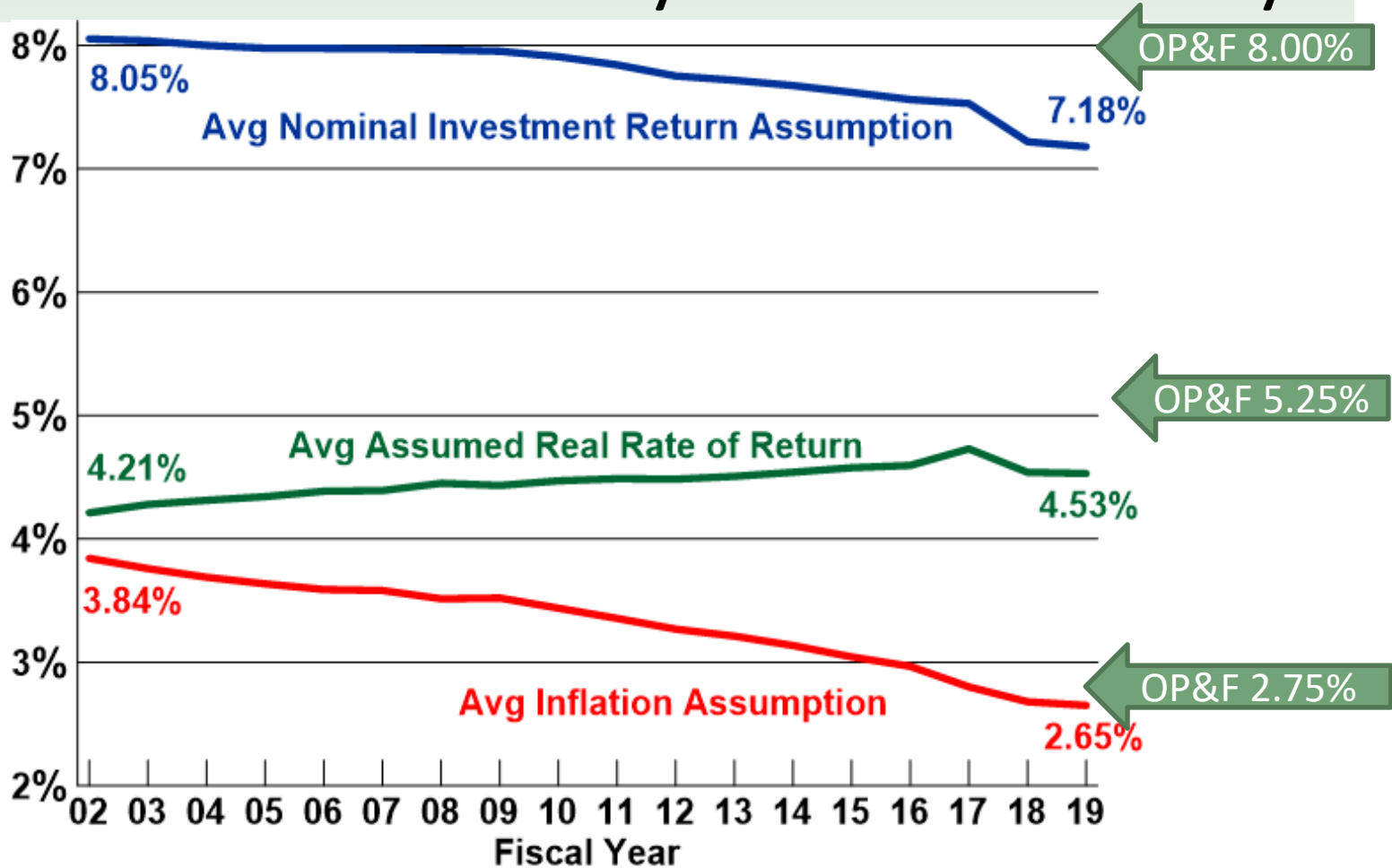
NASRA reports that OP&F 8% assumption is an outlier

Distribution of Nominal Investment
Return Assumptions, April 2021



Only one other system uses an assumed rate of return as high as OP&F's 8%

NASRA reports that assumptions have decreased substantially over this century

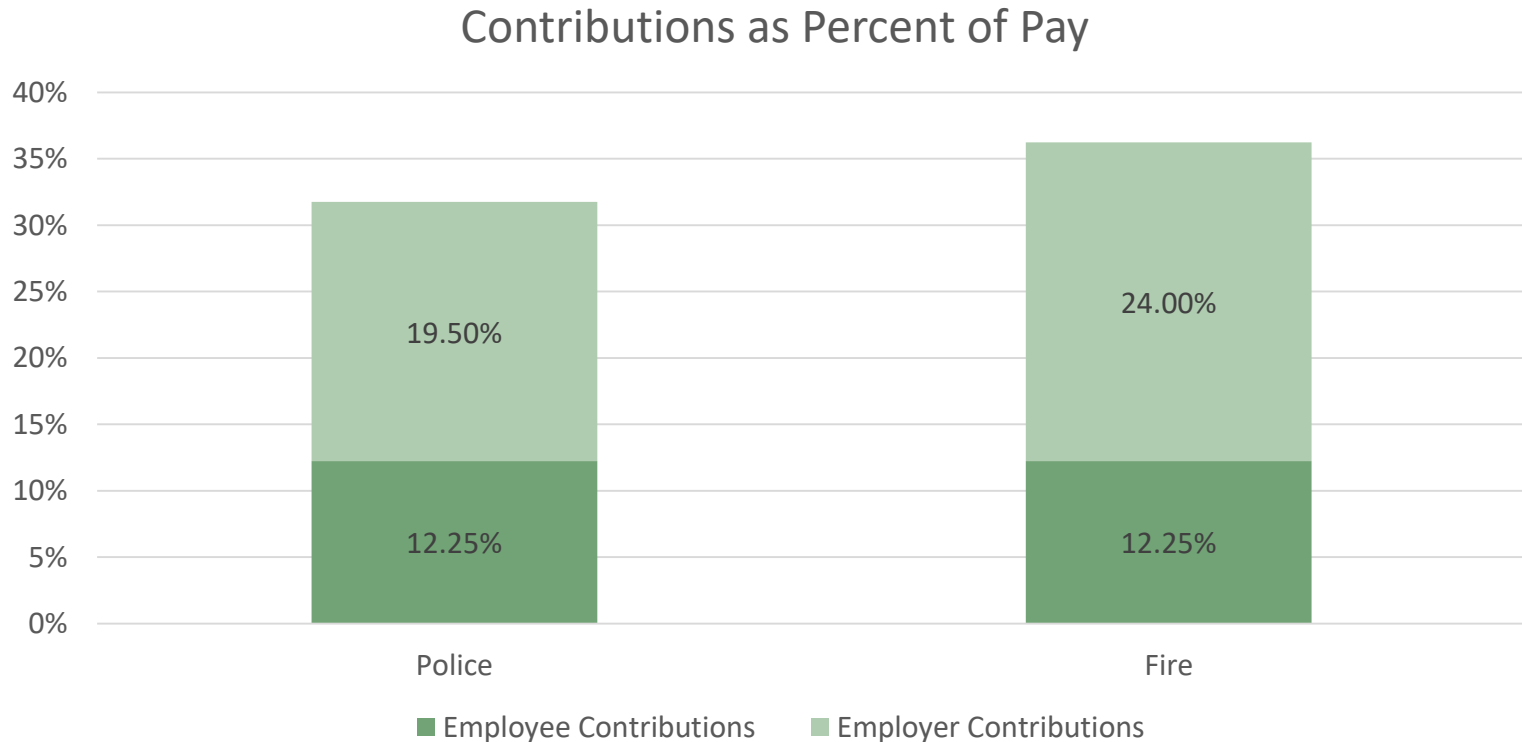


Inflation expectations have dropped even more than these actuarial assumptions

Likely Results of 2021 Actuarial Valuation

- Actuarial Valuations typically completed in October
 - Reported to ORSC by November 1
- We estimate that this will show that 30-year funding target is met
 - We estimate it to be 26 years
 - Actual experience could impact this by 2-3 years

Note also Differences between Police and Fire Contribution Structure



We calculate that if Police and Fire were funded independently, Fire would be fully funded in 21 years, but Police would only be fully funded in 40 years.

Conclusions

- OP&F calculates that 30-year funding met as of January 1, 2020. We concur.
- We estimate that 2021 valuation will show that 30-year funding is again met.
- Expected return on assets of 8.0% is among the highest in the country – will likely be reduced by 2022, making 30-year period difficult to attain.