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January 17, 2014

Members of the Ohio Retirement Study Council:

During the November meeting of the Ohio Retirement Study Council (ORSC), the Ohio Police & Fire Pension Fund (OP&F) presented its actuarial valuation for the year 2012, dated January 1, 2013. This valuation indicated that substantial progress has been made on our funding, but OP&F remains outside of 30-year funding, which is required under Ohio law. Please accept this letter and enclosure as OP&F's 2014 funding plan which was developed during the fourth quarter of 2013. The plan consists of four elements, which are outlined below.

The only element in this funding plan that can be implemented by the Board of Trustees is the amount of funding re-directed from health care to unfunded liabilities. The Board has approved this change and effective January 1, 2014, the Board of Trustees lowered the amount of employer contributions to fund health care from 2.85 percent to 0.5 percent. This action while it reduces the solvency of our retiree health care plan to approximately 10 years versus a board policy of 15 years, also immediately improves our funding period from 47 years to 38 years as of January 1, 2013.

The other recommendations in this funding plan require legislative action:

- Accelerate the increase in the employee contribution rate that was approved in Senate Bill 340 by one year. This would make the employee contribution rate 12.25 percent on July 1, 2014;
- Establish a 13 percent employee contribution rate for new OP&F members as of July 1, 2015; and
- To seek Board authority to determine the cost of living adjustment (COLA) percentage going forward, while maintaining the current 3.0 percent COLA as a cap.

In addition to these funding recommendations, the Board also approved a recommendation to establish a blended employer contribution rate for police and fire employees. With the implementation in 2015 of new reporting requirements from the Government Accounting Standards Board, an equal rate for both police and fire would be beneficial to OP&F and our employers. A separate, more detailed communication on this Board recommendation will be forthcoming.

A chart is enclosed which provides additional details on each element of our plan to achieve 30-year funding. I look forward to discussing the parameters of the plan with each member of the Council and will begin calling on each of you soon.

Regards,



John J. Gallagher, Jr.
Executive Director

cc: State Government Oversight and Reform Committee
Senate Ways and Means Committee
House Health and Aging Committee
Office of Budget and Management
OP&F Board of Trustees
Bethany Rhodes
Darryl Dever

enclosure

Ohio Police & Fire Pension Fund

30-Year Funding Estimates Prepared January, 2014

All figures are based on assumptions, methods and data submitted for the January 1, 2013 valuation

EXHIBIT

Components of Proposal

(Note: The order of the components impacts the "Progress Towards Revenue or Reduction in Unfunded Needed to Reach 30 Years")

Estimated Results as of January 1, 2013								
Proposed Components (Each component is added to previous)	Pension Unfunded Accrued Liability (UAL)	Pension Amortization Period in Years	Pension Funded Percentage	HCSF Contribution Rate*	HCSF Projected Solvency Year	Total Employer Rate*	Progress Towards Revenue or Reduction in Unfunded Needed to Reach 30 Years	Additional Revenue or Reduction in Unfunded Needed to Reach 30 Years
Current Plan	\$ 5,729,857,000	47	64.2%	2.85%	2029	21.61%		\$ 1,073,855,000
1 Reduce health care contribution rate from 2.85% to 0.50% effective January 1, 2014	\$ 5,729,857,000	38	64.2%	0.50%	2023	21.61%	\$ 496,557,000	\$ 577,298,000
2 Accelerate the increase in active member contribution rate of 12.25% under SB 340 by one year to July 1, 2014	\$ 5,729,993,000	38	64.2%	0.50%	2023	21.61%	\$ 13,370,000	\$ 563,928,000
3 Increase member contribution rate to 13% effective July 1, 2015 for members hired on or after July 1, 2015	\$ 5,729,993,000	36	64.2%	0.50%	2023	21.61%	\$ 80,682,000	\$ 483,246,000
4 OP&F Board granted authority to determine the COLA percentage going forward to maintain 30-year funding; Buck estimates that reducing the Cost of living adjustment (COLA) from 3% to 2.25% effective July 1, 2014 for all benefit recipients except pre-July 25, 1986 retirements would achieve 30 year as of January 1, 2013	\$ 5,185,411,000	28	66.5%	0.50%	2023	21.61%	\$ 483,246,000	-
5 Establish an equalized, blended employer contribution rate, replacing current 19.5% for Police, 24% for Firefighters	\$ 5,185,411,000	28	66.5%	0.50%	2023	21.61%	-	-

* Contribution rates shown are after changes fully phased in.

Disclosures

Buck's work product contained herein was prepared exclusively for and at the request of the Board of Trustees and Staff of OP&F. It is a complex, technical analysis that assumes a high level of knowledge concerning the Fund's operations.

No third party recipient of Buck's work product should rely upon Buck's work product absent involvement of Buck or without our approval. Third parties recipients inclined to present our work product should engage OP&F and Buck during the presentation process to ensure that this work product is appropriately represented. If this is not desirable, such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension and/or health care actuaries with significant experience in public funds like OP&F. Buck's advice is not intended to be a substitute for qualified legal or accounting counsel.

Larry Langer, Paul Wilkinson and Bob Besenhofer are Members of the American Academy of Actuaries and meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinions contained in this exhibit.

Future actuarial measurements may differ significantly from current measurements due to plan experience differing from that anticipated by the economic and demographic assumptions, increases or decreases expected as part of the natural operation of the methodology used for these measurements, and changes in plan provisions or applicable law. Because of limited scope, Buck performed no analysis of the potential range of such future differences.