At its March 28 meeting the Ohio Police & Fire Pension Fund Board of Trustees approved a motion that will end the group-sponsored health care plan and provide retired members with a fixed cap stipend amount to use toward health care. Implementation is targeted for Jan. 1, 2019.

No details of the new health care strategy were approved, but staff and consultants will be working to provide Trustees with options in the coming months. OP&F is committed to assisting retired members with finding an appropriate health care plan for both Medicare-eligible and non-Medicare eligible populations. The stipend amount is also to be determined.

Different strategies have been discussed at recent meetings, including the 2016 and 2017 Board of Trustee retreats. Both actuarial and health care consultants delivered presentations to the Board showing that without significant changes the funding for health care would be exhausted in approximately 7-9 years. It has not been determined how long a fixed cap stipend strategy would extend health care solvency or how long it would continue to be paid.
Dear Members,

As our lead article announces, the OP&F Board of Trustees approved a significant motion that will change the course of how OP&F provides health care assistance to its members. While beginning in 2019 we will no longer provide a group-sponsored health care program, we are still committed to assisting members find an appropriate health care plan, and assisting financially also.

Income from current sources – retiree premiums from those enrolled in the health care plan along with investment income and a small portion of employer contributions – are simply not enough to sustain our health care plan as currently structured.

Since 1974, OP&F has provided a group-sponsored health care program for retirees and their dependents. Since then we have made it a priority to preserve this model, albeit with some changes along the way. OP&F’s self-insured health care program has paid out more than $3 billion in health care costs in the past 25 years.

With health care costs continuing to escalate, offering a plan as we have in the past is no longer prudent. The fact is market conditions and our own demographics are forcing us out of the group-sponsored model.

The cornerstone of this new strategy is a fixed cap stipend amount to be used specifically for medical expenses. We expect that this will be in addition to the monthly pension benefit. No determinations have been made on the amount or eligibility rules. OP&F also is expecting to assist members with tools and resources to navigate the many health care options available and select the right plan for them, whether or not Medicare-eligible.

Even with these significant changes, current trends in health care and prescription drug costs, health care support beyond a 15-year projection may not be possible without a new income stream. The OP&F Board, staff and our outside partners are all dedicated to searching for that funding source to assist future generations of retirees with their health care needs.

We welcome members and invite you to attend upcoming Board and Health Care Committee meetings. Agendas for these meetings are posted at op-f.org the week prior to the meetings. Hope to see you there.

Sincerely,

John J. Gallagher, Jr.
Executive Director

OP&F SURPASSES INVESTMENT RETURN ASSUMPTION FOR 2016

OP&F’s general investment consultant, Wilshire Associates, reported that net of fees investment return for 2016 was 10.9 percent. The Board of Trustees received the report during its meeting on Feb. 22. The assumed rate of return on investments is 8.25 percent. The investment portfolio was valued at $14.45 billion on Dec. 31, 2016, and was valued at $14.8 billion on Feb. 21.
GOV. KASICH SIGNS LAW RECOGNIZING FIREFIGHTER CANCER CASES AS ON-THE-JOB ILLNESS

On Jan. 4, Governor John Kasich signed a law making it easier for full-time firefighters to get worker’s compensation and OP&F benefits when diagnosed with specific cancers.

The law creates a presumption that when a firefighter becomes disabled due to cancer, it was caused by on-the-job activity. The law takes effect in April, 90 days after the Governor signed the bill.

WHAT DOES THE BILL DO?

Once the law is in effect, any fire personnel with cancer are presumed to have incurred the disease from the job if they have been assigned to hazardous duty for six or more years and exposed to certain agents that are classified as high-level carcinogens. Hazardous duty is classified as duty performed under circumstances in which an accident could result in serious injury or death.

This presumption can be rebutted if there is evidence that the exposure occurred prior to their work as fire personnel or if factors outside of the scope of their employment, such as use of cigarettes or other tobacco products, likely was a significant factor in the progression of their cancer. The presumption can also be rebutted if the firefighter is age 70 or older.

The presumption of cancer does not apply if it has been more than 20 years since the firefighter was last assigned to hazardous duty. The law applies only to applications for disability benefits filed on or after the effective date of the law and to workers’ compensation claims on or after that date.

The act also creates the same presumption in the workers’ compensation law. For the workers’ compensation law, the presumption is included in the list of occupational diseases that are compensable, and compensation for cancer under the presumption is payable only in the event of temporary total disability, permanent total disability, or death, in accordance with continuing law. The Workers’ Compensation Law provision applies to paid and volunteer firefighters.

CONTINUED ON PAGE 5
SURVIVING CHILDREN NOW ELIGIBLE FOR BENEFITS UNTIL 22, REGARDLESS OF STUDENT STATUS

Recent changes to Ohio law may allow surviving children to receive extended survivor benefits from OP&F.

Previously, these benefits terminated when an unmarried child reached the age of 18, unless they maintained a student status. However, the student status requirement has been eliminated and benefits can now continue to be received by unmarried children until age 22. Once the surviving child reaches age 22, the benefits will terminate.

Additionally, survivor or Death Benefit Fund benefits may be available to children who had benefits terminated or who had never received them due to loss of student status if the surviving child has not yet reached the age of 22. These benefits will commence or resume on the first day of the month following OP&F’s receipt of an application for these benefits. No benefits will be paid retroactively.

To be eligible to commence or resume benefits all applications must be received on or before Dec. 31, 2017. Applications received after this date will not be processed. The Application for Reinstatement of Survivor Benefits is available online at op-f.org.

To see if you now qualify for these benefits or if you have any questions, please contact OP&F Customer Service at 1-888-864-8363.

SUBSIDY AMOUNT ANNOUNCED FOR AARP MEDICARE SUPPLEMENTAL PLAN

The annual rate change for AARP Medicare Supplement Insurance Plan members living in Ohio will be effective April 1, 2017. For 2017, the rate increase percentages for Standardized Plans B, F and L in Ohio are:

- Plan B – 1.5% increase
- Plan F – 1.5% increase
- Plan L – 1.6% increase

As established in 2013, the OP&F calculates the subsidy on the standardized base rate premium for Plan L in the state of Ohio. Based on the 2017 premium for Standardized Plan L, the subsidy amounts for 2017 amounts are as follows in the below chart.

<table>
<thead>
<tr>
<th>Retiree subsidy</th>
<th>Dependents of retirees who began receiving benefits on or prior to July 24, 1986</th>
<th>Dependents of retirees who began receiving benefits on or after July 25, 1986</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Percentage</strong></td>
<td>75%</td>
<td>50%</td>
</tr>
<tr>
<td><strong>Amount</strong></td>
<td>$103.69</td>
<td>$69.13</td>
</tr>
</tbody>
</table>

Please check your April OP&F benefit statement to see the new subsidized premium. If you have any questions regarding your AARP Medicare Supplement Plan coverage or premium, please call 1-800-392-7537.

If you live outside of Ohio be aware that premiums vary by plan, state and year, and the effective date of the rate change may be different.

All members participating in an AARP supplemental insurance plan through OP&F should have received a letter in the fall of 2016 with notification of any expected rate changes, as well as the effective date for those changes in 2017. The letter reflected the premium for the year (including any rate change or eligible discount amounts, if applicable). If you have any questions, please call the number above.
ACCESS TO OP&F WEBSITE RESTRICTED TO SPECIFIC COUNTRIES

As a part of an ongoing effort to maintain a high level of security of the information and records entrusted to OP&F, the secure member and employer areas of OP&F’s website is blocked to many countries outside of the United States.

Research shows that the great majority of hackers and criminals attempting to steal online data originate from other countries. While data-theft exists within the U.S. borders, OP&F management believes this action will help remove another potential threat.

Only users in the following countries are permitted access to the Member Self Service area of the website: the U.S., Canada, Australia, France, Germany, Great Britain, Ireland, Mexico, Philippines, Portugal, Puerto Rico, South Africa and Thailand. For the Employer Self Service area, only users in the U.S. have web access.

For members and business partners who live outside the countries listed above, individual exceptions can be permitted. Additionally, if access to certain documents or web postings on the website is needed for a period of time, the block can be lifted for individual countries (for example, requests for proposals or access to Form 1099s).

Contact OP&F Customer Service at 1-888-864-8363 with any questions concerning these policies.

WHAT PROMPTED THE LEGISLATION?

More than 30 states already have similar laws. Research has shown fire personnel are much more likely than the general population to get some forms of cancer. In the course of their work, firefighters are exposed to many cancer-causing materials, such as asbestos.

The National Institute for Occupational Safety and Health began releasing data in 2013 from a large study of cancer in fire personnel. Among the study’s findings:

- Fire personnel had more cancer deaths and cancer cases than expected.
- This increase in cancer was primarily due to digestive, oral, respiratory, and urinary cancers.
- There were about twice as many malignant mesothelioma cases—likely due to asbestos exposure—than expected.
- Some cancers, such as bladder and prostate cancers occurred at a higher-than-expected rate among younger firefighters.

The new law is named for Michael Louis Palumbo Jr. Palumbo, a fire captain from Beachwood and Willowick, was diagnosed in 2016 with brain cancer. He attended the bill signing in Columbus with friends and family, including his brother, Mark, a Mayfield fire lieutenant.
WHY OP&F’S DROP IS WORKING WHILE ANOTHER SYSTEM STRUGGLES

Media reports have brought attention to the strain the Dallas Police and Fire Pension Fund (DPFPF) is under, specifically its Deferred Retirement Option Plan (DROP). OP&F members may wonder if their DROP could face similar troubles.

The answer is no. OP&F’s DROP is working as intended and is a financially sound benefit option. OP&F’s DROP is well designed and meant to be cost-neutral, therefore, it has not harmed the system’s ability to pay pension benefits.

When the problems in Dallas became public, OP&F staff began comparing the two systems. This examination showed glaring differences. These disparities allow OP&F to remain stable, with prudent management by a team of trained professionals that understand fiduciary principles and apply those principles on a daily basis, from our customer service team to our investment professionals to our Board of Trustees.

At DPFPF, poor investment decisions coupled with overly generous benefit packages caused the system’s funding ratio to drop from 72 percent in 2011 to approximately 35 percent by the end of 2016. When DPFPF members learned about plans to reduce benefits they began withdrawing money from the system’s DROP, intensifying the problem. The funding ratio at OP&F 71.3 percent, up from 69.4 percent in 2011.

The investment programs also have major differences. A look at recent performance between the two systems reflects the following annual returns over a three, five and 10 year period. DPFPF’s investments include an unusually high amount of risk and it is not as diversified when compared to other funds of this size and scope. After accumulating 25 percent of its assets in real estate, major losses were due to direct investments that did not perform.

OP&F does not invest in real estate directly. Several years ago, OP&F decided to use comingled real estate funds. OP&F’s allocation of 11 percent to real estate is more in line with the suggested allocation for an institutional pension program.

Other differences include cost of living adjustments (Dallas’ COLA is four percent, OP&F’s is either three percent or the Consumer Price Index); active member contribution rates (Dallas’ is 8.5 percent of salary; OP&F’s is 12.25 percent). Additionally, the amount of interest credited to a member’s DROP account (Dallas’ credits 8.0 percent; OP&F is adjusted quarterly and is currently 2.45 percent).

After an actuarial experience review in 2015, DPFPF reduced its long-term investment return assumption to 7.25%. This change, in addition to significant write-offs in its real estate portfolio, pushed a once sound system close to insolvency, with projected depletion dates of 15 years. As a result, a run on their DROP program began and continued until a decision by the Board of DPFPF to freeze lump sum withdrawals in December 2016. In January, the Mayor of Dallas asked for a criminal investigation.

The stability of the OP&F’s DROP, reflected in its actuarially neutral impact on the total fund, is imperative to continuing a program that has clearly helped members but most importantly, underpins the long-term security of OP&F not only for today, but also for generations to come.

<table>
<thead>
<tr>
<th></th>
<th>3-year</th>
<th>5-year</th>
<th>10-year</th>
</tr>
</thead>
<tbody>
<tr>
<td>OP&amp;F</td>
<td>7.91%</td>
<td>8.27%</td>
<td>6.74%</td>
</tr>
<tr>
<td>DPFPF</td>
<td>(0.7) %</td>
<td>1.00%</td>
<td>2.70%</td>
</tr>
</tbody>
</table>
Recent changes to Ohio law may affect a person’s ability to transfer service credit between OP&F and the Ohio Public Employee Retirement System (OPERS). A series of changes made by OPERS in 2016 regarding service credit transfers can affect portability and ultimately retirement eligibility.

In order to address the issue – which adversely impacts OP&F and OPERS Law Enforcement members – the Ohio legislature has allowed a one-time 90-day window beginning April 5, allowing for service credit transfers so members can avoid being adversely affected.

In 2016, OPERS sought an amendment to a bill that requires public employees to retire from the system where they have the majority of their service credit. Therefore, if a person worked in an OP&F position and then accepted an OPERS-covered position, they must accumulate more years of service with OPERS before becoming eligible to retire. This rule is in effect for those covered as OPERS Law Enforcement members and regular OPERS members.

OP&F has worked with elected officials to establish a solution for those who were adversely affected by this change. Ohio House Bill 520, passed in December 2016 and signed by Gov. Kasich in January, allows for a 90-day window when both OP&F and OPERS members can transfer service credit to the other system. When service credit is consolidated with one system, a member may avoid working longer than they may have expected to become eligible for retirement. This 90-day window begins April 5 and ends on July 5.

If an OP&F member has service credit to transfer from a different retirement system, please call OP&F to discuss the options available and retirement eligibility (1-888-864-8363). Service credit transfer paperwork must be completed and received by the retirement system by July 5 in order to transfer the credit. Members should be aware that OP&F does not accept part-time service credit. Also, the transfer window does not apply to those that are already retired or who are in the Deferred Retirement Option Plan (DROP).

While this 90-day window only covers individuals who were unaware of the change in 2016, OP&F continues to work on a permanent solution that will protect our members.
Toll Free: 1-888-864-8363
General Information: (614) 228-2975
Fax: (614) 628-1777
TTY: (614) 221-3846
E-mail: questions@op-f.org
Monday-Fridays 8 am-4:30 pm EST

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**PRUDENCE • INTEGRITY • EMPATHY**
Securing the future for Ohio’s Police and Firefighters

**IMPORTANT DATES**
April 25-26 ..........Board of Trustees meetings
May 16-17 ..........Board of Trustees meetings
May 29 ...............OP&F offices closed in observance of Memorial Day
June 27-28 ..........Board of Trustees meetings
June 4 ...............OP&F offices closed in observance of Independence Day

Our communications team is underway planning OP&F’s 50th anniversary. They have traveled around Ohio to shoot footage of our members. If you would like the opportunity to participate in our upcoming videos or photo shoots please contact our Design Specialist, Krista Trusz at ktrusz@op-f.org for more information. Also if you have great photos of past or present police officers, firefighters or stations, please share to get a chance for them to be displayed in one of our many publications or videos!

**DO WE HAVE YOUR EMAIL ADDRESS?**
If your email address is not on file, please send it to us at questions@op-f.org, or contact OP&F Customer Service at 1-888-864-8363. Members can also update their information online from the secure Member Self Serve.

**SUSPECT DISABILITY FRAUD?** CALL 844-FRAUD HOTLINE (844-372-8345)