

## MONTGOMERY, WAINSCOTT RETAIN TRUSTEE POSITIONS IN UNCONTESTED ELECTIONS

With no opponents filing the required paperwork, the two Board of Trustee members up for election this spring are preparing for another term. Incumbent trustees Ed Montgomery (Columbus police) and John Wainscott (Cincinnati police, retired) will begin serving new four year terms to the OP&F Board of Trustees beginning June 6.

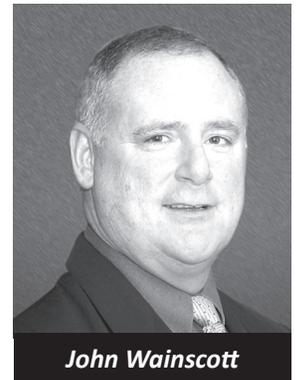
Eligible active and retired police members were required to submit petitions and certificates of eligibility by the April 4 deadline in order to qualify for the elections. Both Montgomery and Wainscott successfully filed the required materials. Since each race is unopposed, they were declared the winners of their respective elections.

Montgomery was first appointed to the OP&F Board in December 2007, and elected to a full term in 2008. He successfully ran in 2012 and now will be serving his third full term as a trustee. He served as the Board chair in 2010-11 and again in 2012-13. He is scheduled to become chair again in June.

Wainscott was originally appointed in December 2011 to fill a term representing retired police officers. He is entering his second full term as a trustee after winning election in 2012.



*Ed Montgomery*



*John Wainscott*

## LEGISLATIVE UPDATE

### HEARING FOR WINDFALL ELIMINATION PROVISION SCHEDULED

House Ways and Means Social Security Subcommittee Chairman Sam Johnson announced that the Subcommittee will hold a hearing on Social Security and Public Servants: Ensuring Equal Treatment. The hearing will focus on proposed legislation introduced by Ways and Means Committee Chairman Kevin Brady and Richard Neal to modify the Social Security Windfall Elimination Provision (WEP), which affects workers who have had employment both with and without Social Security coverage.

Public pension systems like OP&F have long supported the elimination of the WEP so that public servants receive the benefits they earned while paying into Social Security. OP&F first called attention to this legislation in our winter 2015 Members' Report. OP&F again asks members to support this

legislation that would create a formula that will treat all workers equitably. Please contact your senators and representatives in Washington and voice your support.

### OP&F OPPOSES FEDERAL PENSION LEGISLATION

OP&F has joined a long list of other public retirement systems in opposing the Public Employee Pension Transparency Act. OP&F believes that this legislation creates a dangerous precedent with regard to federal taxation and regulation of state and local governments. OP&F has sent letters to its Ohio delegation in Washington D.C. urging them to oppose the bill.

The proposal does not protect benefits, save taxpayer dollars or improve retirement system funding. If passed, the legislation will impose federal unfunded mandates in areas that are the fiscal responsibility of state and local governments. It also

# MESSAGE from the EXECUTIVE DIRECTOR



Dear Members,

With most editions of our quarterly newsletters we are most concerned with providing information to you concerning changes in our system, our financial status and upcoming events and seminars that you need to be aware of. While that mission will not change, we hope to provide additional insight on different topics when space permits.

An important topic we will be discussing in future editions is health care. The Board has not changed its belief that a retiree health care program is a vital part of a sound retirement plan. However, paying for our plan has become increasingly expensive. In future editions we will feature health care-related articles that explain many aspects of our health care plan, from expenses and revenue, to steps we are taking to increase the solvency of our health care fund reserves. In this edition of the Member's Report, we introduce our new health care consultants, Gabriel Roeder, Smith & Company.

Also in this edition we have other articles that we hope you will find interesting and valuable. The first in a series of stories on how to keep your personal information secure appears on Page 5. At our headquarters in Columbus we have always remained diligent on keeping our member's confidential information secure and we continue to enforce our systems to keep them strong. However, we have decided that passing information on to our membership can also be a service we can provide. This edition's article is on backing up your data. Take a look and decide if you are doing enough to protect your information.

Another article is a report from the National Association of State Retirement Administrators (NASRA). We have long had a strong relationship with NASRA as they are a valuable advocate for public pensions. NASRA recently released a report on the cost of public pensions to state and local governments. While somewhat technical, we hope that you will find this interesting and educational.

Our mission remains to provide a secure future for Ohio's police and firefighters. We believe that providing this type of information fits well within that mission.

Sincerely,



John J. Gallagher, Jr.

## PORTFOLIO *-update-*

<b>OP&amp;F's Investment Portfolio Value 2016</b>	
End of March value .....	\$13.60 billion
End of February value .....	\$13.20 billion
End of January value .....	\$13.30 billion

## OP&F SELECTS CONSULTANT TO ASSIST WITH HEALTH CARE STRATEGIES

Gabriel Roeder Smith & Company (GRS) has been selected as OP&F's first health care consultant and was introduced to the Board of Trustees at the Board Retreat on March 3.

GRS emerged as one of five finalists who were interviewed following the release of a request for proposal last year. GRS is initially tasked with gathering data and analyzing OP&F's current retiree and employee health care plan design and cost. In addition to the presentation at the Board Retreat, GRS is expected to regularly update the Board with its evaluation, analysis and options for the future of the health care program.

Currently GRS is collecting and compiling OP&F claims data for analysis through financial modeling and forecasting to identify opportunities, quantify outcomes, and provide potential solutions. In addition to claims analysis, GRS is also reviewing the full inventory of medical and prescription programs currently in place and comparing them to others that could bring added value for the 2017 benefit plan year and beyond. GRS is scheduled to provide the Board with specific recommendations for change at the April Committee meeting.

*GRS is a national actuarial and benefits consulting firm that helps clients develop fiscally sustainable benefit programs. The primary focus at GRS is public sector consulting, but the consultants also have experience serving church, hospital, and corporate benefit plans. GRS has more than 120 associates that serve more than 800 clients.*

### FACTS & FIGURES

#### The Cost of OP&F's Health Care Plan

##### EXPENSES

Total health care costs, 2015 .....\$213.2 million

##### 2015 INCOME

Member contributions .....\$71.2 million

From employer contributions\* ..... 10.7 million

**TOTAL** ..... **\$81.9 million**

##### DIFFERENCE

*Paid from the Health Care Stabilization Fund* .....\$131.3 million

*\*0.5 percent of employer contributions are allocated to the health care program*

## KNOWING WHEN TO SEEK EMERGENCY CARE

When facing unexpected medical conditions, you may want to go to the emergency room first. But it may not be your best choice. At the ER, true emergencies are usually treated first. Other cases must wait – sometimes for hours. And it may cost you more.

#### When to visit your primary care physician

If it's not urgent, it's usually best to go to your primary care doctor. Your doctor knows you and your health history. He or she can access your medical records. Plus, your doctor can provide follow-up care and refer you to specialists.

#### When to seek urgent care

Sometimes you may need care fast. If your primary care

physician is unavailable, you may want to try an urgent care center or retail health clinic in your network. Chances are you won't have to wait as long as at the ER. You may pay less, too. Urgent care centers and retail health clinics can typically treat things like sprains, strains, minor broken bones and infections, sore throats, etc.

#### When to go to the emergency room

In an emergency, go to the ER. Consider seeking immediate assistance for things such as heavy bleeding, large open wounds, chest pain, spinal injuries, head injury, difficulty breathing, major broken bones, etc.

## TRUSTEE RETREAT PROVIDES TIME FOR IN-DEPTH DISCUSSION OF ISSUES

Trustees, staff and consultants gathered March 3-4 for the annual Board of Trustees Retreat and while familiar topics were discussed, attendees focused on long-term planning to address the issues.

The future of the OP&F retiree health care plan, pension funding and investment strategies again were on the agenda. Educating lawmakers and OP&F members of the issues facing the system were seen as imperative actions in the coming months.

Below is a recap of the presentations and discussions during the retreat:

- A presentation from the Options Industry Council was an educational session for trustees and explained a potential investment strategy for trustees to consider. There are no current plans for OP&F to implement this strategy.
- Buck Consultants, OP&F's independent actuary, led a discussion about setting actuarial assumptions in the future. These assumptions are reviewed every five years, with the next examination scheduled for 2017. Representatives from Buck also revisited the 2012 analysis of assumptions and looked forward to what is

likely to be discussed in 2017.

- UnitedHealthcare presented its annual review of the retiree health care plan sponsored by OP&F. The comprehensive review included cost trends within the OP&F plan, the most common conditions reported from those enrolled in the plan and a pharmacy review.
- Trustees and staff were formally introduced to OP&F's new health care consultant, Gabriel, Roeder, Smith & Company (GRS). The discussion and presentation focused on methods used by GRS to assist OP&F and comparisons to peer retirement system health care plans.
- OP&F's legislative consultant provided a state-wide and national perspective on the 2016 election year.
- Bridgewater Associates provided its forecast for domestic and global economic conditions.
- The second day of the retreat included presentations from OP&F department directors and their objectives in the coming years.

The Board of Trustees Retreat once again included valuable sessions and allowed for in-depth discussions that are not possible during the regular monthly meetings.

## FAQ HOW DO I PURCHASE SERVICE CREDIT FROM ANOTHER OHIO RETIREMENT SYSTEM?

*I am an active OP&F member and have some service credit to purchase from another Ohio retirement system. How do I begin the process?*

Members may purchase or restore prior full-time service credit rendered under any of the following Ohio retirement systems: Ohio Police & Fire Pension Fund, Cincinnati Retirement System, Ohio Public Employees Retirement System, School Employees Retirement System, State Highway Patrol Retirement System, or State Teachers Retirement System. Members may not purchase part-time service credit.

A purchase of service credit means that the member withdrew their contributions from one of the Ohio retirement systems and wishes to buy the withdrawn service credit with OP&F. However, if contributions are still on account with the other

Ohio retirement system, members will need to contact that system.

To begin the service credit purchase process, members should contact OP&F Customer Service at 1-888-864-8363 and request an informational packet. The packet contains documents that must be completed by the member and the former employer(s) and returned to OP&F together.

Once OP&F receives the completed required documents, a cost statement can be prepared and mailed to the member. Members considering purchasing service credit should start early as it can be a lengthy process. OP&F encourages members to purchase service credit early in their career as interest is applied to cost calculations, therefore, making purchases more expensive as years pass.

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## SECURING YOUR DATA BACKING UP FILES CAN PREVENT HEADACHES LATER

*Just as OP&F reviews and implements security measures for the sensitive information entrusted to us, members should also be diligent in protecting their data. Below is the first in a series of articles, from a recent Securing The Human Security Awareness newsletter, to help members keep their personal information safe.*

Sooner or later, you most likely will have something go wrong with your computer, tablet or smart phone and lose your personal files, documents or photos. At times like these, backups are often the only way you can rebuild your digital life.

### What to back up and when

When you lose important data, you can recover that data from backup files. There are two approaches on deciding what to backup: specific data that is important to you; or everything, including your operating system. The first approach streamlines backups and saves hard drive space; however, the second is simpler and more comprehensive.

Your next decision will be how frequently to back up your data. For home use, personal backup programs, such as Apple's Time Machine or Microsoft's Windows Backup and Restore, allow you to create an automatic set it and forget it backup schedule. These solutions silently back up your data throughout the day while you are working on or away from your computer. Other solutions offer continuous protection, in which new or altered files are immediately backed up as soon as they're closed.

### How to back up

There are two ways to back up your data: physical media or cloud-based storage. Physical media is any type of hardware, such as DVDs, USB drives or external hard drives. The problem with physical media is if your location has a disaster (such as a fire or theft), then not only can you lose your computer, but the backups as well. As such, you should have a plan to store copies of your backup off-site in a secure location. If stored off-site, be sure you label them with what was backed up and when. For extra security, encrypt your backups.

Cloud-based solutions are different. This is a service where your files are stored somewhere on the Internet. Depending on how much data you back up, this may be a paid service. It works by installing a program that automatically backs up your files. The advantage with this solution is that since your backups are in the cloud, your backups are still safe if a disaster happens to your house. In addition, you can access your backups, or even just individual files, from almost anywhere. The disadvantage is cloud-based backups (and recovery) can be slower, especially if you have a large amount of data.

Don't forget your mobile devices. The advantage with mobile devices is that most of your data is already stored in the cloud, such as your email, calendar events or contacts. However, you may have information that is not stored in the cloud, such as your mobile app configurations, recent photos and

system preferences. By backing up your mobile device, not only do you preserve this information, but it is also easier to rebuild a device, such as when you upgrade to a new one.

## LEGISLATIVE CONT'D

could threaten to eliminate the tax-exempt bonding authority of state and local governments.

The legislation represents a fundamental lack of understanding regarding state and local government operations and financing, including governmental accounting rules and strict legal constraints already in place that require open financial reporting and processes. It also ignores the fact that every state and countless localities have recently made modifications to pension financing, benefit structures, or both.

OP&F believes that federal interference into the fiscal affairs of state and local governments is neither requested nor warranted. OP&F urges its members to contact their senator or representative and also voice their opinion on this legislation

Rep. Devin Nunes, along with six cosponsors, reintroduced the Public Employee Pension Transparency Act as H.R. 4822 on March 22.

**CONTINUED FROM PAGE 1**

## **CHANGES ADD TWO NEW POSITIONS TO THOSE ELIGIBLE FOR OHIO'S PUBLIC SAFETY DEATH BENEFIT**

New positions have been added to the list of eligible jobs for the Ohio Public Safety Officers Death Benefit Fund. Effective March 23, Casino Control Commission gaming agents and Department of Taxation investigators are now covered positions.

A complete list of covered public safety jobs is included in a guidebook available on the OP&F website, [op-f.org](http://op-f.org).

If a public safety officer had not qualified for a service retirement from their respective retirement system before they died, the officer's eligible survivors receive his or her

base pay, minus any survivor benefits paid by the retirement system. Whenever there is an increase in the deceased public safety officer's base pay, the benefits payable to survivors are increased accordingly.

In 1976, the Ohio General Assembly established the Ohio Public Safety Officers Death Benefit Fund to provide special benefits to eligible survivors of public safety officers who are killed in the line of duty or who die of injuries or diseases incurred in the performance of official duties. The benefit is administered by OP&F and is financed through legislative appropriations and gifts.

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## **GROUP DECREASING TERM LIFE INSURANCE PLAN AGAIN OFFERED TO ACTIVE OP&F MEMBERS**

A unique life insurance plan for active OP&F members is again available through a partnership of the Prudential Life Insurance Company and the National Conference on Public Employee Retirement Systems (NCPERS).

The annual open enrollment for the NCPERS Family Protection Plus (FPP) Group Voluntary Life Insurance Plan will be later this year for active members. The plan is designed especially for public safety employees and offers a supplementary survivor's benefit to augment retirement benefits. The FPP plan provides life insurance and accidental death and dismemberment insurance for the member and life insurance for eligible dependents for \$17 a month.

The plan is available for active members and coverage is in effect 24 hours a day, on or off the job. There is no physical required, and no health questions to answer. Premiums do not increase with age. As long as the premiums are paid members may continue this coverage throughout retirement. Additional information regarding this benefit will be communicated in upcoming newsletters.

For accidental death and dismemberment insurance, this policy provides accident insurance only. It does not provide basic hospital, basic medical, or major medical insurance as defined by the New York Department of Financial Services. Additionally, this policy does not provide coverage for sickness.

### **FAQ CONT'D**

Service credit may be purchased by a lump sum payment or through payroll deduction. Members may also purchase service credit using tax deferred funds from a qualifying account such as Ohio Public Employee Deferred Compensation Program (Ohio Deferred Comp). Information on these options will be included with the cost statement.

Members may also transfer credit for full-time Ohio public service from another Ohio retirement system, purchase active military service, leaves of absence for medical or pregnancy, layoffs, full-time federal or public out of state service or restore previous OP&F cancelled credit (subject to certain restrictions). For more information, please contact OP&F Customer Service.

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## PENSION ECONOMICS: HOW MUCH DOES A PUBLIC PENSION COST?

*The following is edited from a March 2016 report titled: State and Local Government Spending on Public Employee Retirement Systems, released by the National Association of State Retirement Administrators.*

State and local government pension benefits are paid not from general operating revenues, but from trust funds to which public retirees and their employers contributed while they were working. On a nationwide basis, contributions made by state and local governments to pension trust funds account for 4.1 percent of direct general spending. Pension spending levels, however, vary widely among states and are sufficient for some pension plans and insufficient for others. Ohio is below the national average, at 3.51 percent.

### **Nationwide Spending on Public Pensions**

Based on the most recent information provided by the U.S. Census Bureau, 4.1 percent of all state and local government spending is used to fund pension benefits for employees of state and local government. Pension costs have remained within a narrow range over a 30-year period, declining from a high point of 5.0 percent, in 1985, to a low of 2.3 percent in 2002, and reaching 4.1 percent in 2013. State and local governments contributed, in aggregate, an estimated \$121 billion to pension funds in 2014, a figure that is projected to equal 4.5 percent of projected state and local direct general spending.

Although pensions on average do not comprise a significant portion of state and local spending, spending on pensions by states and political subdivisions do vary widely, from 1.63 percent to nearly 8.0 percent. Some municipalities have reported higher pension costs as a percentage of their budget. One study estimates that total required spending on pensions could consume as much as 13 percent of one state's budget, due mostly to past failures to adequately fund pension costs and assuming a relatively low five percent investment return. Failure to pay required contributions results in greater future contributions to make up the difference.

Most of the variation in pension spending levels among states is attributable to two factors: differences in benefit levels, and variations in the size of unfunded pension liabilities. As

a percentage of total spending, pension costs for cities are higher than states by approximately 32 percent over the 30-year period spanning 1985-2014. This is likely due in part to the types of services delivered at the local level (i.e., more labor-intensive) and the resulting larger share of municipal budgets that is committed to salaries.

Consistent comparisons of pension spending by local governments can, however, be difficult to make, as the fiscal relationship between a state and its political subdivisions is unique with respect to revenue and spending structure and taxing authority, and varies widely. As with states, pension costs for municipalities can vary widely.

### **Cost and Financing Factors**

Public pensions are financed through a combination of contributions from public employers (state and local agencies) and public employees, and the investment earnings on those contributions. Since 1985, investment earnings have accounted for 64 percent of all public pension revenue; employer contributions, 25 percent; and employee contributions, 11 percent.

The largest portion of public pension funding comes from investment earnings, which illustrates the major role this revenue source plays in determining pension costs. Other factors that affect pension costs include expectations for wage and general inflation, rates of worker retirement and attrition, and rates of mortality. Expectations for these and other economic and actuarial events typically are based on long timeframes, such as 20 to 50 years.

On average, retirement programs remain a relatively small part of state and local government spending, although required costs, benefit levels, funding levels, and funding adequacy vary widely, and this rate has been rising in recent years. Over \$250 billion is paid out annually from these trusts to retirees and their beneficiaries, reaching virtually every city and town in the nation.



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### **Prudence • Integrity • Empathy**

*Securing the future for Ohio's Police and Firefighters*

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## **Important Dates**

### **April 26-27**

Board of Trustees meetings

### **May 17-18**

Board of Trustees meetings

### **May 30**

OP&F offices closed in observance of Memorial Day

### **June 6**

Term begins for newly elected trustees

### **June 28-29**

Board of Trustees meetings

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Members may also email [questions@op-f.org](mailto:questions@op-f.org) with new address and contact information or call Customer Service at **1-888-864-8363**.

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