Ohio Police & Fire Pension Fund

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Dear OP&F Member:

You may have recently read or heard reports concerning the Ohio Police & Fire Pension Fund's (OP&F) long–term ability to fund retirement benefits. These accounts were prompted by a report to the Ohio Retirement Study Council (ORSC) by Milliman Global, an actuarial consultant.

All Ohio public pension funds are required to meet, or develop a plan to meet, a 30–year funding requirement. This funding condition requires systems to be able to pay all current and future obligations within a 30–year period. The Milliman report confirmed that OP&F does not currently meet this requirement.

You should know that this is not a new issue, and that the Board of Trustees has been working diligently toward a solution since late 2004. The Board will be considering formal recommendations within the next two to three months. In the meantime, it's important for you to know two things:

1) **Our situation is not unique.** In fact, only two of the five public retirement systems in Ohio meet the 30–year requirement. This is due primarily to two factors:
   - Three years of a sluggish stock market did not produce investment returns at predicted levels.
   - Skyrocketing health care costs have required pension plans to pay benefits out at a much faster rate than revenues brought in from member contributions.

2) **OP&F pensions are secure**, and will be well into the future. The Milliman report concerns only the long–term funding aspects of OP&F, a point the report makes by noting that normal fluctuations occur over time: "The fact that the unfunded accrued liability grows over the short term does not mean that the retirement system is unsound." OP&F is fully able to meet all of its obligations while adjustments are made to ensure long–term fund soundness.

Our concern now is to make the adjustments necessary to strengthen our long–term funding capabilities. Making these adjustments will include many difficult decisions. It may require increasing employer and member contributions, changing health care benefits and will involve legislative activity. For this reason, we have included a list of ORSC members on the back of this letter.

We want to assure you that the Board is considering every option in arriving at a sensible and practical solution and will keep you informed as these decisions are made. In the meantime, if you have questions please contact OP&F Customer Service at 800–860–9599.

Sincerely,

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