Volume 38 / Number 2 / SPRING 2019

MEMBER'S REPORT

The quarterly newsletter for active and retired OP&F members and their survivors

Ohio Police & Fire Pension Fund

CHANGES TO 2020 HEALTH CARE PLAN COMING INTO FOCUS

The OP&F Board of Trustees announced several changes that will be discussed for the retiree health care plan in 2020. The changes are based on the experience of transitioning retirees from the previous self-insured group plan that ended on Dec. 31, 2018 and feedback from members.

The Board approved a motion to allow members who elect COBRA coverage at separation from active employment for their health care coverage to be eligible to receive the health care stipend for payment of COBRA premiums and related medical expenses. Members would be able to use the stipend for these costs until the next OP&F open enrollment or until the end of COBRA eligibility, whichever the member choses.

Also proposed for the 2020 plan year is allowing pre-Medicare members to shop and enroll in health care plans outside the exchange managed by Aon Retiree Health Solutions. Aon and OP&F will be reviewing the feasibility of implementing this proposal, including requiring a waiver claiming responsibility for the choices the member made during open enrollment.

OP&F will work with its partners and affiliate groups on other health care-related efforts throughout 2019:

- OP&F and Aon will continue to work on expanding PPO markets and new carriers;
- Lobbying efforts will continue with the Fraternal Order of Police and International Association of Fire Fighters for Medicare at 55 for public safety personnel;
- OP&F trustees who represent firefighters will work with the IAFF on potential new solutions not presently in the health care market.

AON TO OPEN COLUMBUS OFFICE DEDICATED TO OP&F RETIREES

It was announced during the Feb. 27 OP&F Board of Trustees meetings that Aon Retiree Health Solutions will be opening an office in Columbus to service OP&F retirees. The office is expected to be located in the same building as OP&F headquarters at 140 East Town Street. Aon hopes to have 6-8 full time associates in its Columbus office that will assist OP&F retirees with their health care insurance questions and enrollments. The Columbus office is expected to be open in 2019.

John J. Gallagher, Jr.

PORTFOLIO
-update-

OP&F's Investment Portfolio Value

As of March 31:

$15.57 billion

End of February value:

$15.47 billion

End of January value:

$15.31 billion

MESSAGE FROM THE EXECUTIVE DIRECTOR

Dear Members,

I write to update you on the status of our health care transition and to inform you that we have listened and acted upon the feedback we received from members and stakeholders.

First, we can confirm that the median savings realized for those over age 65 exceeds $1,000 per year (this group is more than two-thirds of those who were transitioned). Though the process was difficult and rocky for some, data indicates the Medicare eligible member will be better off under the Health Reimbursement Arrangement we now have.

Roughly 8,000 non-Medicare retirees and spouses, those under age 65, were met with challenges coming out of our group self-insured plan to an individual private market. Now that we have made the initial transition and experienced the issues surrounding the pre-65 health care market, progress is being made for 2020.

A significant amount of the premium cost of private market insurance for non-Medicare retirees is offset by the stipend amount provided by OP&F. However, the narrower HMO networks and higher deductibles associated with these plans have caused understandable disenchantment. For this unavoidable sticker shock some of you have felt, we do apologize.

Progress is being made to improve the 2020 pre-Medicare health care offerings. We can confirm there will be new options available to retirees as we have outlined in the pages of this edition of the *Member's Report*. We are happy that this work has paid off with the addition of AultCare and for the first time, CareSource plans, to the Aon marketplace (see Page 4). This move addresses some member concerns regarding coverage at the James Cancer Hospital and Nationwide Children's Hospital, both in Columbus.

Another change we plan to implement is allowing members to shop for plans outside the Aon marketplace and still use their OP&F stipend. For new retirees, we hope having Aon staff here as a tenant at OP&F headquarters will help with the initial enrollment process and make the transition to retirement a bit easier.

We have heard you and are responding by making these improvements. We will continue to search for ways to make our retiree health care plan the best it can be, yet preserve it for as long as possible. As always, we appreciate your patience during this process.

Sincerely,

John J. Gallagher, Jr.

John J. Gallagher, Jr.
Executive Director

PARTICIPANTS SET FOR TRUSTEE ELECTIONS

OP&F members will elect an active police representative, an active fire representative and a retired fire representative to the Board of Trustees during elections in May. Ballots will be mailed to the respective membership groups in early May, with a deadline to return completed ballots to the elections administrator the American Arbitration Association by May 21.

For the active police position, current Board Chair Timothy P. Patton, Jr. (Cleveland Police) is running for another term. Also running for the active police position will be Robert E. Britt, II (Toledo Police).

Active fire trustee Jeffrey H. Moore (West Chester Twp. Fire) is seeking a new term. Also on the ballot for the active fire seat will be Stephen A. Corvi (Columbus Fire) and Owen P. Donelon (Cleveland Fire).

Running for the retired fire position will be incumbent trustee William E. Deighton (Cleveland Fire). Alan C. Zwegat, (Willoughby Fire), and Marco J. Miller (Columbus Fire) are also running for the retired fire position.

MALONEY STIFLER RE-APPOINTED TO OP&F BOARD

Karin Maloney Stifler was re-appointed as a member of the Ohio Police & Fire (OP&F) Board of Trustees for a new four year term. She continue to serve as one of three investment expert members of the Board and represents Ohio Treasurer of State Robert Sprague, who made the appointment.

A Certified Financial Planner and Accredited Investment Fiduciary, Maloney Stifler's career includes a breadth of strategic financial experience developed while working with nationally prominent firms. A nationally recognized financial planning expert, she is frequently invited to present and comment on personal finance issues.

Additionally, she works with Bluecoats, Inc., a foundation dedicated to supporting families of police officers and firefighters in Northeast Ohio who have lost their lives in the line of duty. She also provides financial planning for active and former members of the U.S. military and has contributed to the Boy Scouts of America's financial literacy efforts.

Maloney Stifler has a BA in international studies and economics from Miami University in Oxford, Ohio, and an MBA in finance from Northeastern University in Boston.

Nine members make up the OP&F Board of Trustees: Six elected members who represent police officers and firefighters (two active police officers, two active firefighters, one retired police officer and one retired firefighter), and three investment experts appointed as trustees: one by the Governor, one by the Treasurer of State and a joint appointment by the Ohio Senate and House of Representatives.

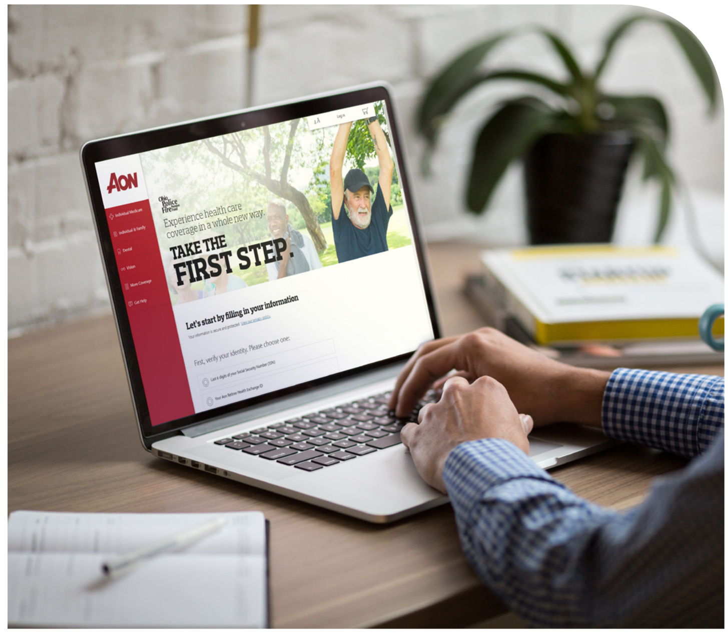
DEIGHTON HONORED WITH AWARD FROM OHIO CREDIT UNION LEAGUE

William Deighton, a retired firefighter member of the OP&F Board of Trustees, has received the 2019 Volunteer of the Year award from the Ohio Credit Union League. Deighton was recognized during the Ohio Credit Union League Annual Convention on Tuesday, April 16, in Columbus.

The award is in recognition for Deighton's work with the Firefighters Community Credit Union, where he has served as chairman of the credit union's board. Deighton has served on the OP&F Board of Trustees since 2003.

BOARD, AON ANNOUNCE NEW PLANS IN RETIREE HEALTH CARE MARKETPLACE

In an effort to improve choices in the health care marketplace, OP&F and its health care partner, Aon, have worked for several months to secure CareSource and AultCare, in addition to the carriers already available to pre-65 OP&F retirees. These plans will be available to pre-65 retirees for the 2020 open enrollment period, which begins Nov. 1, 2019. The James Cancer Hospital and Nationwide Children's Hospital, both in Columbus, participate in the CareSource network.



90 DAY NOTICE RECOMMENDED FOR SUBMITTING SERVICE RETIREMENT PAPERWORK

With the changes in retiree health care over the past year, OP&F now recommends that members who will be retiring submit their applications at least 90 days before their anticipated separation from their employer.

The 90 days allows the member adequate time to shop and enroll in a health care plan through the Aon Retiree Health Exchange. Members who file retirement applications closer to their actual retirement date may risk a lapse in health care coverage since the coverage from their employer may end before the effective date of a new policy.

BUDGETING YOUR HRA: UNDERSTAND THAT THE STIPEND MAY NOT LAST ALL YEAR

When OP&F and Aon fund a Health Reimbursement Arrangement for retirees, the total amount the member is eligible to receive is posted. While members eligible for the health care stipend program can use these funds to be reimbursed for approved expenses, they must also realize that the amount likely will not cover the cost of premiums for the entire calendar year.

OP&F urges members to track their expenses and be aware of what will be available to them later in the year. Aon, and their partners eHealth and YSA, can set up the auto-reimbursement program to only reimburse a portion of a plan's premium so that the stipend can last for the entire year. This type of payment plan could avoid the stipend from depleting and a member being faced with larger payments late in the year.

Also, members should be aware that if any stipend money remains in the Health Reimbursement Arrangement at the end of the year, it will not roll over to the next year.

LEVELS INCREASED TO QUALIFY FOR LOW-INCOME STIPEND PROGRAM

In March the OP&F Board of Trustees voted to change the income level to qualify for the low-income stipend increase program, which will result in more members becoming eligible for the program. Members eligible for the program receive a 30 percent increase in their annual health care stipend from OP&F.

To be eligible for the stipend increase program, you must have had a total household income on your most recently filed Federal Income Tax return equal to or less than 250 percent of the poverty level established annually by the Department of Health and Human Services. The previous level was 225 percent.

To apply for the program, members can complete the Low-Income Stipend Increase Application available at op-f.org or by contacting OP&F Customer Service. The form includes specific income levels to qualify for the increase and additional instructions on how to apply. The application must be completed each year to continue to receive the stipend increase.

FOUR STEPS TO RETIREMENT PLANNING

Many Americans do not think that they will have enough money for basic living expenses in retirement. If you're relying solely on your pension to fund your retirement years, get ready to take a pay cut. Most pensions weren't designed to replace 100 percent of your working income.

Follow these four easy steps designed to help you evaluate your retirement needs and answer some questions you might have about planning your retirement.

STEP 1: CONSIDER YOUR LIFE EXPECTANCY. HOW MANY YEARS DO YOU NEED TO PLAN FOR?

Today, people want to retire earlier than ever. The longer you plan to spend in retirement, the more you will need to save. So, how many years should you plan for? The answer depends largely on your life expectancy. Life expectancies are stated as statistical averages, meaning you could live more years or fewer years. While about 50 percent of all people could die before their life expectancy, another 50 percent are expected to live beyond it.

People are living longer than ever

With medical advances and improved lifestyles, life expectancies are increasing. The life expectancy table below can help you determine how many years you may need to plan for in retirement.

LIFE EXPECTANCY AT RETIREMENT

Age at retirement	Years in retirement	
	Male	Female
55	29	32
60	25	27
65	20	23
70	17	19

If most people retire between age 55 and 65 and live well into their 80s, that's a lot of years to plan for.

Source: Society of Actuaries Annuity 2000 Mortality Table.

STEP 2: EVALUATE YOUR INCOME SOURCES

Over time, your earnings really add up. The chart below gives an idea of how much money a person might earn during his or her working years.

HYPOTHETICAL EXAMPLE OF LIFETIME EARNING

	Starting salary		
Years worked	$20,000	$40,000	$60,000
10 years	$229,300	$458,600	$687,800
20 years	$537,400	$1,074,800	$1,612,200
30 years	$951,500	$1,903,000	$2,854,500

This chart is a hypothetical illustration of the 10, 20, and 30–year earnings of an individual with a starting annual salary of $20,000, $40,000 or $60,000 and receiving a 3.0 percent annual salary increase.

Investing just a small portion of your earnings each pay period can help secure your financial future in retirement.

Where will your money come from in retirement?
You know the source of your income today. But how will you afford the lifestyle you want in retirement? The money you live on will probably come from your employer-sponsored retirement plan, supplemental retirement plan, Social Security, personal savings, and part-time work.

How much you need to invest depends on what you might receive from your employer-sponsored retirement plan and Social Security, and what your investments could earn between now and the time you retire.

Keep in mind, while significant, an employer-sponsored plan was never meant to replace 100 percent of your income, and many people feel the future of our current Social Security system is uncertain. That's why your supplemental retirement plan and personal savings have become a more important part of the retirement equation.

Investing involves market risk, including possible loss of principal.
Online calculators can help you determine your financial needs at retirement and help you estimate how much you may need to invest to reach your retirement savings goal.

What can you expect from Social Security?
The current Social Security system is projected to become insolvent around 2029 due in part to the fact that the ratio of workers paying FICA or Social Security tax is declining. In 1950, it was 16.5 workers to 1 retiree. Today the ratio is about 3.3 to 1. And, by the year 2030 there will only be 2 workers for each Social Security recipient.

Some employers are exempt from Social Security, so that may be one less benefit to consider. However, you may want to contact the Social Security Administration to learn more about spousal benefits, etc. To find out what you might receive from Social Security, you can request a Social Security statement from ssa.gov.

Supplemental Retirement Plans
Supplemental retirement plans and other individual investments have gained prominence as significant sources of retirement income. Employers are offering plans such as 401(k), 401(a), 403(b), and 457(b) plans to enhance or replace a pension program. These plans allow employees to place pre-tax dollars into a selection of investments and allow that money to accumulate, tax-deferred until retirement. *Withdrawals from the plan will be taxed at ordinary income rates.*

STEP 3: CALCULATE YOUR INCOME NEEDS

The American Savings Education Council suggests you will need approximately 75-85 percent of your current income to maintain your present lifestyle in retirement. If you are young and have your peak earning years ahead of you, want to increase your standard of living in retirement or amount of travel, or will have to pay a high percentage of your medical bills, you may even need 100 percent or more.

Investing involves risks, including possible loss of principal.
While some expenses in retirement may drop such as job—related expense, saving for retirement, and paying certain taxes, other expenses either stay the same—or increase.
Your basic living expenses typically stay the same. People still need transportation, they need to eat, talk on the phone, pay utilities, and do upkeep around their home. On the other hand, health care costs and medical expenses often increase. In fact, a 65-year-old couple can expect to pay $220,000 on health care in retirement, according to a study from the National Association of Government Defined Contribution Administrators Inc.

Your Income Needs Will Change
As you plan for your retirement income needs, it's important to know that your expenses will fluctuate in retirement.

In the early years, expenses may go up. People are usually healthy and active. They spend money doing the things they finally have time to do. In the middle years, expenses may drop as people become less active and tend to stay closer to home. Income needs in the later years are often determined by the need for medical and nursing costs.

STEP 4: DETERMINE YOUR INVESTMENT STRATEGY

How much should you invest?
There is no easy answer to this question, but the best general answer is "as much as you can," as soon as possible. Try using an online calculator to estimate your income requirements at retirement, such as the one available from Ohio Deferred Compensation at Ohio457.org. You should also begin investing as early as you can to give your investments as much time as possible to grow.

(This article reprinted with permission from Ohio Deferred Compensation)

Ohio Police & Fire Pension Fund
140 East Town Street
Columbus, OH 43215
www.op-f.org

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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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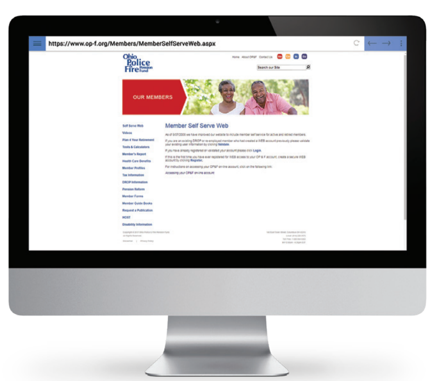
Securing the future for Ohio's Police and Firefighters

IMPORTANT DATES

May 21-22..........Board of Trustees meetings
May 27...............OP&F offices closed in observance of Memorial Day
June 18-19.........Board of Trustees meetings
July 4..................OP&F offices closed in observance of Independence Day

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 an OP&F Customer Service Representative at 1-888-864-8363. Members can also update their information securely online from the secure Member Self Serve web portal.

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