

## Strength of OP&F Confirmed

Planning for retirement is a complicated science. As individuals, we must project what our needs are going to be years from today, without really knowing what our life situation will be. Part of that planning includes making wise financial choices today so that we can enjoy retirement tomorrow—knowing that our best laid plans are subject to unpredictable peaks and valleys we encounter along the way.

### OP&F remains financially strong and unquestionably prepared to meet the needs of the future.

OP&F faces the same kinds of challenges. We must make decisions today about the needs of our members 10, 20, or even 30 years from now. We must make wise financial choices now to assure we meet our obligations to members later—not to one person, but more than 50,000 members.

OP&F's ability to meet those needs has never been in question. This is underscored each year when outside experts confirm our financial strength. Yet, occasionally misunderstandings arise about how much money it will take to assure our members' needs are met over their lifetimes. Recent news media accounts are a good example of how misunderstandings can occur.

In February, several newspapers reported on the findings of Milliman USA Consultants and Actuaries, the firm hired by the Ohio Retirement Study Council to evaluate the state's five public retirement systems. The report was a snapshot of each plan, and looked at all the variables that go into assuring that obligations to members will be fulfilled. One of the standards is how long it will take income from investments and member contributions to equal or exceed the future needs of all active and retired

members. Generally, the benchmark is 30 years.

While OP&F met this benchmark from 2000 through 2002, the downturn in the economy and resulting investment losses temporarily pushed the Fund over this 30-year limit. In other words, at the current rate of income, it would take longer than 30 years to equal the expected future needs of all current and retired members. Under this criteria, the Milliman USA report found that most of the state's public retirement systems—including OP&F—did not meet the 30-year funding requirement.

What is important to remember is that most retirement systems in

America do not meet this requirement. Yet, the vast majority are financially strong and unquestionably prepared to meet the needs of the future. This is because future needs and current income are analyzed continually and adjustments are made to ensure the financial integrity of the Fund.

In reality, OP&F's assets are not much different than they were in 2000, a year in which a snapshot would have found we were fully funded. In 2000, the Fund

reached a peak value of \$9.4 billion. As we've reminded our members, the stock market downturn of the past few years affected our total assets. Yet, today, we are almost back where we were in 2000. A 23 percent Fund gain in 2003 brought our value to \$9.03 billion as of January 28, 2004—more than enough to take care of our members for the foreseeable future.

And, that's exactly the point Milliman USA made in a follow-up letter to the Ohio Retirement Study Council:

“...the actuarial reports presented to the Ohio Retirement Study Council regarding the Ohio public retirement systems have unfortunately been misinterpreted, causing some to question the continued soundness of the systems. Our reports confirmed that all of the retirement systems remain financially secure to pay all mandated pension benefits when they become due well into the future.”

It's important that our members, both active and retired, have confidence in their retirement system. OP&F considers every factor that goes into funding the future so it can make appropriate decisions.

When unpredictable events occur—such as a stock market downturn—our members can rest assured that OP&F has put a plan in place to steer the Fund back on course.

Still, from time to time, we all have questions about our individual benefits and OP&F. This special publication attempts to answer some frequently asked questions that have arisen over the past few weeks. ■



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**Robert Beck**  
Chairman,  
OP&F Board of Trustees

Dear Members:

Recently an article has been published in a few newspapers around the state calling into question the funding levels of the Ohio Police and Fire Pension Fund (OP&F), and the other four public retirement systems. The article was a misinterpretation of an actuarial report submitted to the Ohio Retirement Study Council (ORSC) and has prompted some concern among our members.

Let me assure you that in fact, OP&F is well positioned to meet the needs of active and retired members. The authors of the original report confirmed this in a recent letter to the ORSC, stating that each system, including OP&F “remain financially secure to pay all mandated pension benefits when they become due well into the future.”

Many factors go into retirement system projections. OP&F takes every factor into consideration, making adjustments when necessary to assure we meet our long-term obligations to our members of providing pensions and making health care benefits available. A comparison might be made to a ship at sea steaming toward a distant port. If the navigator sees the ship is slightly off course, it does not mean the ship won't reach its destination, only that a correction is needed.

Your OP&F Board of Trustees continues to be diligent in seeking more options and alternatives for members as they prepare for retirement. Some of the choices we are investigating include pre-payment for health care, tax benefits, and medical savings accounts. We also continue to work for legislation to keep the funding stable now, and into the future.

While we were disappointed that this information was misinterpreted, we are thankful to have the opportunity to set the record straight. I want to reaffirm that OP&F is in good standing, financially sound and prepared to honor our responsibilities.

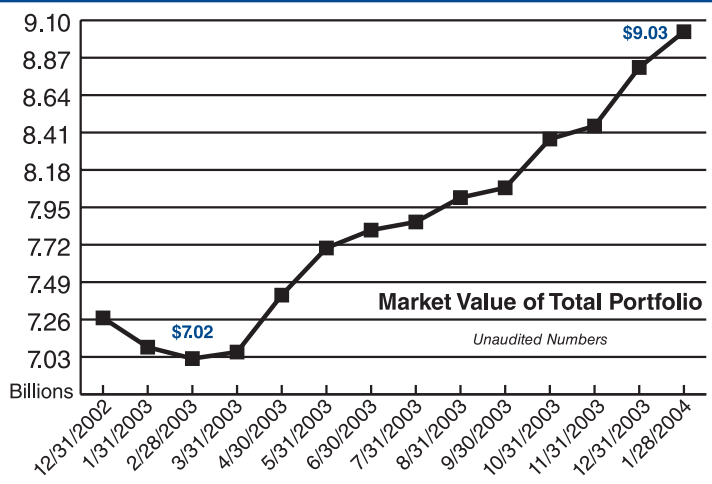
Sincerely,

Robert Beck

## Facts & Figures

### OP&F's investment portfolio rebounds, starting strong for 2004

OP&F's portfolio ended 2003 at approximately \$8.45 billion. As of January 28, 2004, the Fund's investment portfolio was worth \$9.03 billion, representing an increase of \$1.76 billion since the end of the 2002. ■



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