



## THE HEART OF CUYAHOGA COUNTY

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### MEMORANDUM

To: Mayor Gregory P. Kurtz  
Members of Council

From: Finance Director Vernon Blaze

Date: Friday, May 3, 2024

Re: Finance Office and Related Topic Updates

#### Ohio Public Employees Retirement System (OPERS) Updates

Some interesting facts from the Spring 2024 edition of OPERSNEWS are noted as follows, along with some Finance Office Observations on some of them.

- *“OPERS’ Defined Benefit Fund Investment Return was 11.26% in 2023*
  - *This exceeded OPERS’ long-term actuarial assumed rate of return of 6.9%”*
  - **Finance Office Observation:** Good years like 2023 are needed to offset years when the investment returns aren’t as solid
    - See the Third Main Bullet Point
- *“The system’s estimated funded ratio is expected to remain at 84%*
  - *That means that OPERS has 84 cents for every dollar it owes in future liabilities”*
  - **Finance Office Observation:** Underfunding holds true for many/most public pension systems across the country
    - It is likely the reason that public pension systems in Ohio are supporting early discussions to increase the employer share of public pension contributions

## Ohio Public Employees Retirement System (OPERS) Updates – Continued

- Currently in Ohio, public employers contribute 14% of an OPERS employee's wages to OPERS, and 19.5% of a police employee's wages and 24% of a fire employee's wages to the Ohio Police & Fire Pension Fund
  - See the Fifth Main Bullet Point
- *"The excess 2023 gain...helps to offset what was an unrealized loss of \$9.7 billion carried over from 2022"*
  - **Finance Office Observation:** Proves what was noted in the first bullet point – Solid investment returns aren't a "given" each and every year. There will be inevitable "down" years.
- *"For the OPERS Health Care Program, the primary funding metric is the estimated remaining years of solvency. With a strong preliminary investment return of 13.97% in 2023, the plan's solvency years are expected to improve to 22 years from 21 at the end of 2022"*
  - **Finance Office Observation:** 22 years of expected solvency is better than 21 years, but that's still not a long time for a plan that covers so many retirees
    - Future OPERS retirees may want to start planning now for possible changes and modifications in how OPERS provides health care coverage to retirees in the future
- *"House Bill 296 [proposes to] increase the employer contribution rate for OP & F police officers from 19.5% to 24%*
  - *The OPERS Board of Trustees acted last year to authorize OPERS staff to seek the system's first statutory maximum employer contribution rate increase in nearly 50 years*
    - *The legislation would increase the maximum employer contribution limit for state and local members to 18 percent...*
      - *Successful passage of legislation to increase the employer contribution rate statutory maximum would enable OPERS to pay down its debt sooner..."*
  - **Finance Office Observation:** If House Bill 296 and/or other similar type bills pass both chambers of the General Assembly (House and Senate) and is/are signed into law by the Governor, it looks like employer contributions to OPERS would increase from 14% to 18% and OP & F contributions for police employees would increase from 19.5% to 24%