

## Shared Accountability

### OHIO POLICE & FIRE PENSION FUND

### **30-Year Funding Plan, *Recommendations and Estimates***

Presented to the Ohio Retirement Study Council, April 12, 2006



## RETIREES

### Health Care

- Currently, 7.75 percent of the employers contributions are directed toward health care
  - Health care plan changes reduce this percentage, directing more toward the unfunded liability
- Additional plan changes include:
  - Elimination of HMOs
  - Medicare-eligible members will receive subsidized coverage on a 3<sup>rd</sup> party basis only
  - A revised health care subsidy percentage
  - A lifetime maximum established at \$2.5 million
- Health care plan changes are effective Jan. 1, 2007

### 2007 Health Care Plan

**Coverages and options reduced:**

- One option, one provider by 2009  
(Previously, three option levels and five providers were available)
- Annual Deductible—Individual
  - Annual Deductible—Family
  - Annual out of pocket—Individual
  - Annual out of pocket—Family
  - Physician Office Visit
  - Emergency Department
  - Urgent Care
  - Hospital in-patient Services:
    - Prior Admission testing
    - Scheduled in-patient admit
    - Emergency in-patient admit
  - Ambulatory surgery center
  - Mental Health (no annual maximum):
    - Scheduled in-patient admit
    - Emergency in-patient admit
    - Out-patient
  - Substance Abuse (\$3,100 annual maximum):
    - Scheduled in-patient admit
    - Emergency in-patient admit
    - Out-patient
  - Therapist
  - Chiropractor
  - Skilled nursing facility
  - Sub-acute rehabilitation center
  - Prescription Drugs, Retail
    - Generic
    - Preferred
    - Non-preferred
  - Prescription Drugs, Mail
    - Generic
    - Preferred
    - Non-preferred

**No changes:**

- Co-insurance
- Diagnostic lab/r-ray
- Preventive Care
- Durable medical equipment
- Home health care services
- Private duty nursing
- Ambulance
- Hospice

## ACTIVE MEMBERS

### Active Member Contributions

The OP&F Board recommends a contribution rate increase of two percent for all active members

- The current rate is 10 percent for active members
- The increase to 12 percent will be implemented gradually, over a five-year period, beginning Jan. 1, 2007

### Retiree Medical Trust

The establishment of a Retiree Medical Trust will assist our active members in paying for health care expenses in retirement

- A cost-neutral benefit to OP&F members
- Provides a funding source for medical expenses in retirement
- Active members will contribute to their individual trusts throughout their careers
- Funding for the Retiree Medical Trust requires an additional contribution from active members

## GENERAL ASSEMBLY

### Employer Contributions

The OP&F Board recommends equalizing the police and fire employer contribution rates

- Current Fire employer rate is 24 percent
- Current Police employer rate is 19.5 percent
- Equalize the Fire and Police rates at 24 percent
- The increase to 24 percent will be implemented over a five-year period, beginning Jan. 1, 2007

### Cap On Medicare Part B Reimbursements

- The OP&F Board recommends capping Medicare Part B reimbursements at \$115 per month
- The 2006 monthly premium is \$88.50
- Annual increases have averaged 10 to 12 percent
- It is anticipated that the premium will surpass the cap amount by 2009

# Reaching the 30-year funding period, *recommendations & estimates*

Proposed items <i>Each item builds on the item before</i>	OP&F's Unfunded Accrued Liability (UAL)	Projected Funding Period	Funded Ratio	OP&F Health Care Expenses (projected 2007)	Where the Employer contribution goes				Employer contribution % required for a 15-year solvency period for health care	Funding Period If additional portion of employer contribution is allocated to UAL (Year when 30-year funding is achieved)
					Pensions	Toward UAL	Health Care	Total		
<b>Current</b> (1/1/2005 data)	\$ 2,207,588,000	Infinite	80.9%	\$ 133,494,000	10.94%	2.87%	7.75%	21.56%	N/A	Infinite (N/A)
<b>Health Care Plan</b>										
Implementation of new health care plan (effective 1/1/2007)	\$ 2,207,588,000	Infinite	80.9%	\$ 118,296,000	10.94%	2.87%	7.75%	21.56%	7.50%	Infinite (N/A) 7.75% - 7.50% = Additional 0.25%
<b>Revised Health Care Subsidies</b>										
• Pre-1986 retirees: 75% for members, 50% for dependents	\$ 2,207,588,000	Infinite	80.9%	\$ 99,701,000	10.94%	2.87%	7.75%	21.56%	6.90%	Infinite (N/A) 7.75% - 6.90% = Additional 0.85%
• Post-1986 retirees: 75% for members, 25% for dependents										
<b>Medicare Part B</b>										
Cap Medicare Part B reimbursements at \$115	\$ 2,207,588,000	Infinite	80.9%	\$ 99,701,000	10.94%	2.87%	7.75%	21.56%	6.75%	Infinite (N/A) 7.75% - 6.75% = Additional 1.00%
<b>Increase Police Employer contribution rate to 24%</b>										
2007: to 20%	\$ 2,207,588,000	Infinite	80.9%	\$ 99,701,000	10.94%	3.14%	7.75%	21.83%	6.75%	54 years (45 years: 2015) 7.75% - 6.75% = Additional 1.00%
2008: to 21%					10.94%	3.68%	7.75%	22.37%		
2009: to 22%					10.94%	4.22%	7.75%	22.91%		
2010: to 23%					10.94%	4.77%	7.75%	23.46%		
2011: to 24%					10.94%	5.31%	7.75%	24.00%		
<b>Increase Active Member contribution rate to 12%</b>										
2007: to 10.5%	\$ 2,229,227,000	41 (33 years: 2015)	80.7%	\$ 99,701,000	10.59%	3.49%	7.75%	21.83%	6.75%	31 years (30 years: 2008) 7.75% - 6.75% = Additional 1.00%
2008: to 11%					10.09%	4.53%	7.75%	22.37%		
2009: to 11.5%					9.59%	5.57%	7.75%	22.91%		
2010: to 11.75%					9.34%	6.37%	7.75%	23.46%		
2011: to 12%					9.09%	7.16%	7.75%	24.00%		
<b>Coverage for Medicare-eligible</b>										
Medicare-eligible members receive subsidized medical coverage on a 3 <sup>rd</sup> party basis only.	\$ 2,229,227,000	41 (33 years: 2015)	80.7%	\$ 99,701,000	9.09%	7.16%	7.75%	24.00%	6.75%	31 years (30 years: 2008) 7.75% - 6.75% = Additional 1.00%

# Shared Accountability

Ohio Police & Fire Pension Fund, 30-Year Funding Plan - *recommendations and estimates*

*Presented to the Ohio Retirement Study Council, April 12, 2006*

2006 v. Pre-July 24, 1986 retirees (75%-50%-50%)

Proposed \$500 Plan Rx Equalized

Not Eligible for Medicare							Not Eligible for Medicare		
	2006 Rx only	2007 Pre 86 Rx equal	Difference	2006 Medical Only	2007 Pre 86 Medical only	Difference	2006 Combined Rx/Med	2007 Pre 86 Combined Rx/Med	Total Difference
<b>Retiree</b>	\$67.12	\$49.83	(\$17.29)	\$180.44	\$123.50	(\$56.94)	\$247.56	\$173.33	(\$74.23)
<b>Spouse</b>	\$96.15	\$93.50	(\$2.65)	\$202.84	\$165.68	(\$37.16)	\$298.99	\$259.18	(\$39.81)
<b>Child</b>	\$28.22	\$21.92	(\$6.30)	\$102.95	\$85.83	(\$17.12)	\$131.17	\$107.75	(\$23.42)
Eligible for Medicare							Eligible for Medicare		
<b>Retiree</b>	\$97.98	\$49.83	(\$48.15)	\$80.97	\$34.92	(\$46.05)	\$178.95	\$84.75	(\$94.20)
<b>Spouse</b>	\$155.73	\$93.50	(\$62.23)	\$91.91	\$59.00	(\$32.91)	\$247.64	\$152.50	(\$95.14)
<b>Child</b>	\$155.73	\$21.92	(\$133.81)	\$91.91	\$59.00	(\$32.91)	\$247.64	\$80.92	(\$166.72)

2006 v. Post-July 24, 1986 retirees (75%-25%-25%)

Proposed \$500 Plan Rx Equalized

Not Eligible for Medicare							Not Eligible for Medicare		
	2006 Rx only	2007 Post 86 Rx only	Difference	2006 Medical Only	2007 Post 86 Medical only	Difference	2006 Combined Rx/Med Opt 3	2007 Post 86 Combined Rx/Med	Total Difference
<b>Retiree</b>	\$67.12	\$49.83	(\$17.29)	\$180.44	\$123.50	(\$56.94)	\$247.56	\$173.33	(\$74.23)
<b>Spouse</b>	\$96.15	\$140.25	\$44.10	\$202.84	\$248.52	\$45.68	\$298.99	\$388.77	\$89.78
<b>Child</b>	\$28.22	\$32.92	\$4.70	\$102.95	\$128.33	\$25.38	\$131.17	\$161.25	\$30.08
Eligible for Medicare							Eligible for Medicare		
<b>Retiree</b>	\$97.98	\$49.83	(\$48.15)	\$80.97	\$34.92	(\$46.05)	\$178.95	\$84.75	(\$94.20)
<b>Spouse</b>	\$155.73	\$140.25	(\$15.48)	\$91.91	\$88.58	(\$3.33)	\$247.64	\$228.83	(\$18.81)
<b>Child</b>	\$155.73	\$32.92	(\$122.81)	\$91.91	\$88.58	(\$3.33)	\$247.64	\$121.50	(\$126.14)

*Based on trend*