

OP&F Pension Fund Report, March 2018

The Fund closed at \$15.4 Billion on March 27, 2018.

Director Gallagher addressed the attendees at the meeting about the financial health of the Fund. The balance at the beginning of the month was \$15.7 billion before drawing back to its current level.

The Director also recapped the actions that the board took yesterday regarding the difficult choices related to the transition from the self-funded health care plan.

DISABILITY COMMITTEE

- There were (8) Initial Determination Hearings (IDH) this month. The recommendations were (7) for approval and (1) postponed for additional information.
- There was (1) Death Benefit Fund case and it was recommended for approval.
- There were (0) reconsideration hearings this month.
- There were (5) appeal hearings this month.
- Staff presented the 2017 HOST Experience Report.
- The committee voted to recommend that the Board terminate the disability benefits of a member who was found to be “not incapacitated.”

BENEFITS COMMITTEE

- The Benefits Committee did not meet this month.

HEALTH CARE COMMITTEE

- Staff reported on the 4th Quarter 2017 Health Stabilization Fund. A comparison of 4th quarter 2016 to the 4th quarter 2017 showed an increase in the balance from \$901 million to \$929 million. This was almost \$60 million more than the budgeted amount. Investment return for the year netted the fund about \$112 million with an estimated 14% return. Net health care costs for 2017 were about \$95 million and a 5-year comparison showed that the amount was the lowest in the previous five years.
- Staff presented a report on the Discount Program and Poverty Level Guidelines for 2018. A chart showed that there are 695 members

participating in the discount for UHC or AARP medical premiums and 637 Members participating in the discount for prescription plan premiums in 2018. The 2018 annual cost to the health care stabilization fund is \$445,524. Per the report, OP&F will move from the current model and still maintain some form of discount beginning in 2019 when the Fund moves to stipends for its members.

- GRS and Conduent presented a revised report concerning “Stipend Proposals for 2019 Calendar Year,” to respond to requests made by the board at the March Retreat. Several charts were provided outlining stipend amounts in various 15-year and 25-year solvency periods. Following a lot of discussion among the board members, the board ultimately approved a motion to proceed with a 15-year solvency period and a tentative stipend level. Although a chart was displayed listing the suggested stipends, the exact amounts may yet see some small adjustments. Charts also highlighted average costs for medical and prescription plans in a few of the most populated counties in Ohio broken down further by low-cost premium plans, plans equal to our current OP&F coverage and high-cost plans.
- The Fund’s legal counsel addressed the attendees at the board meeting and responded to specific questions submitted to the Fund by the OAPFF Health Care Committee.
- The committee voted to formally approve the “Go Live Date” of January 1, 2019 for implementation of the new stipend based, health plan model.

COMMENTARY

Exact stipend levels were not mentioned in the above report due to some expected “tweaking” of the suggested amounts. We will pass on accurate stipend amounts when a final decision has been made.

The Fund is on track to proceed with the transition from the self-funded health care plan beginning in 2019. It is anticipated that the stipend levels established to begin in January will be evaluated after a 3-year period, if not annually, and adjusted to achieve the goal of fairly maintaining a 15-year solvency period. Absent the infusion of an alternate source of funding, the HCSF will reach a \$0 balance around 2032. Stipend levels will remain fairly static and members will annually assume increased premium costs due to the projected rise in health care costs. Our members should be ever mindful that they will ultimately be responsible for their entire premium cost when the HCSF is depleted and plan accordingly.

The next board meeting is scheduled for April 24 and 25. The agenda for the upcoming board meeting should be available on the pension fund's website, www.op-f.org, on April 20th.

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OP&F/PFRO Liaisons