

Ohio  
Police  
& Fire Pension  
Fund

2020

# ANNUAL BUDGET

JAN. 1 - DEC. 31, 2020









# Annual Budget for Fiscal Year 2020

Ohio Police & Fire Pension Fund

*Prepared through the combined efforts of the OP&F staff.*

Ohio  
Police  
& Fire Pension  
Fund

140 East Town Street • Columbus, Ohio 43215  
[www.op-f.org](http://www.op-f.org) • 1-888-864-8363





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## Distinguished Budget Presentation Award 2019

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The Government Finance Officers Association of the United States and Canada (GFOA) presented a Distinguished Budget Presentation Award to Ohio Police & Fire Pension Fund (OP&F), for its annual budget for the fiscal year beginning January 1, 2019. In order to receive this award, a governmental unit must publish a budget document that meets program criteria as a policy document, as an operational guide, as a financial plan and as a communications device.

This award is valid for a period of one year only. OP&F believes our current 2020 budget continues to conform to program requirements, and we are submitting it to GFOA to determine its eligibility for another award.



## OP&F's Mission, Vision and Core Values

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### Mission

Securing the future for Ohio's police and firefighters.

### Vision

The Ohio Police & Fire Pension Fund will continue to be a leader and model among retirement systems, providing peace of mind to our members and a level of service that exceeds expectations.

### Core Values

#### Prudence

OP&F will make prudent decisions while delivering our benefit services, selecting our investment strategies and executing our operational practices.

#### Integrity

The integrity of our organization is based on accuracy, credibility and ethical conduct at all times.

#### Empathy

OP&F will respond in an appropriate and timely manner with respect and honesty to all inquiries from every audience.

## Budget Message Letter from the Executive Director



140 East Town Street / Columbus, Ohio 43215-5164 / Tel. (614) 228-2975 / [www.op-f.org](http://www.op-f.org)

January 17, 2020

Trustees of the Ohio Police & Fire Pension Fund (OP&F), I am pleased to submit the following comprehensive review of the Total Plan Assets and Annual Administrative Operating Budget for fiscal year 2020, along with the Capital Outlay Budget covering fiscal years 2020-2022, which was approved on October 23, 2019.

Our long-term funding outlook once again remains in compliance with Ohio law. We achieved a funding period of 29 years according to the most recent actuarial valuation dated Jan. 1, 2019. In 2019, our strong investment program again performed well, outpacing our assumed rate of return.

We continue to be committed to a fiscally responsible budgeting approach. Our process examines each line item throughout the organization's budget and scrutinizes every expense. It is important that our members and the Ohio's elected officials are aware of these responsible and conservative spending practices.

The Administrative Operating Budget for 2020 is \$77.3 million, which represents an increase of just 0.1 percent from 2019. This includes routine operating costs and direct paid investment costs. Fortunately, we continue to benefit from a steadily improving economy and generally positive investment environment.

Significant decreases in the 2020 budget include the line items for Actuarial Services (decreased 12.5 percent, or \$50,000 from 2019), Bank Custody Fees (decreased 6.7 percent, or \$60,000) and Business Travel (decreased 8.5 percent, or \$9,500).

The most notable increases in the budget for 2020 are expenses for Employee Benefits, which includes staff health care (an increase of 8.3 percent, or \$312,406 from 2019), Investment Services (increased 11.5 percent, or \$181,659), Maintenance and Repairs (increased 8.2 percent, or \$94,073) and Other Professional Services (increased 13.4 percent, or \$57,250). Costs associated with the fiduciary audit budgeted for 2019 remain, as the audit has been delayed and is on track for 2020.

OP&F's 2020 operating costs are budgeted for \$27.1 million, representing an increase of 3.7 percent from 2019. While containing costs as much as possible, the increase allows us to again improve services to our members and support OP&F's mission, vision and core values.

Based on trends observed in recent years and using an actuarial investment rate of return of 8.0 percent, OP&F is budgeting net assets to increase approximately \$542 million in 2020. Our Capital Outlay Budget is \$4.3 million for the three-year cycle from 2020-2022.

OP&F continues to see an increase in size of benefits paid out over the amount of contributions received. Changes resulting from 2012's pension reform legislation have helped stem this trend, and will continue to do so over the long-term. We continue to rely on investment income to balance benefits paid versus contributions received. Investment income is budgeted at \$1.3 billion in 2020.



## Budget Message Letter from the Executive Director

In 2020, OP&F is anticipating a 3.4 percent increase in total contributions over the 2019 actual forecast. Additionally in 2020, OP&F is anticipating benefit payments of \$1.46 billion versus the \$842 million in contribution receipts.

### A REVIEW OF 2019

As described within this budget, OP&F again had several significant accomplishments in 2019, including:

- OP&F implemented a new health care delivery model for all retirees effective Jan. 1, 2019. OP&F worked with Aon Retiree Health Solutions to coordinate the transition from the group sponsored health care plan to a consumer driven plan accessed through the health care marketplace exchanges. In 2019, staff and trustees worked with Aon to enhance and improve the experience for retirees and also worked to improved plan choices for 2020. Funding for the health care transition is through the Health Care Stabilization Fund.
- One of OP&F's 2019 initiatives was employment branding, which is designed to enhance the recruiting and employment experience at OP&F. Through videos, internal signage and online messaging the project highlights the uniqueness of employment at OP&F and its advantages. The branding initiative will be completed in the first quarter of 2020.

### LOOKING AHEAD TO 2020

OP&F is currently projecting a 15.4 percent return in 2019, ahead of our 8.0 percent target return. We remain committed to sound investment principles and our team of consultants and staff continue to provide the Board with investment strategies and options in the best interests of members. The portfolio value currently is approximately \$16.2 billion as of Dec. 31, 2019.

The annual pension actuarial valuation completed by Cavanaugh Macdonald Consulting, shows that our funding ratio as of Jan. 1, 2019, is 69.4 percent based on the actuarial value of assets, slightly lower than the previous valuation's ratio of 69.9 percent. Additionally, the valuation shows OP&F's funding period remains in compliance with state requirements, at 29 years (compared to 28 years the prior year). The level required by the state is 30 years. The report confirms that we continue to be able to meet our current and future pension obligations.

### 2020 ADMINISTRATIVE OPERATING BUDGET

The proposed budget for 2020 is \$77.3 million, which represents 0.5 percent of OP&F's projected assets of \$16.2 billion as of Dec. 31, 2019. As described below, this is a 0.1 percent increase overall from OP&F's revised 2019 budget

Operating Costs	\$27,122,716	3.7% increase from 2019
Investment Management	50,217,475	1.8% decrease from 2019
<b>Total Budget</b>	<b>\$77,340,191</b>	<b>0.1% increase from 2019</b>

### **Budgeted Head Count and Organizational Changes**

We continue to organize OP&F's departmental structure to increase efficiency and streamline operations. Other significant highlights of our operating budget are as follows:

- Since the implementation of a formal budget process in 1998, OP&F has not exceeded its annual budget in actual spending, with the exception of investment management fees during 2010, which was driven by market increases.
- The full-time headcount is 148 for 2020, the same as in 2019.
- In 2020, investment management fees are budgeted at \$50.2 million, representing a 1.8 percent decrease from 2019. The decrease is attributable to lower projected fees in several asset classes compared to 2019.

In closing, I wish to express my gratitude to the department directors and their staffs for their efforts in preparing this budget. The budget process is a team effort and results in a budget I believe will serve as an effective financial and management guide for the coming year. I welcome the opportunity to address any questions that you may have regarding this document.

Respectfully submitted,



John J. Gallagher, Jr.  
Executive Director







# Budget Policy and Trends

Annual Budget for Fiscal year 2020

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## OP&F Overview

OP&F is a cost sharing multiple-employer public employee retirement system, providing pension and disability benefits, and an optional health care stipend to qualified participants. In addition, survivor and death benefits and an optional health care stipend are provided to qualified spouses, children, and dependent parents. OP&F is designed to provide an adequate retirement income to participants and their beneficiaries when they need it most—when they stop working, become disabled or in the event of death.

The Ohio General Assembly created OP&F in 1965, to replace 454 separate local police and firefighter's relief and pension funds, many of which were close to financial insolvency. The statewide fund began operating Jan. 1, 1967, when the local pension funds transferred their assets and liabilities to OP&F. Assets transferred to OP&F were about \$75 million, with accrued liabilities at just under \$500 million.

Since then, OP&F has grown to become the 132nd largest pension plan in the United States (Pensions & Investments, Feb. 4, 2019), with approximately \$16.2 billion in assets under management at the end of December 2019. OP&F covers police and fire employers in Ohio cities, villages and townships. Total membership is more than 55,000 individuals, including both active employees and OP&F pensioners and their survivors.

Membership in OP&F is mandatory under Ohio law for all full-time police officers and firefighters in Ohio. There are 926 active participating employers representing 28,904 current active members and 29,566 retirees and beneficiaries.

### Governance

The Board of Trustees is the governing body of the organization and is responsible for the administration, control and management of OP&F including, but not limited to:

- adopting administrative rules and policies for the operation of the fund;
- approving and disapproving disability grants;
- approving and disapproving the appointment of external investment managers;
- adopting an annual administrative budget;
- reviewing annual actuarial reports and the financial audit; and
- approving the stipend amount to be provided to members to obtain health care insurance.

Ohio law provides for the OP&F Board of Trustees to consist of nine members, including six employee members elected to four-year terms by their respective member groups:

- Two representatives of police departments;
- Two representatives of fire departments;
- One retired firefighter; and
- One retired police officer.

The Board also has an additional three members with professional investment experience:

- One appointed by the Governor;
- One by the Treasurer of State; and
- One appointed jointly by the Senate President and Speaker of the House.

Although OP&F remains an independent organization, the Ohio Retirement Study Counsel (ORSC) provides legislative oversight on behalf of the Ohio General Assembly. The ORSC assists the state legislature, governor, and other public officials in the formation of sound public pension policy. The ORSC provides legislative oversight to each of Ohio's five public retirement systems: OP&F, the Ohio Public Employees Retirement System, the State Teachers Retirement System of Ohio, the School Employees Retirement System of Ohio and the Ohio Highway Patrol Retirement System.

### Ohio's five public retirement systems

Retirement System	Active Members	Retirees and Beneficiaries	Net Assets * (in millions)
Ohio Public Employees Retirement System (OPERS)	303,920	212,953	\$94,143
State Teacher's Retirement System of Ohio (STRS)	170,004	157,418	\$79,599
<b>Ohio Police &amp; Fire Pension Fund (OP&amp;F)</b>	<b>28,904</b>	<b>29,566</b>	<b>\$14,735</b>
School Employees Retirement System of Ohio (SERS)	159,363	81,024	\$15,008
Ohio Highway Patrol Retirement System (OHPRS)	1,668	1,684	\$817
<b>TOTALS:</b>	<b>663,859</b>	<b>482,645</b>	<b>\$204,302</b>

*\*STRS and SERS based on fiscal year ending 06/30/19, OPERS, OP&F, and OHPRS based on fiscal year ending 12/31/18.*



## Fund Policy

OP&F is a separate financial reporting entity in accordance with criteria established by Governmental Accounting Standards Board (GASB) Statement No. 14 the Financial Reporting Entity. This statement was issued by the GASB to establish standards for defining and reporting on the financial reporting entity. The concept underlying the definition of the financial reporting entity is that elected officials are accountable to their constituents for their actions. Fiscally independent governments have the ability to complete certain essential fiscal events without substantive approval by a primary government. This includes determining its annual budget without another government having the authority to approve and modify that budget.

Because OP&F is legally separate, a voting majority of the governing board is not appointed by the State of Ohio, and it is fiscally independent of other state and local governments, OP&F does not employ governmental fund accounting when preparing the annual budget and does not have a legally adopted budget. The Board of Trustees, who monitors and sets spending levels each fiscal year approve OP&F's budget. OP&F does not operate under a balanced budget approach and pays the costs of administering the plan by a transfer from the guarantee fund each year. This transfer occurs first from investment income and then from pension reserves when necessary.

OP&F's budget, consistent with its accounting policies, is constructed on an accrual basis, and utilizes a January through December fiscal year. The accrual basis recognizes all revenues when earned and expenses in the period in which they are incurred. This budget is targeted to meet our actuarial rate of return-on-investments of 8.0 percent in 2020 as well as our legal requirement under Ohio Revised Code (ORC) Section 742.16 of achieving a pension fund actuarial amortization period of 30 years or less. If the amortization period is not met, then a plan must be approved and submitted to the ORSC outlining how to achieve the required funding levels. This plan could include changes to mandated or discretionary benefits and will be submitted each year until the legal level is achieved. It is also driven by requirements set forth by other governing statutes and OP&F organizational goals and objectives.

OP&F's Fund Balance or Total Plan Assets is the amount of net assets available to provide statutory and discretionary benefits as of the financial statement date. The Fund Balance includes the value of assets and is reduced by liabilities. Total Net Plan Assets at the end of

the year 2020 are budgeted to be \$16.5 billion versus \$15.9 billion, or a 3.4 percent increase from the 2019 forecast, with net income of \$542.4 million budgeted for 2020.

OP&F also has a separate Capital Outlay Budget used to segregate capital purchases from the Administrative Operating Budget. Details of the Capital Budget are contained in the Capital section.

The ORC contains the laws of Ohio, which are enacted by the Ohio General Assembly. OP&F's governing laws outline the basis for which the financial policies related to the contributions, benefit eligibility and benefit calculations are based.

The Board of Trustees is the governing body that is responsible for the administration, control and management of the organization. They are responsible for administering the laws, appointing professional staff, and adopting annual spending budgets.

Within the framework of administering the laws, OP&F must also maintain the financial reporting requirements set forth by the ORSC, maintain a comprehensive investment policy, and maintain other financial policies and goals to help administer the fund.

Included in the other financial policies and goals are the following:

- Mission, Vision and Core Values
- Benefit Funding Policy & Administration Guide
- Reserve and Fund Balances
- Long-Term Goals & Objectives
- Strategic Planning
- Annual Budgets

OP&F's Mission, Vision, and Core Values are all linked to the Benefit Funding Policy & Administration Guide to help provide guidance for our future budget requirements and long-term requirements of the fund.

The Benefit Funding Policy & Administration Guide includes high-level financial, retirement, and financial policies as well as an overview of the administration activities that go along with managing those policies. The policy is outlined beginning on the next page.



## Benefit Funding Policy

### Purpose

This document establishes the goals, objectives, and protocols for the Ohio Police and Fire Pension Fund (OP&F) under the direction of the Board of Trustees (Board) to outline established benefit funding guidelines.

The purpose of this Policy is to:

- Provide an understanding of the benefit funding goals and objectives;
- Provide a brief summary of acceptable benefit funding levels; and
- Articulate OP&F's requirements on providing statutory and discretionary benefits.

The execution of this Policy shall be accomplished in a manner that fulfills the statutory requirements outlined in Chapter 742 of the Ohio Revised Code and justly represents the entire membership body.

This Policy will be actively managed as part of the decision-making process related to finances, benefits, reserve fund balances, accounting, revenues and expenses to ensure that this policy remains comprehensive and sound. All Policy statements are on a combined basis representing police officers' and firefighters', mutually inclusive. This Policy will complement other OP&F policies.

### Goals and objectives

#### Financial

OP&F has established the following goals, while not all-inclusive, related to financial requirements of funding benefits:

- Continue our path toward reducing our funding amortization period and enhancing our funding Policy;
- Continue to pay all benefits and expense obligations when due;
- Continue to improve OP&F's funded status with regard to the accumulated benefit obligation;
- Control administrative costs and manage assets prudently to maximize the investment rate of return;
- Control spending through the administrative operating budget;
- Establish a plan to maintain a 30-year or less amortization period; and
- Preserve a discretionary health care option for eligible members.

### Retirement Benefits

Statutory benefits will be considered sufficiently funded if the:

- Amortization period of the Unfunded Actuarial Accrued Liability is 30 years or less in the year of the actuarial valuation; and
- The Actuarial Accrued Liability funded status of the assets is at a percentage deemed prudent by the Board or is greater than or equal to 95%; and
- All actuarially determined, deferred investment gains and losses are fully smoothed into the actuarial value of assets in the year of the actuarial valuation. This means the calculations will be done both based on the Actuarial Value of Assets and the Market Value of Assets.

If all the above conditions are not met, the Board will monitor all financial components to determine if changes in plan provisions should be considered. In addition, when "Section 1" above alone is not met, the Board must approve a written plan to achieve compliance and submit that plan to the General Assembly as required.

If all of the above conditions are met, the Board may then consider recommending to the General Assembly benefit enhancements and/or contribution reductions or make contribution allocation changes. This would be done based on Board priorities.

Prior to any recommendations for benefit changes being presented to the General Assembly, an actuarial analysis and a full understanding of the short-term and long-term financial effects on the change will be completed by the actuary. In addition, recommended benefit changes will be submitted to the General Assembly not later than sixty days from the date of introducing the legislation for changes as required by law.

### Health Care Benefits

Health care benefits are not statutorily mandated; however, the goal of the Board is to provide access to these benefits to both current and future members and survivors and their eligible dependents, according to the terms of the Health Care Plan.

The funding goal for the Section 115 Health Care Trust Fund, which is not considered to be pre-funded, will be sufficiently funded if it is forecasted to be solvent for at least a 15-year future projection period (which means that the current balance can sustain the aggregate of the next 15 years of projected net cash flows as determined by the actuary).

There are no requirements to fund future projected health care benefits at any set level; rather, these costs must be measured and disclosed as required as long as health care plan benefits are offered.

*Update 1/1/2019: The Board approved the elimination of the self-funded healthcare plan and replaced it with a stipend model for members to purchase health insurance on an insurance exchange. The use of the stipend model extended the projected solvency to 15 years.*

## Funding Administration

This summary will provide an overview related to the following stakeholder/individuals to pursue action on the following items, which is not all-inclusive. The division of responsibilities and action of these items helps to ensure the effective execution of the Policy.

### The Ohio General Assembly

- Establish contribution rates for active members and employers to ensure funding adequacy levels are maintained as appropriate;
- Set Cost of Living Adjustment (COLA) percentages;
- Perform contribution rate adequacy studies on an annual basis;
- Perform an independent fiduciary audit on request or at least once every ten years;
- Review 30-year Funding Plans (if applicable); and
- Review OP&F Annual Budget.

### The Board

- Set the actuarial valuation interest rate percentage;
- Authorize investment transactions as a fiduciary, based on the prudent person standards and Board established guidelines;
- Work with Investment Consultants' to conduct an asset liability valuation study and investment structure reviews;
- Target the highest level of investment return within an acceptable framework of risk and return expectations;
- Set the interest rates on various benefit transactions;
- Report every three years to the General Assembly on the condition of the retirement system;
- Establish the amount of OP&F's health care stipend on an annual basis, consistent with OP&F's health care funding policy;
- Establish the percentage of employer contributions allocated to the health care accounts;

- Make recommendations to the General Assembly related to contribution rates to assist in funding objectives and requirements;
- Establish Board Committees and OP&F staff action items and guidelines to execute the benefit funding plan;
- Establish the rate at which Medicare Part B will be reimbursed; and
- Approves the healthcare stipend amount

## Professional Services (Consultants, Custodians, Counsel, Actuaries & Auditors)

OP&F either retains the service of or has appointed qualified outside organizations to perform professional services on behalf of the Board in specialized areas as listed below.

- Perform an independent external financial statement audit on an annual basis and issue an opinion, which will be incorporated within the Comprehensive Annual Financial Report (Currently selected by the Auditor of State);
- Perform an actuarial valuation of the assets, liabilities and funding requirements on an annual basis and submit the report to the General Assembly (This is conducted by our current actuary);
- Review actuarial assumptions on a Quinquennial, every 5 years basis (This is conducted by our current actuary);
- Perform an actuarial cost and financial impact analysis on potential legislation and plan provision changes (This is conducted by our current actuary);
- Conduct a cost neutrality study for DROP at least every 5 years to determine the status of the program and recommend changes to the Board as necessary (This is conducted by our current actuary);
- Perform an actuarial audit at least once every 10 years (This is performed by outside actuary selected by the ORSC);
- Perform asset liability valuation study and investment structure review every 3-5 years or as needed (This is completed by current investment consultant); and
- Implement new accounting standards as required.

## OP&F Staff – Action Items

- Implement the Board approved asset liability valuation study and investment structure review recommendations;
- Provide an adequate cash management function to ensure funds are available to pay benefits and operating costs when due;

- Prepare an annual health care report;
- Prepare reports on disability experience, ethics and other areas as required to monitor events;
- Manage transaction flows among the established reserve and trust funds;
- Allocate administration expenses to the health care trust fund each year in accordance with Government Accounting Standards Board pronouncements;
- Request state subsidy payments in accordance with requirements;
- Make plan provision recommendations; and
- Ensure appropriate internal controls and accounting and financial reporting on all fund balances and financial transactions.

#### **OP&F Staff - Compliance and Monitoring Functions**

The following functions, while not all-inclusive, will be monitored in connection with the goals and objectives of the Benefit Funding Policy.

- Monitor the costs of the administrative operating and capital budget;
- Monitor all revenue sources and monies due and payable to ensure receipts are made;
- Monitor and maintain appropriate levels of administrative insurance;
- Investment income to the health care funds will be on a prorated basis at a rate equal to the actual return on investments;
- Maintain a segregated Internal Revenue Service (IRS) Code Section 401(h) account for Medicare Part B reimbursements;
- Maintain a segregated IRS Code Section 115 trust for accrual of health care fund financial activities;
- Ensure Medicare Part D subsidies are credited to the Section 115 health care trust;
- Ensure revenues and expenses are projected based on objective forecasting assumptions each year as part of the budget process to monitor anticipated changes;
- Ensure proper levels and types of collateral are maintained on all loaned investment securities;
- Safeguard all assets on deposit with the named custodial agent;
- Ensure proper agency administration of the State of Ohio Public Safety Officers Death Benefit Fund in accordance with statute;
- Remain compliant with the IRS for qualified plan status;
- Comply with court orders and applicable statutory provisions on member and survivor benefits; and
- Maintain all accounting and financial reporting systems in conformity with Generally Accepted Accounting Principles.



## Long-term objectives

The key long-term objectives for OP&F have been established in conjunction with a comprehensive review of the current and projected financial requirements. In addition, the Board of Trustees and OP&F senior staff members participate in off-site retreats annually to review prior year achievements and highlights and to set organizational goals for future periods. These goals are used to develop the Total Plan Assets Budget items and to ensure that OP&F incorporates input from staff and members into the annual planning process.

### 1. Objective: Continue our path toward reducing our funding amortization period and enhancing our funding policy

#### Meeting the objective:

Staff, consultants and the Board of Trustees again put together a funding plan aimed at meeting the thirty-year amortization requirement. This is in addition to the Sept. 2012 legislative changes. The additional pension legislative changes include additional member contribution increases, reducing the health care allocation of employer payroll, further reducing cost-of-living adjustments and equalizing employer contributions between the police and fire divisions.

In addition to legislative changes, the Board of Trustees continually works on making changes to discretionary health care benefits, administrative costs, investment strategies and other parts of the funding plan that can be accomplished without legislative actions. Careful consideration is put into each item prior to adopting changes to ensure a well balanced approach is taken to protect the long-term funding goals. They also approve every five years the actuarial consultants comprehensive experience study looking at trends in several categories, including membership, health care and funding sources. This study was completed in the fall of 2017 to cover the experience for calendar years 2012-2016. There were seven recommended changes, all of which were approved by the Board of Trustees.

These changes included:

- Make minor adjustments to the withdrawal rates (for termination reasons other than retirement, disability or death)
- Increase the retirement rates, reflecting a trend toward earlier retirement
- Decrease the disability retirement rates to reflect the post-2013 experience
- Update the mortality rates to reflect recent mortality

tables and improvement scales developed by the Society of Actuaries. The new rates are based on the RP-2014 tables projected with Conduent Modified MP-2016 improvement scale, with varying age adjustments for police and fire, service and disability retirements, and members and beneficiaries

- Reduce the assumed average benefit percent for joint annuitants
- Reduce the DROP interest rate, CPI-based COLA rate, and assumed investment return based on economic projection
- Reduce assumed salary increases and payroll growth for lower inflation projection

As of Jan. 1, 2019 (the most recent actuarial valuation) OP&F's funding level is 69.4 percent. The previous year's funding ratio was 69.9 percent. The amortization period increased one year to 29 years compared to 28 years in the previous valuation. The legislation, passed in 2012, has had a positive impact on the long-term funding level and OP&F will continue to monitor this going forward to prevent for the need to make major changes to benefits or contributions in the near future.

The DROP cost neutrality was also performed as part of the study and it confirms that the program does not result in additional annual costs and continues to increase the amount of time members remain on the job. The program extends the careers of members over two years and OP&F does not incur health care costs while members are in the program.

### 2. Objective: Continue to pay all benefit and expense obligations when due

#### Meeting the objective:

OP&F is fully able to meet all of its obligations while adjustments are made to ensure long-term fund soundness. The State of Ohio requires that the public pension systems must be able to pay off unfunded accrued liabilities in a 30-year period. If a system is not able to meet this requirement, the state requires that each system have a plan in place to fall within the 30-year period. While OP&F met this requirement in the late 1990s, stock market performance drove the funding period above 30 years to infinity. Legislation passed in the fall of 2012 has paved the way for additional revenues and reduces benefits to greatly assist in the amortization period. Our plan to meet this requirement is mentioned in objective #1 and will be combined with a variety of other cost saving strategies and cash flow management.

To meet daily, weekly and monthly obligations, the OP&F Investment Department coordinates with the Finance Department to assure that a cash allocation is available.

### **3. Objective: Continue to improve the funded status with regard to the accumulated benefit obligation**

#### **Meeting the objective:**

There was a slight decrease in the funded status of the plan last year by 0.5 percent and the amortization period increased to 29 years. Funding also reflects the Board of Trustees desire to preserve some form of discretionary health care in the form of a stipend and that allocation rate was maintained at 0.5 percent allocation of contributions to the health care reserves. OP&F's funding level was 69.4 percent with a 29 year amortization period as of Jan. 1, 2019. The portfolio is budgeted to end 2020 with a net plan asset value of \$16.5 billion.

### **4. Objective: Control administrative costs and manage the assets prudently to maximize the investment rate of return**

#### **Meeting the objective:**

Fiscal responsibility drives the annual budget process at OP&F, with the goal of reducing administrative expenses whenever possible. This is done with a consistent approach to the annual budget process and with Executive Director's involvement with the process. Each area is required to meet with the Executive Director and explain all budget details.

With increased focus on all public retirement systems, we want our membership and the general public to be aware of our focus on controlling our spending practices and making the most efficient and effective use of our resources. The 2020 administrative operating budget for OP&F was up 0.1 percent from the previous year which includes a 3.7 percent increase in operating cost and 1.8 percent decrease in investment management fees paid directly through the budget. The operating budget includes an amount for a fiduciary audit that occurs once every 10 years that increases the overall budget.

OP&F must also present the annual budget to the ORSC for examination and questions. OP&F again presented the budget as requested.

Additionally, the Board, staff and consultants regularly examine investment strategies and develop asset allocation models that will help to maximize potential investment returns. OP&F has a stringent Investment Policy that

has been adopted by the Board that helps ensure staff has direction and guidance for making prudent decisions on all investment matters.

### **5. Objective: Control spending through the Administrative Operating Budget**

#### **Meeting the objective:**

OP&F's budget process is a bottom-up execution with Senior Management and the Board of Trustees review and ultimate approval. Since a formal budget process was put into place at OP&F in 1998, the Fund has never exceeded its annual operating portion of the budget in actual spending with the exception of management fees in 2010. Positive returns lifted our asset levels and required additional fees be paid by contract. Baseline spending is recalculated each year to eliminate carryovers, non-essential spending and one-time costs. New initiatives are also carefully scrutinized to ensure that their undertakings are both necessary and achievable.

Other controls in place include a central purchasing unit that researches contracts, and extends bids for goods and services.

### **6. Objective: Establish and maintain a 30-year or less amortization period on pension assets**

#### **Meeting the objective:**

Ohio law requires OP&F to establish and maintain the industry standard 30-year or less amortization period. With that, many repeated efforts have been undertaken to develop plans that will help achieve this legal requirement as mentioned in #1 and #2 above. Efforts will continue with our oversight board and our Board of Trustees to manage this requirement. Please visit our web site at [www.op-f.org](http://www.op-f.org) for more information and news about our funding activities

### **7. Objective: Preserve a discretionary health care option for eligible members**

#### **Meeting the objective:**

In 2017, the Board of Trustees moved forward with a plan to end the self-insured health care plan and establish a new health care plan scheduled to be implemented on January 1, 2019. The new plan will assist retirees in selecting a health care plan from a healthcare exchange and include a fixed-cost monthly stipend to assist in paying associated costs. Though OP&F will no longer manage a self-insured health care program, the move to the stipend model has extended the account to a projected 15 year solvency.

## Reserve and Fund Balances

OP&F's budget is prepared on a combined police and fire basis. The state statute requires that several reserve funds be maintained annually for tracking fund activities for both police and fire. OP&F budgets for the revenue and expense activities that flow through these accounts. OP&F does not budget for the annual funding balance transfers that occur due to active and retired membership transitions. Additionally, OP&F does not prepare a budget for the Death Benefit Agency Fund.

Each year-end the reserve funds are managed and allocations are done to reflect the revenue and expense activities and funding balance transfers due to changes in membership status from active to retired.

The Guarantee Fund and Expense Fund is always zero at the end of each year as they are used to fund the Pension Reserve Fund from investment gains and losses and to

account for the Administrative Operating Expenses. The reserve funds are described below. Please see the back of this section for charts outlining the reserve fund activities.

### Police Officers' and Firefighters' Contribution Funds (members' contributions)

This fund is credited with the contributions deducted from the salaries of members of police and fire departments and paid into OP&F, as provided by section 742.31 of the ORC, and that percentage of the employers' accrued liability that is attributable to deductions previously made from the salaries of members of the police and fire departments who are still in the active service at the time that portion of the employers' accrued liability is paid. Upon retirement the accumulated contributions of a member of a police and fire departments shall be transferred at the member's retirement from the police and fire officers' contribution fund to the police and fire officers' pension reserve fund.

### Budget Category-to-Fund Allocation

Budget Category or Agency Classification	Pension Fund	Health Care Fund	Death Benefit Fund	Reserve Fund Budgeted
<b>Revenues</b>				
Employer contributions	✓	✓	—	Employers' Cont.
Member contributions	✓	—	—	Members' Cont.
Health care contributions	—	✓	—	Pension Reserve
Investment income	✓	✓	—	Guarantee
Interest on employers' liability	✓	—	—	Employers' Cont.
Other income	✓	—	—	Guarantee
<b>Expenses</b>				
Pension benefits	✓	—	—	Pension
DROP benefits	✓	—	—	Pension
Health care stipend	—	✓	—	Pension
Administrative expenses	✓	✓	—	Expense
Depreciation expense—capital	✓	—	—	Expense
Refunds	✓	—	—	Members' Cont.
Other expense	✓	—	—	Guarantee
<b>Balance sheet</b>				
Asset	—	—	✓	N/A
Liability	—	—	✓	N/A

Reserve Fund	2018 Fund Balance	2017 Fund Balance
Members' Contribution	\$3,005,841,679	\$2,861,229,299
Employers' Contribution	(291,501,876)	1,535,290,494
Pension Reserve	12,020,503,000	11,499,182,000
Guarantee	—	—
Expense	—	—
Death Benefit	—	—
<b>TOTAL</b>	<b>\$14,734,842,803</b>	<b>\$15,895,701,793</b>

### **Police Officers' and Firefighters' Employers' Contribution Fund (employers' contributions)**

This fund is credited with the employer share contributions received from the police and fire officer employers, as provided by section 742.33 of the ORC, and that percentage of the employers' accrued liability that is attributable to the employers' liability for prior service of members of the police and fire department who are still in the active service at the time that portion of the employers' accrued liability is paid, and that portion of the state contribution allocated to such fund, as provided by section 742.36 of the ORC. Members of a police and fire department retiring in the future or their qualified beneficiaries shall be paid from the reserves for such pensions and other benefits transferred to the police and fire officers' pension reserve fund.

### **Guarantee Fund**

Fund from which interest is transferred and credited on the amounts in the funds described in divisions (C), (D), (E), and (F) of this section, and is a contingent fund from which the special requirements of said funds may be paid by transfer from this fund. All income derived from the investment of funds by the board of trustees of OP&F as trustee under section 742.11 of the ORC, together with all gifts and bequests or the income there from, shall be paid into this fund.

Any deficit occurring in any other fund that will not be covered by payments to that fund, as otherwise provided by sections 742.01 to 742.61 of the ORC, shall be paid by transfers of amounts from the guarantee fund to such fund or funds. Should the amount in the guarantee fund be insufficient at any time to meet the amounts payable there from, the amount of such deficiency, with regular interest, shall be paid by an additional employer rate of current contribution as determined by the actuary and shall be approved by the board of trustees of OP&F, and the amount of such additional employer contribution shall be credited to the guarantee fund.

The board may accept gifts and bequests. Any funds that may come into the possession of the board in this manner, or any other funds whose disposition is not otherwise provided for, shall be credited to the guarantee fund.

### **Expense Fund**

Fund from which shall be paid the expenses for the administration and management of OP&F, as provided by sections 742.01 to 742.61 of the ORC and to which shall be credited from the guarantee fund an amount sufficient to pay the expenses of operation.

### **Death Benefit Agency Fund**

This is an agency fund, which is fully funded by the State of Ohio. This fund is part of our Total Plan Assets only to segregate funds reserved for payments of death benefits to families of local police and fire officers that have been killed in the line of duty or have died as a result of previous on-the-job injuries. OP&F is required to request these funds from the State on an annual basis. For more information please see the supplemental section of this book. This fund is not budgeted.

### **Pension Reserve Fund**

The Pension Fund maintains the majority of all income and expenses budgeted and accounted for in OP&F's Total Plan Assets Budget. This balance represents funds available to pay pensions obligations and administer the Fund into the future. This fund is comprised of all the member contributions, employer contributions, guarantee fund and expense fund.

### **Health Care Stabilization Fund**

This is a discretionary fund and is part of the Pension Reserve Fund. OP&F segregates this fund to put some funding aside to pay for future health care costs. It is part of the Total Plan Assets Budget for monitoring the balance available for post employment health care benefits for members in the form of a stipend. The amount paid out in stipends is deducted from this account and only a portion of employer contributions, the related share of investment income and a portion of administrative costs are allocated to this fund.

### **Debt Obligations**

OP&F does not have any debt obligations or issuances of any type outstanding. No budget for interest or debt service is included. OP&F is not governed by any legal debt limits.

### **Budget Financial Categories**

Budget categories, as summarized in the Total Plan Assets Budget, include all the major revenue and expense categories of OP&F and are budgeted based on a variety of methods, depending on the category. A more detailed analysis of the budgeting logic used for the financial categories is available in the total plan assets section of this book.



## Additions to Total Plan Assets

Additions to Total Plan Assets include employer and member contributions, investment income, interest on employers' liability and other income.

### Revenue Categories

*(additional information on revenue calculations can be found in the Total Plan Assets section of this book)*

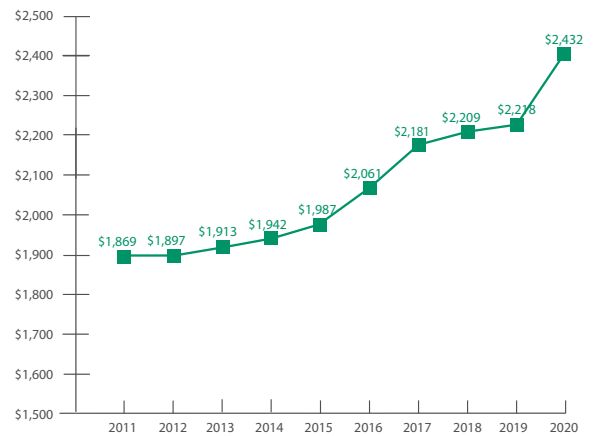
OP&F relies on combined employer and member contributions for 39 percent of all revenue categories. These revenues are generated based on the Total Annual Payroll of our membership. This payroll number is the aggregate amount of all members' anticipated salary for the year and is used to calculate the contributions due OP&F on a monthly and quarterly basis, member contributions and employer contributions respectively, based on the current rates in effect. OP&F currently has 28,904 active members contributing to the Fund along with 926 employers. Please see the supplemental section of this book for more active member valuation data.

Total Annual Payroll is projected based on actual experiences and assumptions set forth in our most recent actuarial valuation. Our actuary has assumed salary increase rates of 3.75 percent-10.50 percent, depending on age and service, a 3.25 percent payroll growth rate, and cost-of-living adjustments for all of our existing members. Increases in average annual salary and membership counts make up the increase in the total annual payroll budgeted for active members in 2020.

### Employer Contributions

Employer contribution rates, which have not changed since 1986, are set at 19.5 percent and 24 percent, for police and fire, respectively. Employer contributions to the Fund are budgeted based on the total annual payroll of \$2.432 billion, multiplied by the respective employer contribution rate or 21.61 percent on a blended basis, which equates to the \$525.5 million budget. OP&F is anticipating an increase of 3.5 percent from the previous year budget and a

**Total Annual Payroll, Active Members, 2011–2020 (\$ in Millions)**



As displayed on the graph above, OP&F anticipates Total Annual Payroll of \$2.432 billion in 2020.

2.8 percent increase from the 2019 forecast. OP&F is forecasting actual contributions in this category for 2019 at approximately \$511 million.

While the 2012 pension legislation did not increase the amount of employer contributions as a percentage of total annual payroll, the legislation did include OP&F's long-time desire to collect the employer contributions on a monthly basis, rather than a quarterly basis. This has helped accelerate the cash flow and in turn assisted in the overall funding goals.

The employer contributions line also includes purchased service credits made by employers on behalf of members, penalties and interest charged to employers for late submissions of contributions and other minor amounts from related activities.

In 2020, Employer contributions are budgeted to represent 40.2 percent of all of OP&F current sources of revenues. A full detailed listing of employer contribution rates from 1967 until present can be found in the Supplemental Section of this book.

2020 Total Plan Assets Budget Revenue Category	2020 Budget Totals	Percent of Budget	Percent change from 2019 Budget	2019 Budget Total	2018 Budget Total
Employer Contributions	\$ 525,496,600	25.1%	3.5%	\$ 507,717,900	\$ 508,006,740
Member Contributions	297,886,800	14.2%	3.5%	287,808,600	282,972,354
Member Purchases/Transfers-In	18,000,000	0.9%	0.0%	18,000,000	15,000,000
State of Ohio - Subsidies	260,000	0.0%	-13.3%	300,000	340,000
Health Care Contributions	-	0.0%	-100.0%	500,300	75,850,968
Investment Income	1,252,000,000	59.8%	-2.2%	1,280,000,000	1,238,400,000
Interest on Employers' Liability	850,000	0.0%	-3.4%	880,000	920,000
Other Income	50,000	0.0%	-50.0%	100,000	33,003,934
<b>Total Plan Additions</b>	<b>\$ 2,094,543,400</b>	<b>100.0%</b>	<b>0.0%</b>	<b>\$ 2,095,306,800</b>	<b>\$ 2,154,493,996</b>



## Member Contributions

Member contribution rates remained at 12.25 percent during 2019. Member contributions to the Fund are budgeted based on the total annual payroll of \$2.432 billion, multiplied by the estimated contribution rate of 12.25 percent plus an estimated amount for service credit purchases. This amounts to approximately \$297.9 million.

OP&F is anticipating an increase of 3.5 percent in the amount of dollar contributions from the previous year budget and a 3.0 percent increase over the 2019 forecast actual. A full detailed listing of member rates from 1967 until present can be found in the Supplemental Section of this book.

## Member Purchases and Transfers in

In 2017, this category was part of member contributions at the start of the year. Since the category is hard to predict it was pulled from the member contribution line item. Once we get more of a history from this separated category we will be able to project with more precision. We are budgeting \$18 million, which is up 37.6 percent from the year end forecast and is the same figure used for the budget in 2020.

## Investment Income

Investment income represents 59.8 percent of our anticipated revenues. Included are positive earnings related to dividends, interest, rental income, currency contracts, securities lending income and realized and unrealized gains and losses on the investment portfolio. There is a projected decrease in the 2020 budget related to gains and losses on investment income year to year due to the fact that the market value of assets are lower

due to projected year-end figures in 2019 when the budget was approved in October 2019. OP&F's actuarial investment return was lowered from 8.25 percent in 2017 to 8.0 percent in 2018. Investment income in 2020 is budgeted based on the actuarial investment return of the projected assets as of December 31, 2019. This will assist us in determining if we are below or above our target at any point throughout the year. Estimated investment income is expected to decrease by that same rate 8.0 percent in the fiscal year 2020 over 2019 for budget purposes.

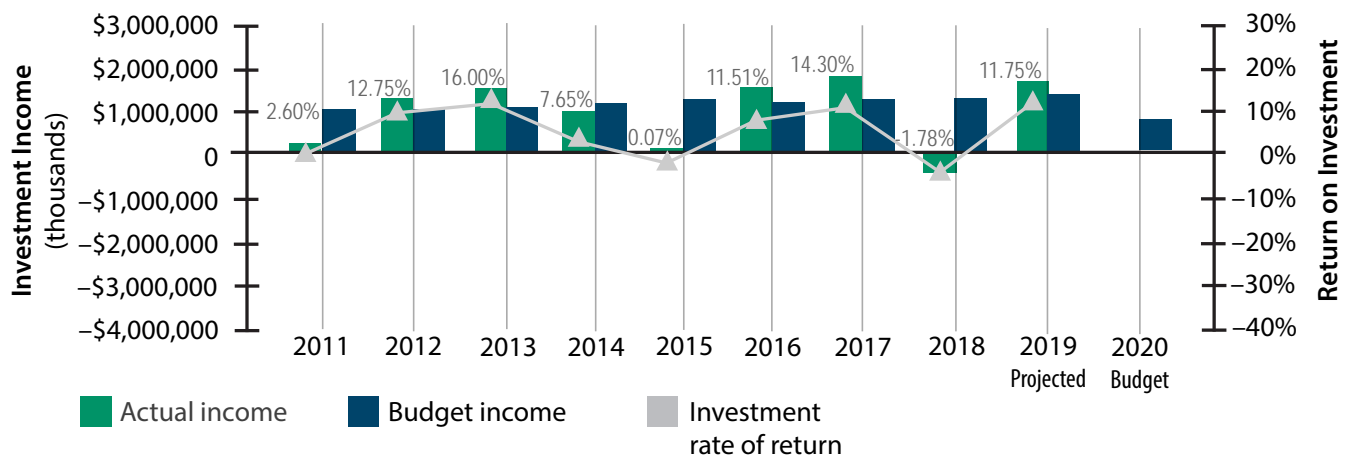
## Interest on Employers' Liability

In 1967 all of the local police and fire pension funds were merged together to form OP&F. At that time, an actuarial analysis was performed to determine the difference between pension liabilities and the assets being transferred to OP&F as a result of the merger. This shortfall of assets compared to liabilities is referred to as the Employers' Accrued Liability. This unfunded liability is being paid to OP&F over a 65-year period at an interest rate of 4.25 percent. The budgeted amount represents the expected receipts of interest in 2020, based on the ending 2019 balances. Local governments began repayments in 1969 and payments are scheduled to continue until the year 2035. The interest is calculated to be \$850 thousand for 2020 down from \$880 thousand for the 2019 budget.

## Other Income

This category represents employer penalties related to late reporting and payment of contributions and other miscellaneous income.

2011–2020 Investment Income Budget to Actual Comparison (in thousands)



## Deductions from Total Plan Assets

Deductions from Total Plan Assets for 2020 include expenses related to pension benefits, health care benefits for members with coverage, administrative costs, depreciation expense, member refunds and other expense.

### Pensions and DROP

Consistent with OP&F's mission, this category represents the largest single expense for OP&F. Payments for pension benefits including; retirement, disability and survivor benefits account for 88 percent of all expenses this budget year. Plan benefits are established under Chapter 742 of the ORC. The budgeted amount is based on the actuarial projections and assumptions by staff and consultants on new retirements including members entering and exiting the DROP program as well as projections for benefit amount changes resulting from COLA increases and new retiree benefit payments. The estimated \$1.142 billion in pension benefit payouts for 2020 includes a 1.2 percent increase in the expected average benefit for retired members as well as a 1.5 percent increase in the number of retired members including disability retirees, survivors and beneficiaries. Additionally, OP&F estimates that \$220.0 million will be withdrawn from the accounts of our DROP program.

### Health Care

With the change to the stipend model the amount of money being budgeted for stipends and Med B payments is \$95 million compared to the 212.5 million budgeted in 2018.

### Administration

This category represents the portion of the Total Plan Assets Budget referred to as the Administrative Operating Budget and encompasses all of OP&F's operating and administrative activities. This includes personnel services, work environment, investment management fees, professional services, personnel recruitment, training and travel, legal and building operating expenses. OP&F has an annual budget process to determine the levels at which spending will occur and what new goals will be accomplished each year. Please see the detailed Executive Director's message and in the Administrative Operating Budget sections of this book. This section also contains detailed budget to actual comparisons for each category.

## Depreciation

This expense represents the annual depreciation OP&F assumes on previously capitalized goods and services. Assets are depreciated over their useful life using the straight-line method. Capital items are purchased through OP&F's new Capital Outlay Budget. Items costing \$5,000 or more or having an estimated useful life of one or more years or a part of a large project will be budgeted to the capital accounts and depreciated over the expected useful life. A slight increase of 0.1 percent reflects the fact that OP&F has started to fully expense dollars as allocated in the budget as items are used to their full expected life. Capital project spending priorities for building and computer related items have caused shifts in the amounts expected to be depreciated.

## Refunds

There are a variety of member refunds, transfers and eligible rollovers of contributions that occur throughout the year from OP&F upon member separation of employment or legislative actions. A historical analysis is used to budget for these occurrences. Refunds are paid to former OP&F members upon request or as part of death payouts, when no survivors are eligible for benefits. OP&F anticipated refunds to remain flat during the coming year. OP&F is also required to record an estimate each year in this category for non-active, non-vested employee members who are eligible to refund their contributions, but have elected not to do so at this time.

## Other Expense

This category represents refunds to employers for payroll reporting errors, miscellaneous pension expense and write-offs for uncollectible pension overpayments.

Total Plan Assets Budget Expense Category	2020 Budget Totals	Percent of Budget	Percent change from 2019 Budget	2019 Budget Total	2018 Budget Total
Pension Benefits	\$ 1,142,458,400	73.6%	2.3%	\$ 1,116,997,200	\$ 1,082,999,140
DROP Benefits & Interest	220,000,000	14.2%	10.0%	200,000,000	200,000,000
Health Care Benefits	95,009,600	6.1%	-12.5%	108,625,700	212,539,971
Administrative Expenses	77,340,191	5.0%	0.1%	77,263,920	72,460,060
Depreciation Expense	1,200,000	0.1%	9.0%	1,101,101	1,344,000
Refunds	16,000,000	1.0%	0.0%	16,000,000	15,600,000
Other Expenses	100,000	0.0%	0.0%	100,000	100,000
<b>Total Plan Deductions</b>	<b>\$ 1,552,108,191</b>	<b>100.0%</b>	<b>2.1%</b>	<b>\$ 1,520,087,921</b>	<b>\$ 1,585,043,171</b>

## Budget Management and Other Planning Processes

The budget management role at OP&F is vital in preparing, controlling, communicating and monitoring all stages of the budget process. This role is currently assigned to the Controller of the Finance Department.

As a member of the Finance Department, this role was designed to add consistency and accountability to the process and to allow a central point of contact for all related budgeting issues. Preparing financial reports, providing variance analysis, determining budget category methodology, monitoring additions/deductions and establishing and monitoring goals are the primary focuses of this role.

Additionally, the Controller works with the Executive Director and Deputy Executive Director to gather information from a variety of other planning processes that go on throughout the year to ensure their inclusion in the budget is determined. Two of the major planning processes are listed below:

### Annual Board Retreat

At this retreat, the Board of Trustees hears from the senior management the activities accomplished during the year and future activities that are planning to be undertaken in the departmental areas. In turn, the Executive Director works with the Trustees to determine the annual priorities.

### Board of Trustee Committee Meetings

OP&F has various committees that meet each month to handle detailed aspects of matters that require Board approval. Often times during these meetings, Board members and staff express desirable and required budget undertakings for the next budget cycle. The Executive Director gathers this information and ensures that the items are incorporated into the budget.

## Strategic Planning

The strategic plan was designed to connect internal and external goals and approaches that will drive our strategies in the future. It was developed by an internal professional team with a wide variety of knowledge and experience. This team was charged with identifying the critical success factors required, and then target the approaches necessary to accomplish each goal. Any budgetary needs are reviewed each year and incorporated into the next budget process. Please visit our web site at [www.op-f.org](http://www.op-f.org) for full details under the OP&F reports section of the Information Center. Seven critical success factors were identified by the team:

1. Establish and maintain a 30-year funding period for pension benefits;
2. Preserve a discretionary health care option for eligible members;
3. Enhance service and education levels to OP&F membership;
4. Enhance service and education levels to OP&F employers;
5. Improve organizational effectiveness and efficiencies;
6. Advocate and manage external change to assist OP&F in achieving its long-term objectives; and
7. Accelerate employer payments and improve employer reporting compliance.

## Goals and Approaches

The following section will detail the goals and approaches associated with each critical success factor.

### *1. Establish and maintain a 30-year funding period for pension benefits*

A primary objective for OP&F is to establish and maintain a maximum 30-year amortization period for unfunded actuarial accrued pension liability.

## Goals:

- Achieving a steadily increasing funding ratio and identify and understand temporary and permanent changes in the funding ratio at the time of each actuarial valuation;
- Targeting the highest investment return feasible within acceptable risk tolerances and given a low return environment;
- Ensuring that actuarial valuation assumptions are reliable and accurate; assumptions should add stability to the valuation process;
- Evaluating pension plan provisions;
- Evaluating Deferred Retirement Option Plan (DROP) provisions.

## Strategic approaches:

- Work for legislation to meet the 30 year amortization requirement (increase in member contributions, increase the minimum retirement age, reduce COLA availability, increase the years used for final average salary, change DROP interest, contributions and minimum requirements, and balance discretionary health care solvency and contributions with pension contributions);
- Work with OP&F's actuarial consultant to study payroll growth rate, valuation interest rate and mortality rate assumptions to ensure they reflect current economic environment and adopt changes as necessary;
- Analyze changes in funding ratio and determine temporary and permanent impacts each year;
- Conduct a cost neutrality study of the DROP program;
- Implement changes as recommended by the asset and liability study and the investment structure review;
- Amend the benefit funding policy;
- Review the interest rate paid to accounts in DROP;
- Incorporate recommendations from Contribution Rate Adequacy study;
- Examine Cost of Living Adjustment (COLA) formula;
- Examine the re-employed retiree benefit calculation against other plan provision offerings;
- Review joint and survivor annuity options available and recommend for changes;
- Implement portable alpha strategies within the investment portfolio;
- Explore new value-added investment strategies.
- Explore new value-added investment strategies.

## 2. Preserve a discretionary health care option for eligible members

## Goals:

- Redesign the sponsored health care plan to streamline benefit offerings and reduce internal administration;
- Maintain a minimum projected 15-year solvency period for the health care stabilization fund without jeopardizing the pension funding status;

## Strategic approaches:

- Evaluate and model scenarios for health care plan provision changes;
- Eliminate the use of HMO providers;
- Review subsidy levels each year and adjust accordingly;
- Examine eligibility requirements for participation;
- Establish a retiree medical trust program, and propose appropriate legislation;
- Propose legislation to cap the Medicare B reimbursements;
- Examine using contributing versus paid-time for time eligibility requirements;
- Amend the Board of Trustee's Health Care Funding Policy.

*Update Jan. 1, 2019: The Board voted to get out of the self-funded insurance business and provide a stipend to eligible members for use to purchase healthcare plans on an exchange. This change extended the healthcare solvency to 15 years which ties to the strategic goals established.*

## 3. Enhance Service and Education Levels to our Membership

## Goals:

- Enhance service and communication levels to OP&F membership;
- Enhance benefit formulas where feasible and affordable;
- Enhance education opportunities available for OP&F members;
- Improve OP&F's understanding of occupational diseases and management of related illnesses;
- Refine training programs and resources for OP&F staff.

## Strategic approaches:

- Establish metrics on responding to member inquiries;
- Use technology to increase the levels of service and communication to both our active and retired membership;



- Conduct a customer satisfaction survey. Analyze results and work to strengthen areas indicated as weak or missing;
- Study pension benefit formulas and analyze opportunities for improved plan provisions;
- Employ the member education group to educate the membership;
- Create informational videos to assist in areas of education;
- Explore alternative methods of education such as mid-career seminars;
- Analyze member inquiries on a quarterly basis to determine if any issues exist or improvements in communication or education levels are warranted;
- Conduct a cancer research project and implement recommended education, communication, and other corrective actions as deemed appropriate;
- Provide consistent training sessions and follow-up training as needed;
- Complete a member forms and correspondence review.

*4. Enhance Service and Education Levels to our Employers*  
Goals:

- Enhance service levels to OP&F employers;
- Enhance education opportunities available for OP&F employers.

Strategic approaches:

- Establish an education certification program;
- Employ the employer education group to educate our employers on compliance and reducing penalties;
- Update the employer education manual and distribute to employers;
- Establish metrics on responding to employer inquiries;
- Analyze employer inquiries on a quarterly basis to determine any improvement in communication or education levels;
- Conduct an employer satisfaction survey. Analyze results and work to strengthen areas indicated as weak or missing;
- Use technology to increase the amount of data exchanged with employers;
- Complete an employer forms and correspondence review.

*5. Improve Organizational Effectiveness and Efficiencies*  
Goals:

- Control the cost of the administrative operating expenses;
- Integrate the annual budget process with the long-term objectives;
- Reengineer processes to achieve efficiencies;
- Maintain qualified staff.

Strategic approaches:

- Continue to monitor method used to ensure control of administrative operating expenses;
- Implement audit recommendations;
- Review organizational structure annually for necessary realignment;
- Maintain industry-leading technology for staff;
- Continue to perform bottom-up budget analysis when creating the fund budgets;
- Continue to perform work group process studies to identify operating improvements;
- Perform annual critical job audits on positions identified annually by department directors;
- Analysis of career ladders and grade changes;
- Review organizational processes to evaluate areas for efficiencies and enhance communication within the fund;
- Continue to evaluate employee benefits to assist in maintaining qualified staff while meeting fund objectives.

*6. Advocate and Manage External Change to assist OP&F in achieving its Long-Term Objectives*  
Goals:

- Remain active in Social Security reform debate and potential impacts;
- Implement new legislation to ensure compliance;
- Monitor employer budgets for changes;
- Understand workers compensation offset;
- Protect assets against inflationary changes;
- Understand OP&F membership.

Strategic approaches:

- Propose legislation to change ORC 742.16 to add a projection period to the 30-year amortization requirement that will minimize plan provision changes due to market volatility;



- Keep current on all pending and new legislation to ensure compliance can occur when enacted;
- Attend local, regional and state group meetings related to member topics;
- Implement global inflation protected securities mandate;
- Explore real asset investments;
- Seek employer and/or monitor employer financial status.

### *7. Accelerate Employer Payments and Improve Employer Reporting Compliance*

#### Goals:

- Accelerate payments due from employers;
- Ensure member and employer contribution reporting and payments are on time and accurate according to OP&F reporting requirements.

#### Strategic approaches:

- Escalate problem employers;
- Certify employers with past due balances through an efficient and consistent process with the county of residence;
- Increase participation in the Automated Clearing House program for employer payments;
- Increase participation in the electronic reporting of member contribution payroll reports;
- Provide employers with a Web-based contribution reporting and payment system;
- Require employers to report using the standard OP&F approved reporting forms;
- Improve the internal process for posting payrolls to the reporting system;
- Study the need for employer billing;
- Establish and implement an Employer Advisory Group (EAG) with active employers;
- Establish a ruling and appeals committee for past due contribution reporting and payment penalties.

## Budget Structure

OP&F has three distinct budgets:

1. Total Plan Assets Budget;
2. Administrative Operating Budget; and
3. Capital Outlay Budget.

The Executive Director, Deputy Executive Director and Controller are responsible for preparing the all budgets. The basis of budgeting each of the budget expense line items and plan assets categories is the combination of the analysis set forth in the asset allocation, financial forecast study, historical experience, operating needs and goals established internally and externally. OP&F uses external specialized consultants and actuaries to prepare studies that analyze trends, growth rates and legislation consistent with OP&F operations in order to predict plan additions and deductions.

The annual Administrative Operating Budget is one piece of the Total Plan Assets Budget, which is the responsibility of each individual Department Director. Each Department Director is responsible for preparing their departmental budget based on the goals set forth for the coming fiscal year and must be done following a prescribed format. The individual department budgets are then combined to create the Administrative Operating Budget. This should include baseline or continuation budget items and initiatives. The Capital Outlay Budget is prepared with the combined efforts of the information systems and project management staff that survey and assess capital needs and priorities.

### Baseline or Continuation Items

OP&F starts the Administrative Operating Budget with a budget based on continuation of current levels of staffing and services. This continuation budget contains no consultant contracts excluding those with on-going retainer relationship (auditing, actuarial, legislative relations, legal and investments). It does contain the first seven months actual expenses incurred by OP&F by department and category and in addition to the remaining five months of the prior year budgeted expenses. An adjustment is then made for non-recurring items or one-time expenses from last year's budget.

### Initiatives

Initiatives represent resources other than those currently utilized in the continuation budget that will be required to

either address the current workload placed upon OP&F, begin to put into place the groundwork for easing future workloads or for improving future service or statutory deliverables.

Each Department Director is required to assess departmental needs, which are linked to OP&F's short-term and long-term goals. This planning stage is converted into initiatives during the budget process, allocating time, money and resources to achieve the overall goal.

Initiatives must be fully justified when presented to the Executive Director and must align with the overall direction of OP&F. Initiatives are then presented to their respective committee for approval before inclusion in the overall annual budget.

### Capital Outlay

Capital expenditures for OP&F are included in the separate Capital Outlay Budget and include purchases of computer hardware and software, projects, furniture, equipment, building improvements and other related items. Items costing \$5,000 or greater or have an estimated useful life in excess of one year will be budgeted to the capital accounts and depreciated on a straight-line basis. Major capital projects are also capitalized and typically involve software and hardware initiatives.

The purchase of a capital item is recorded directly to the asset account and then to the fixed asset system so that tracking and depreciation can begin. This will allow OP&F to periodically expense the cost of these items over their useful life as part of the depreciation expense line item. The straight-line method is used for all assets. Asset useful lives range from 3 to 10 years for office furniture, computers and equipment. The Fund uses 40 years for building and improvements. These assets are also tracked in detail in the Fixed Asset Accounting System for inventory and depreciation purposes. For more details on the capital planning please see the Capital Outlay Budget section of this book.

### Budget production, preparation and adoption

In late July, individual and group meetings will occur between the Executive Director, Board Trustees, Department Directors, Controller and Budget Assistants to communicate linkages in the budget across departments and establish broad goals for measuring the results. During these meetings the Executive Director will establish budget directives for all departments. These directives summarize the initial goals of the operating budget so that the individual departments have a uniform starting point.

The first budget request will include three parts 1) current operating needs 2) proposed initiatives that address our highest priority goals and objectives and 3) an examination of the current baseline needs.

In early August, the Controller will communicate to the Department Directors their baseline budget for the year, the prescribed format and the deadline for submitting their portion of the budget. The Deputy Executive Director and Human Resource Manager will also make salary budget guideline recommendations to the Administration Committee. This includes estimated number of new hires and a salary increase assumption.

In September, department directors formulate individual department budgets for submission to the various Board Committees. Prior to the committee presentations, each Department Director will present their proposed budget to the Executive Director and Deputy Executive Director. The Controller and Deputy Executive Director present the Total Plan Assets Budget to the Executive Director.

During these meetings, each department presents their requests to the Executive Management team and gives any additional information necessary to justify increases or planned initiatives. A thorough review is done on each baseline adjustment made by the departments versus the baseline prepared by the Finance Department.

Once all departmental meetings are complete, each directive is reviewed to determine if they were accomplished, next decisions are made by the Executive Director as to which items will be included in the proposed budget. This information is then formally communicated to the individual departments.

Then in October, all departmental budgets will be presented to the various committees for their input and approval. Committee members are given a chance to hear the proposed budget and make recommendations for change or to approve or disapprove the budget. Once approved, the budget moves

to the Finance Committee. If the committee disapproves a particular department budget item, then a special meeting will be held in an effort to achieve a consensus between the Committee and the Executive Director.

In November, once the individual department budgets are combined, the Finance Committee members then review the entire Total Plan Assets Budget, which includes the Administrative Operating Budget approved by the various committees. The Finance Committee then recommends that the package be presented to the entire Board of Trustees for approval. The Finance Committee is comprised of three Trustee members, the Executive Director and the Deputy Executive Director. If the Board is ready to vote on the Budget it will vote and approve at the November Board meeting.

### **Budget distribution**

The approved budget will be submitted to all Department Directors, Budget Assistants, the Ohio Retirement Study Council and other interested parties as requested, similar to that of the Comprehensive Annual Financial Report.

### **Budget Amendments**

The approved budget can be amended in two ways:

#### *1. Budget Transfers*

Budget transfers are usually related to the Administrative Operating Budget and are due to necessary changes in allocation of expense account line items, departmental transfers, change in concept or period changes due to project or initiatives timing. Budget transfers do not result in a dollar increase or decrease from the approved budget, rather they are movements between budget categories already approved. Transfers between different account line items need the Executive Directors signature. Budget transfers between OP&F's three separate budgets do not occur. All transfers require the signature of the Department Directors, Deputy Executive Director and Controller.

#### *2. Budget Changes*

Budget changes are also related to the Administrative Operating Budget. When the budget is approved, final details of a major project may not be available for submission. Because of this, a project would then be submitted through the normal approval channels at a later time. Changes usually result in a dollar increase in the approved budget. These material changes are taken back to the Finance Committee for approval.

### **Budget oversight**

The Controller and Departmental Budget Assistants will analyze budget-to-actual administrative operating expenses and total plan assets on an as needed basis.

Departmental Budget Assistants will first analyze variances in the administrative budget on a year-to-date plan level and determine all categories that are less than 80 percent or greater than 120 percent of the budget and differ by more than \$1,000 for materiality purposes. Then each operating initiative will be analyzed. Initiatives must be monitored regularly to ensure completion of planned items.

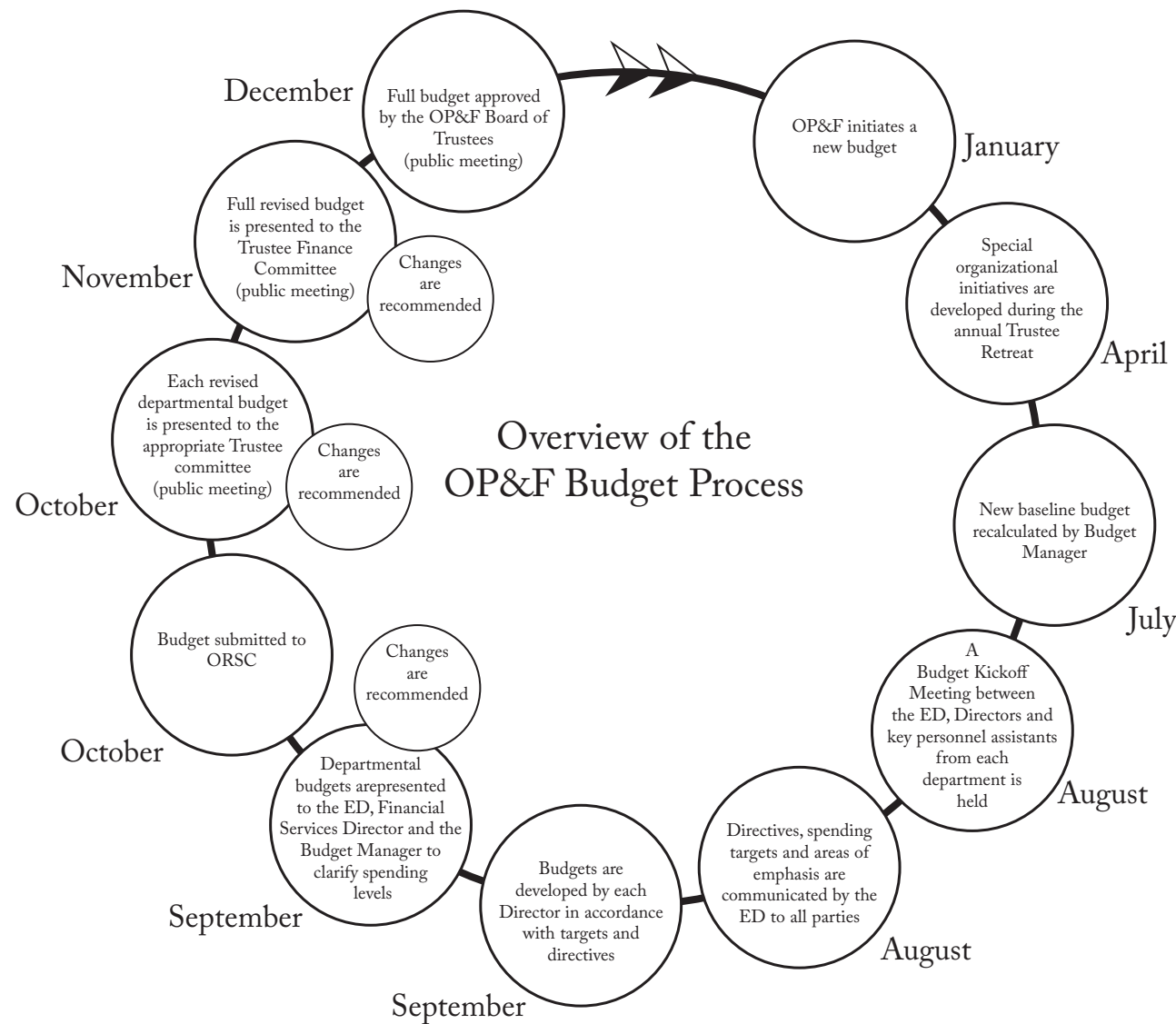
Once these determinations are made, the Departmental Budget Assistants will be responsible for determining the reasons for the variances for their respective areas and work with their respective area to determine the reasons and need for additional money for the remainder of the year. If there are areas under budget in a particular area, then a determination is made as to what is not getting accomplished to ensure goals are being accomplished.

OP&F has a procurement system, which serves as an additional control to isolate budget variances prior to the department approving the expenditure. This procurement system has a zero tolerance between the individual department request and the approval of expenditures. When the department requests an item to be purchased or a service to be rendered, they must enter a requisition into the procurement system based on the budget category line item and the department's designated individual must authorize the requisition against the budget loaded at the beginning of the year. If there is insufficient money in the budget category, the department must request a budget transfer prior to authorizing the expense. This process has improved the monitoring of budget to actual expenses rather than waiting until formal reporting channels highlight the budget variance issues.

The Controller will also analyze the entire Total Plan Assets Budget and Capital Outlay Budget on a monthly basis, above and beyond the variance levels, to ensure line items are properly recorded and reported. Any notable areas or instances will be reported to the Deputy Executive Director for guidance and resolution. In addition, the Controller schedules meetings, locations and gathers pertinent data for each budget presentation.

The results of the budget-to-actual Total Plan Assets Budget and Capital Outlay Budget will be presented to the Finance Committee quarterly.

Overview of Budgeting Process





## Reserve and Fund Balances

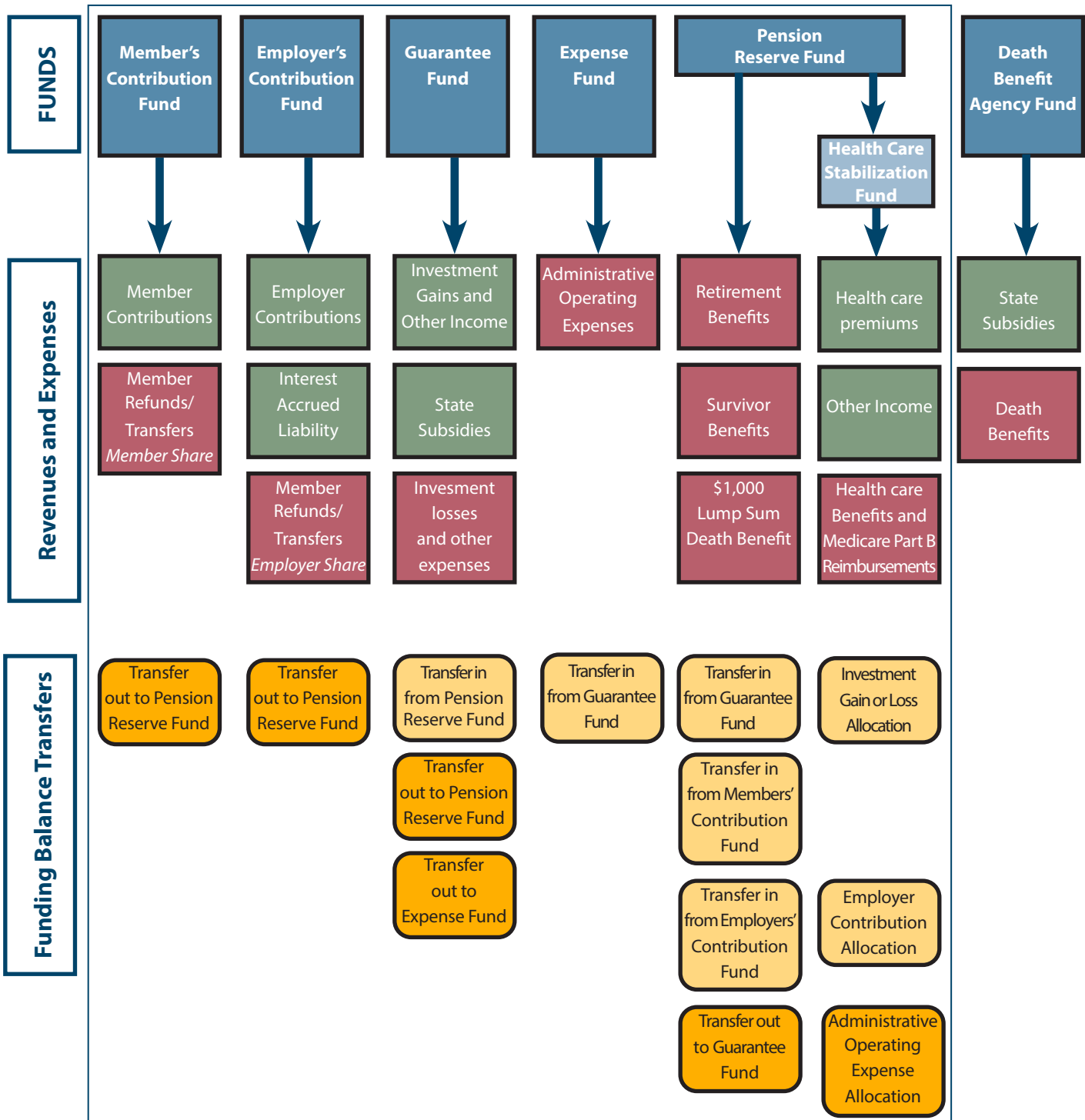
	Members' Contribution Funds	Employers' Contribution Funds	Annuitant and Pension Reserve Funds	Guarantee Fund	Expense Fund	Death Benefit Fund	Totals	
							2018	2017
<b>FUND BALANCE AT</b>								
<b>BEGINNING OF YEAR:</b>	<b>\$2,861,229,299</b>	<b>\$1,535,290,494</b>	<b>\$11,499,182,000</b>	<b>\$—</b>	<b>\$—</b>	<b>\$—</b>	<b>\$15,895,701,793</b>	<b>\$14,584,042,955</b>
GASB 75 adjustment:			(7,047,680)				(7,047,680)	
<b>Changes for the year:</b>								
<b>Contributions:</b>								
Employers	—	489,632,826	—	—	—	—	489,632,826	472,919,207
Members	295,472,374	—	—	—	—	—	295,472,374	282,006,792
Medical benefits	—	—	—	73,156,768	—	—	73,156,768	74,450,891
State of Ohio subsidies	—	—	—	300,811	—	—	300,811	346,475
Death Benefit Fund	—	—	—	—	—	—	—	—
Investment income	—	—	—	(436,355,851)	—	—	(436,355,851)	1,974,971,325
Interest on local funds' receivable	—	910,982	—	—	—	—	910,982	952,196
Other income	—	—	—	24,016,582	—	—	24,016,582	27,568,036
<b>Benefits:</b>								
Retirement	—	—	(749,166,773)	—	—	—	(749,166,773)	(710,330,998)
Disability	—	—	(254,363,281)	—	—	—	(254,363,281)	(251,973,779)
Health care	—	—	(217,862,957)	—	—	—	(217,862,957)	(193,595,036)
Survivor	—	—	(89,742,094)	—	—	—	(89,742,094)	(86,881,880)
Death Benefit Fund	—	—	—	—	—	—	—	—
DROP	—	—	(203,062,525)	—	—	—	(203,062,525)	(186,463,832)
Administrative expenses	—	—	—	—	(68,278,221)	—	(68,278,221)	(71,621,972)
Refund of member contributions (18,273,823)	—	—	—	—	—	—	(18,273,823)	(20,603,956)
Other expenses	—	—	—	(196,128)	—	—	(196,128)	(84,631)
Transfers	(132,586,171)	(2,317,336,178)	2,042,566,310	339,077,818	68,278,221	—	—	—
Net Changes	144,612,380	(1,826,792,370)	521,321,000	—	—	—	(1,160,858,990)	1,311,658,838
<b>FUND BALANCE AT</b>								
<b>END OF YEAR:</b>	<b>\$3,005,841,679</b>	<b>\$(291,501,876)</b>	<b>\$12,020,503,000</b>	<b>\$—</b>	<b>\$—</b>	<b>\$—</b>	<b>\$14,734,842,803</b>	<b>\$15,895,701,793</b>
<b>Projected Fund Balances:</b>								
... as of 12/31/2019F	\$3,197,505,879	\$(129,501,776)	\$12,856,780,335	\$—	\$—	\$—	\$15,924,784,438	2019 Forecast
... as of 12/31/2020	\$3,397,392,679	\$46,844,824	\$13,022,982,144	\$—	\$—	\$—	\$16,467,219,647	2020 Budget

See Reserve and Fund Balances section for a narrative explanation.

## Funding Structure

### Ohio Police & Fire Pension Fund Funding Structure

Police officers' and firefighters' reserve funds





# Total Plan Assets Budget

Annual Budget for Fiscal year 2020

Ohio  
Police  
& Fire Pension  
Fund

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## Projected Changes in Total Plan Assets Budget

Budget Fund or Category	2020 Budget	2019 Forecast	2020 Budget vs. 2019 Forecast		2019 Budget
			\$ Variance	% Variance	
<b>Contribution Income:</b>					
Member Contributions	\$297,886,800	\$289,265,100	\$8,621,700	3.0%	\$287,808,600
Employer Contributions	525,496,600	511,150,000	14,346,600	2.8%	507,717,900
Member Purchases and Transfers-In	18,000,000	13,080,800	4,919,200	37.6%	18,000,000
State of Ohio - Subsidies	260,000	260,488	(488)	-0.2%	300,000
Health Care Contributions	—	525,044	(525,044)	-100.0%	500,300
<b>TOTAL CONTRIBUTION INCOME</b>	<b>841,643,400</b>	<b>814,281,432</b>	<b>27,361,968</b>	<b>3.4%</b>	<b>814,326,800</b>
<b>Investment Income * ROR</b>					
	<b>8.00%</b>	<b>11.75%</b>			<b>8.00%</b>
Gain (Loss) on Investments	818,200,000	1,461,720,200	(643,520,200)	-44.0%	812,500,000
Interest Income	138,000,000	124,651,600	13,348,400	10.7%	130,000,000
Dividend Income	147,000,000	171,765,700	(24,765,700)	-14.4%	186,000,000
Allocated Income	125,000,000	116,015,700	8,984,300	7.7%	135,000,000
Other Investment Income	23,800,000	30,462,500	(6,662,500)	-21.9%	16,500,000
<b>TOTAL INVESTMENT INCOME</b>	<b>1,252,000,000</b>	<b>1,904,615,700</b>	<b>(652,615,700)</b>	<b>-34.3%</b>	<b>1,280,000,000</b>
<b>OTHER INCOME</b>					
Interest on Employers' Liability	850,000	850,100	(100)	0.0%	880,000
Other Income	50,000	21,625,070	(21,575,070)	-99.8%	100,000
<b>TOTAL OTHER INCOME</b>	<b>900,000</b>	<b>22,475,170</b>	<b>(21,575,170)</b>	<b>-96.0%</b>	<b>980,000</b>
<b>TOTAL ADDITIONS</b>	<b>\$2,094,543,400</b>	<b>\$2,741,372,302</b>	<b>\$(646,828,902)</b>	<b>-23.6%</b>	<b>\$2,095,306,800</b>
<b>Benefit Expenditures:</b>					
Retirement Benefits	\$792,375,300	782,609,200	\$9,766,100	1.2%	\$773,606,000
Disability Benefits	257,148,300	256,755,100	393,200	0.2%	253,016,900
Survivor Benefits	92,934,800	91,930,000	1,004,800	1.1%	90,374,300
DROP Withdrawals	220,000,000	248,207,000	(28,207,000)	-11.4%	200,000,000
Health Care Benefits	95,009,600	86,654,000	8,355,600	9.6%	108,625,700
<b>TOTAL BENEFIT EXPENDITURES</b>	<b>1,457,468,000</b>	<b>1,466,155,300</b>	<b>(8,687,300)</b>	<b>-0.6%</b>	<b>1,425,622,900</b>
<b>Administrative Expenditures:</b>					
Personnel Services	17,113,714	15,062,571	2,051,143	13.6%	16,520,302
Work Environment	4,244,806	3,829,319	415,487	10.9%	4,071,978
Professional Services	55,981,671	54,324,177	1,657,494	3.1%	56,671,640
<b>ADMIN. EXPENSE BEFORE DEPRECIATION</b>	<b>77,340,191</b>	<b>73,216,067</b>	<b>4,124,124</b>	<b>5.6%</b>	<b>77,263,920</b>
Depreciation Expense - Capital	1,200,000	1,146,700	53,300	4.6%	1,101,101
<b>TOTAL ADMINISTRATIVE EXPENSE</b>	<b>78,540,191</b>	<b>74,362,767</b>	<b>4,177,424</b>	<b>5.6%</b>	<b>78,365,021</b>
<b>Other Expenditures:</b>					
Member Refunds	16,000,000	10,681,700	5,318,300	49.8%	16,000,000
Other Expenses	100,000	230,900	(130,900)	-56.7%	100,000
<b>TOTAL OTHER EXPENDITURES</b>	<b>16,100,000</b>	<b>10,912,600</b>	<b>5,187,400</b>	<b>47.5%</b>	<b>16,100,000</b>
<b>TOTAL EXPENDITURES</b>	<b>\$1,552,108,191</b>	<b>\$1,551,430,667</b>	<b>\$677,524</b>	<b>0.0%</b>	<b>\$1,520,087,921</b>
<b>Beg. of Year Plan Net Assets**:</b>					
	<b>\$15,924,784,438</b>	<b>\$14,734,842,803</b>	<b>\$1,189,941,635</b>	<b>8.1%</b>	<b>\$16,038,247,247</b>
Pensions	15,085,105,741	13,941,056,807	1,144,048,934	8.2%	15,159,169,257
Health care	839,678,697	793,785,996	45,892,701	5.8%	879,077,990
<b>Current Year Increase (Decrease)</b>	<b>542,435,209</b>	<b>1,189,941,635</b>	<b>(647,506,426)</b>	<b>-54.4%</b>	<b>575,218,879</b>
<b>End of Year Plan Net Assets</b>					
	<b>\$16,467,219,647</b>	<b>\$15,924,784,438</b>	<b>\$542,435,209</b>	<b>3.4%</b>	<b>\$16,613,466,126</b>
Pensions	15,646,335,501	15,085,105,741	571,819,726	3.8%	15,763,197,463
Health care	820,884,146	839,678,697	(29,384,517)	-3.5%	850,268,663

\* In 2019 and 2020, investment income is budgeted to be 8.00% of expected Beginning of Year Assets.

\*\* Balances Beginning of Year 2020 are based on the 2019 Ending Forecast Balances

\*\*\* 2019 Total Forecast = 2019 January - August Actual + 2019 September - December Forecast



## Total Plan Assets Budget Review

The Total Plan Assets Budget Review is an outline of the recommended total plan assets budget for 2020. This analysis will highlight the formulation of the budget and the variances between the 2020 budget compared to the 2019 actual forecast and the 2019 approved budget. OP&F budgets for all plan additions and deductions using a variety of assumptions including; active and retired membership rolls, observed trends in previous years, known upcoming future impacts on experiences (economic and legislative), an investment rate of return in line with the actuarial rate of 8.0 percent, and other known activities. The purpose of this budget is to have a functional financial plan for the primary purpose of analyzing financial statements throughout the year. Having this financial plan allows OP&F to monitor benefit payment and contribution receipt levels and it will help highlight when items fall outside the assumption levels.

OP&F is anticipating a beginning net asset balance and a market value of \$15.9 billion as of December 31, 2019. For the year 2020, OP&F is budgeting for a net asset increase of approximately \$542.4 million. The budgeted end of year net plan asset balance of \$16.5 billion equates to a \$16.0 billion market value of assets as of Dec. 31, 2020. These figures are based on estimating an 11.75 percent return on investments in 2019 and assuming an 8.0 growth rate of the

beginning of the year market value in 2020. Actual results will vary with the actual direction of the financial markets during the remainder of 2019 and during 2020. This is unlike the other categories in this budget which some are more precise and predictable and vary with contribution and benefit experiences beyond what is expected and not based on a specific target.

Contributions for employers and members are based primarily on the total annual payroll for all of OP&F's estimated 926 multiple employers. OP&F is projecting \$2.432 billion in annual payroll compared to \$2.349 billion or a 3.5 percent increase from the 2019 budget. This is calculated by taking the estimated 29,485 membership times the \$82,473 average annual member salary which equates to the \$2.432 billion in projected members payroll. The increase in the membership rolls from the 2019 budget and the average annual salaries paid to existing members are the major components of the base for contributions.

Active membership is expected to increase to 29,485 from 28,603 or 3.1 percent and the average annual salary is expected to increase by 0.4 percent for the 2020 budget year. This budget will subsequently reflect a 2.8 percent increase in employer contributions budget and a 3.0 percent increase in member contributions when compared to the 2019 actual forecast.

## Plan Additions

### Employer Contributions

#### Employers share of contributions – 19.5 percent for police / 24 percent for fire

OP&F is budgeting for employer contributions to increase in 2020 by 2.8 percent to \$525.5 million compared to the 2019 actual forecast of \$511.2 million. The 2020 budget equates to a 3.5 percent increase versus the 2019 budget. This attributed to a 3.1 percent increase in active members than budgeted in 2019 along with the 0.4 percent average annual salary increase.

Historically, employer contributions have fluctuated from a high of 9.1 percent growth rate in 2000 to a decrease of 1.6 percent in 2011. The expected five year average change rate increased from 2.6 percent to 3.2 percent last year.

### Member Contributions

#### Members share of contributions 12.25 percent, for both police and fire

An increase of 3.0 percent to \$297.9 million in 2020 over a 2019 actual forecast of \$289.2 million is being budgeted. Although membership counts overall are expected to increase to 29,485 members, the average annual salary increased 0.4 percent within the budget. The 2020 budget for this category is 3.5 percent higher than the 2019 budget. This contributions category also includes \$18 million in estimated member purchases of prior service credit and transferring in from other Ohio retirement systems.

Member contributions have fluctuated from an increased high of 11 percent growth rate in 2002 to a low of negative 2.4 percent in 2010. The five year average growth rate is 6.9 percent which is down from 8.6 percent last year. This is due to the changes in how DROP is accounted within the financial statements. We have not had 5 years of the change so the percentages reflect this.

## State of Ohio – Subsidies

### State contributions to fund certain legislated increases in benefits

For 2020, we have budgeted \$260,000 for state subsidies. This is based on a declining membership population for which OP&F receives subsidized contributions from the State of Ohio.

## Health Care Contributions

### Benefit recipients' contributions/premiums to the cost of their health care

With the change to how OP&F provides healthcare, there are no healthcare premium contributions being budgeted for 2020. We had a small group held over for 2019 for 6 months. This is not part of the 2020 budget.

#### Contribution Income (in thousands)

Contribution type	2020 Budget		2019 Forecast*		2018 Actual		2017 Actual		2016 Actual	
Employer Contributions	\$525,497	2.8%	\$511,150	2.6%	\$489,633	3.5%	\$472,919	1.6%	\$465,454	6.10%
Member Contributions	297,887	3.0%	289,265	2.6%	276,675	-1.9%	282,007	5.0%	268,594	9.30%
Member Purchases/Transfer In	18,000	37.6%	13,081	100.0%	18,797	**	**	**	**	**
State of Ohio - Subsidies	260	0.0%	260	-13.6%	301	-13.0%	346	-13.1%	398	-11.60%
Health Care Premiums	0	-100.0%	525	-99.3%	73,157	-1.7%	74,451	1.8%	73,162	2.80%
<b>Total Contributions</b>	<b>\$841,644</b>	<b>3.4%</b>	<b>\$814,281</b>	<b>-5.2%</b>	<b>\$858,563</b>	<b>3.5%</b>	<b>\$829,723</b>	<b>2.7%</b>	<b>\$807,608</b>	<b>4.70%</b>

\*2019 Actual forecast is based upon actual data thru August, 2019, projected through Dec. 31, 2019.

\*\* Prior to 2018, Member Purchases and Transfer in were part of the member contribution column.

## Investment Income

Represents realized and unrealized gains and losses on the sale of investments, unrealized appreciation and depreciation on investments held, interest, dividends and allocated income, as well as other investment income which includes securities lending.

As of September, 2019, OP&F is estimating an 11.75 percent rate of return on investments for the year ending Dec. 31, 2019. For purposes of this budget, beginning of the year market value of investments is estimated to grow based on the actuarial rate of 8.0 percent. This equates to a budget of approximately \$1.252 billion in 2020 for the investment income category. This assumption is based upon an estimated beginning plan net asset balance and an estimated beginning market value of \$15.9 billion on Jan. 1, 2019.

Due to volatility in the financial markets and changes in the allocation of the Fund's assets, these numbers can fluctuate dramatically from one year to the next. Please see the analysis below for additional information related to investment income trends.

The past five years has shown actual rates of return between our low of -1.78 percent in 2018 to a high of 14.3 percent in 2017. The 30 year annualized return equates to an 8.57 percent return as of Sept. 30, 2019, based on the actual experiences and an estimate for 2018. OP&F will continue to target the 8.0 percent actuarial rate for purposes of budgeting until such a time as that rate is changed by the Board of Trustees. This allows staff to report and monitor results that vary from that target.

### Gain (Loss) on Investments

This reflects the realized gains and losses and unrealized appreciation and depreciation on our investments. Realized gains and losses are specifically tied to general market forces and investment performance. In addition, they are related to manager transitions and other specific buy and sell transactions. The unrealized portion of our investment income is also tied to general market forces and investment performance. However, this category is the gain or loss on securities that OP&F is currently holding in our investment portfolio. OP&F is budgeting for \$818.2 million net gain on investments in 2020. OP&F takes a steady approach in predicting asset growth at the actuarial percentage rate of 8.0 percent. This is done in an effort to manage our overall fiscal plan compared to the actuarial rate of return and not attempt to predict future market returns.

*Interest and Dividend Income*

This category typically runs consistent with historical trends and is tied to the mix of investments between equities and fixed income products. Accordingly we have budgeted figures for 2020 to be consistent with trends observed as well as future trends in asset allocation. Master limited partnership income is included in this category which relates to the 2019 forecast figure.

*Allocated Income*

This line item contains income from our commingled real estate, venture capital, and commercial mortgage investment holdings. We are planning for allocated income to decrease in 2020 compared with the 2019 actual forecast.

*Other Investment Income*

This category includes securities lending income, interest on commercial paper and international cash equivalents as well as miscellaneous income from security litigation settlements and other miscellaneous investment transactions.

Investment Income (in thousands)	2020 Budget	2019 Forecast*	2018 Actual	2017 Actual	2016 Actual
<b>Investment Return</b>	<b>8.00%</b>	<b>11.75%</b>	<b>-1.78%</b>	<b>14.30%</b>	<b>11.50%</b>
Gain (Loss) on Investments	\$818,200	\$1,461,720	\$(940,327)	\$1,583,661	\$1,005,589
Fixed Income Interest	138,000	124,652	127,119	128,448	126,577
Dividend Income	147,000	171,766	190,292	98,642	88,140
Allocated Income	125,000	116,015	157,353	152,511	139,961
Other Interest Income	23,800	30,463	29,208	11,709	2,870
<b>Total Investment Income</b>	<b>\$1,252,000</b>	<b>\$1,904,616</b>	<b>\$(436,355)</b>	<b>\$1,974,971</b>	<b>\$1,363,137</b>

\*2019 Actual forecast is based upon actual data thru August, 2019, projected through Dec. 31, 2019. The gain (loss) on investments line item will vary heavily on year-end financial market results

**Interest on Employers' Liability**

Represents the long-term employer unfunded accrued liability to be paid off based on pre-determined amortization periods scheduled through the year 2035.

A budget of \$850 thousand in 2020 is estimated for the interest on employer's liability based on the current accrued liability amortization schedules. This line item will continue to decline over time as the scheduled interest payments for employer's that have a long-term accrued liability continue to decrease with the principal amount due.

**Other Income**

This category has been impacted by the OP&F health care change. OP&F no longer budgets for health care recoveries, rebates and Medicare Part D reimbursements. Other income includes budgeted dollars for penalties and interest on late reporting and payment of employer contributions, as well as fines for late reporting of pre-employment physicals.

In 2020 we are budgeting approximately \$900 thousand to reflect the changes in the category. This is down from the 2019 forecast \$22.5 million.

Benefits	2020 Budget	2019 Forecast*	2018 Actual	2017 Actual	2016 Actual
Interest on Employer's Liability	\$850 0.0%	\$850 -6.7%	\$911 -4.3%	\$952 -3.6%	\$988 -4.30%
Other Income	50 -99.8%	21,625 -10.0%	24,017 -12.9%	27,568 -21.0%	34,878 -17.10%
<b>Other Income</b>	<b>\$900 -96.0%</b>	<b>\$22,475 -9.8%</b>	<b>\$24,928 -12.6%</b>	<b>\$28,520 -20.5%</b>	<b>\$35,866 -16.20%</b>

\*2019 Actual forecast is based upon actual data thru August, 2019, projected through Dec. 31, 2019, and the health care expectations based on the actuarial assessments.

## Plan Deductions

### Pension Benefits *(Service, Disability and Survivor benefits paid to members and survivors)*

Benefits for retirees and survivors are expected to increase to \$1.142 billion in 2020 over 2019 actual forecast of \$1.131 billion. This is a 1.0 percent increase from the 2019 actual forecast and a 2.2 percent increase over the 2019 budget. There is a 3 percent cost-of-living adjustment for those eligible and due to the pension legislation changes many members will not receive increases until certain age and service requirements are met.

Pension benefits	2020 Budget		2019 Forecast*		2018 Actual		2017 Actual		2016 Actual	
Service	\$792,375	1.2%	\$782,609	4.5%	\$749,167	5.5%	\$710,331	5.6%	\$672,598	5.5%
Disability	257,148	0.2%	256,755	0.9%	254,363	0.9%	251,974	1.2%	248,880	1.5%
Survivor	92,935	1.1%	91,930	2.4%	89,742	3.3%	86,882	2.7%	84,627	3.2%
<b>Total Benefits</b>	<b>\$1,142,458</b>	<b>1.0%</b>	<b>\$1,131,294</b>	<b>3.5%</b>	<b>\$1,093,272</b>	<b>4.2%</b>	<b>\$1,049,187</b>	<b>4.3%</b>	<b>\$1,006,105</b>	<b>4.2%</b>

(Shown in thousands) \*2019 Actual forecast is based upon actual data thru August, 2019, projected through Dec. 31, 2019 and scheduled cost-of-living adjustments

### DROP withdrawals *(Withdrawals of participants in the Deferred Retirement Option Plan (DROP))*

In 2020, we are anticipating withdrawals for DROP to decrease compared to the 2019 forecast. This is due to not having a full five years of data since the accounting change as a result of GASB 67. Members in this program have seen a major change to the interest rate and benefits accruing into their accounts since the 2013 changes went into effect. The 2020 budget amount is slightly larger than the 2019 budget.

DROP benefits	2020 Budget		2019 Forecast*		2018 Actual		2017 Actual		2016 Actual	
DROP Withdrawal	\$220,000	-11.4%	\$248,207	22.2%	\$203,063	8.9%	\$186,464	11.9%	\$166,662	3.6%

(Shown in thousands) \*2019 Actual forecast is based upon actual data thru August, 2019, projected through Dec. 31, 2019.

### Health Care Benefits *(Health Care coverage provided to members, dependents and survivors)*

Health care stipend payments are expected to be \$75 million in 2020. The budget also incorporates a \$20 million projected amount to be paid for Med B reimbursements for 2020. The budget for 2018 was \$212.5 million. This is a 55 percent decrease. Please see the last chart of this write-up for the entire health care stabilization fund budget.

Health care benefits	2020 Budget		2019 Forecast*		2018 Actual		2017 Actual		2016 Actual	
Health Care	\$75,010	12.1%	\$66,911	-66.2%	\$198,131	13.4%	\$174,649	-14.8%	\$204,983	7.2%
Medicare Part B	20,000	1.3%	19,743	0.1%	19,731	4.1%	18,946	2.1%	18,552	2.6%
<b>Total Health Care Benefits</b>	<b>\$95,010</b>	<b>9.6%</b>	<b>\$86,654</b>	<b>-60.2%</b>	<b>\$217,862</b>	<b>12.5%</b>	<b>\$193,595</b>	<b>-13.4%</b>	<b>\$223,535</b>	<b>6.8%</b>

(Shown in thousands) \*2019 Actual forecast is based upon actual data thru August, 2019, projected through Dec. 31, 2019.

### Administrative Expenses *See separate narrative regarding the Administrative Operating Budget.*

### Depreciation Expense *(Non-cash line item to recognize previously capitalized expenses)*

Depreciation expenditures are budgeted at \$1.2 million in 2020 which is a 4.6 percent increase compared to the 2019 actual forecast. This is based on prior year actual levels as well as future capital purchases through the capital budget.

Depreciation	2020 Budget		2019 Forecast*		2018 Actual		2017 Actual		2016 Actual	
Depreciation expenses	\$1,200	4.6%	\$1,147	17.5%	\$976	-23.9%	\$1,283	0.0%	\$1,554	-10.0%

(Shown in thousands) \*2019 Actual forecast is based upon actual data thru August, 2019, projected through Dec. 31, 2019.



**Member Refunds** *(Refund of member contributions due to the members withdrawal from OP&F)*

This category is an estimate of the amount of refunds OP&F expects to pay out to members in 2020. In 2020, OP&F is budgeting \$16 million in member refunds, which is slightly higher compared to the 2019 actual forecast of just under \$11 million.

**Other Expense** *(Miscellaneous expenses associated with plan administration)*

We are estimating \$100,000 for 2020 in other expenses based upon trends observed and the timing of doing routine write offs.

Other Expenditures	2020 Budget		2019 Forecast*		2018 Actual		2017 Actual		2016 Actual	
Member Refunds	\$16,000	49.8%	\$10,682	-41.5%	\$18,274	-11.3%	\$20,604	44.6%	\$14,253	-9.2%
Other Expense	100	-56.7%	231	17.9%	196	130.6%	85	-35.6%	132	-99.7%
<b>Other Expenditures</b>	<b>\$16,100</b>	<b>47.5%</b>	<b>\$10,913</b>	<b>-40.9%</b>	<b>\$18,470</b>	<b>-10.7%</b>	<b>\$20,689</b>	<b>43.8%</b>	<b>\$14,385</b>	<b>-49.5%</b>

(Shown in thousands) \*2019 Actual forecast is based upon actual data thru August, 2019, projected through Dec. 31, 2019.

**Health Care Stabilization Fund (HCSF) balances as of Dec. 31**

The below table is displayed for informational purposes only. As part of the budget process the health care stabilization fund is also budgeted. Components of this fund are budgeted based on experiences with enrollment, past cost histories, projected cost trends and other components are based on the employer contributions received and the investment earnings of the plan.

Benefits	2020 Budget	2019 Actual Forecast*	2018 Actual	2017 Actual	2016 Actual
<b>Beginning Balance on January 1</b>	<b>\$839,679</b>	<b>\$793,786</b>	<b>\$932,088</b>	<b>\$901,654</b>	<b>\$929,362</b>
Retiree Health Care Costs	(75,010)	(66,911)	(198,131)	(174,648)	(204,984)
Medicare Part B Reimbursement	(20,000)	(19,743)	(19,732)	(18,946)	(18,552)
Retiree Premium Contributions	-	525	73,157	74,451	73,162
Rebates and Recoveries	-	15,176	19,729	16,082	17,402
Medicare Part D Subsidies	-	6,403	3,717	8,023	10,454
Employer Contribution Allocation	12,159	11,805	11,338	10,871	10,709
Investment Return Allocation	64,056	98,728	(27,638)	115,417	84,899
Administrative Expense Allocation	-	(90)	(742)	(816)	(798)
<b>Projected Ending Balance as of Dec. 31</b>	<b>\$820,884</b>	<b>\$839,679</b>	<b>\$793,786</b>	<b>\$932,088</b>	<b>\$901,654</b>

(Shown in thousands)

Budgeted figures are based on the following assumptions:

- Employer Annual Covered Payroll Contributions allocation to the HCSF = 6.75% for 2010-2012; and 4.69% (Jan-May) and 2.85% (June-Dec) for 2013. Employer Annual Covered Payroll Contributions reduced to 0.5% Jan. 1, 2014.
- Investment Return Allocation to the HCSF is budgeted to equal the Actuarial Rate of Return of 8.0% for the year ending Dec. 31, 2020.

## Statement of Changes in Total Net Plan Assets

Budget Fund Or Category	2020 Budget	2019 Forecast	2019 Budget	% Difference	2018 Actual
<b>Annual Projected Additions</b>					
Employer contributions	\$525,496,600	\$511,150,000	\$507,717,900	0.7%	\$489,632,826
Member contributions	297,886,800	289,265,100	287,808,600	0.5%	276,675,009
Member purchases and transfers in	18,000,000	13,080,800	18,000,000	-27.3%	18,797,365
State of Ohio subsidies	260,000	260,488	300,000	-13.2%	300,811
Health care contributions	—	525,044	500,300	4.9%	73,156,768
Investment income	1,252,000,000	1,904,615,700	1,280,000,000	48.8%	(436,355,851)
Interest on employers' liabilities	850,000	850,100	880,000	-3.4%	910,982
Other income	50,000	21,625,070	100,000	21525.1%	24,016,582
<b>Total Additions</b>	<b>\$2,094,543,400</b>	<b>\$2,741,372,302</b>	<b>\$2,095,306,800</b>	<b>30.8%</b>	<b>\$447,134,492</b>
<b>Annual Projected Deductions</b>					
Pension Benefits	\$1,142,458,400	\$1,131,294,300	\$1,116,997,200	-1.3%	\$1,093,272,148
DROP Benefits and Interest	220,000,000	248,207,000	200,000,000	-24.1%	203,062,525
Health Care Benefits	95,009,600	86,654,000	108,625,700	20.2%	217,862,957
Administrative expenses, excluding capital	77,340,191	73,216,067	77,263,920	5.2%	67,302,346
Depreciation Expense	1,200,000	1,146,700	1,101,101	-4.1%	975,875
Refunds	16,000,000	10,681,700	16,000,000	33.2%	18,273,823
Other expense	100,000	230,900	100,000	-130.9%	196,128
<b>Total Deductions</b>	<b>\$1,552,108,191</b>	<b>\$1,551,430,667</b>	<b>\$1,520,087,921</b>	<b>-2.1%</b>	<b>\$1,600,945,802</b>
<b>Net Asset Increase</b>	<b>\$542,435,209</b>	<b>\$1,189,941,635</b>	<b>\$575,218,879</b>	<b>106.9%</b>	<b>\$(1,153,811,310)</b>
<b>Balances Beginning of Year*</b>					
Pension and other assets	\$15,085,105,741	\$13,941,056,807	\$15,159,169,257	-8.0%	\$14,956,566,324
Health Care Stabilization Fund	839,678,697	793,785,996	879,077,990	-9.7%	932,087,789
<b>Total Plan Assets Balance</b>	<b>\$15,924,784,438</b>	<b>\$14,734,842,803</b>	<b>\$16,038,247,247</b>	<b>-8.1%</b>	<b>\$15,888,654,113</b>
<b>Balances End of Year</b>					
Pension and other assets	\$15,646,335,501	\$15,085,105,741	\$15,763,197,463	-4.3%	\$13,941,056,807
Health Care Stabilization Fund	820,884,146	839,678,697	850,268,663	-1.2%	793,785,996
<b>Total Plan Assets Balance</b>	<b>\$16,467,219,647</b>	<b>\$15,924,784,438</b>	<b>\$16,613,466,126</b>	<b>-4.1%</b>	<b>\$14,734,842,803</b>

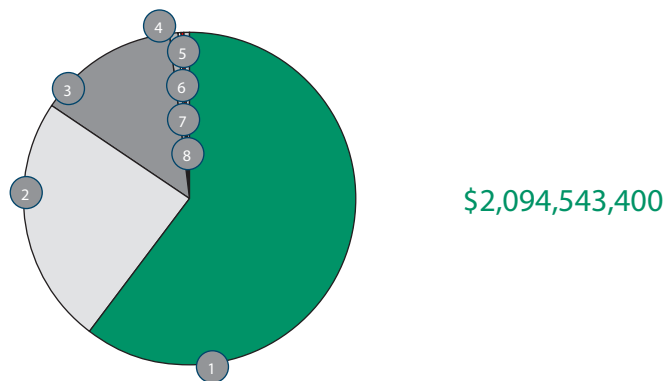
\*Opening balance has been adjusted to reflect market results and actual experiences in each category at the time the budget is prepared.

Annual Budget for Fiscal Year 2020 • TOTAL PLAN ASSETS BUDGET

2018 Budget	% Difference	2017 Actual	2017 Budget	% Difference	2016 Actual	2016 Budget	% Difference
\$508,006,740	-3.6%	\$472,919,207	\$464,155,342	1.9%	\$465,454,110	\$433,754,162	7.3%
287,972,354	-3.9%	282,006,793	267,614,435	5.4%	268,594,295	248,781,004	8.0%
15,000,000	25.3%						
340,000	-11.5%	346,475	380,000	-8.8%	398,161	430,000	-7.4%
75,850,968	-3.6%	74,450,891	79,415,701	-6.3%	73,161,967	77,495,130	-5.6%
1,238,400,000	-135.2%	1,974,971,325	1,196,250,000	65.1%	1,363,137,853	1,171,500,000	16.4%
920,000	-1.0%	952,196	985,000	-3.3%	988,996	1,020,000	-3.0%
28,003,934	-14.2%	27,568,036	25,925,414	6.3%	34,878,172	21,900,000	59.3%
<b>\$2,154,493,996</b>	<b>-79.2%</b>	<b>\$2,833,214,923</b>	<b>\$2,034,725,892</b>	<b>39.2%</b>	<b>\$2,206,613,554</b>	<b>\$1,954,880,296</b>	<b>12.9%</b>
\$1,082,999,140	-0.9%	\$1,049,186,657	\$1,028,875,092	-2.0%	\$1,006,104,806	\$973,805,833	-3.3%
200,000,000	-1.5%	186,463,832	218,122,954	14.5%	166,662,400	218,122,954	23.6%
212,539,971	-2.5%	193,595,036	244,027,659	20.7%	223,535,753	223,799,930	0.1%
72,460,060	7.1%	71,621,972	70,185,062	-2.0%	63,633,405	65,971,570	3.5%
1,344,000	27.4%		1,608,000	100.0%	1,554,329	1,610,000	3.5%
15,600,000	-17.1%	20,603,957	12,694,000	-62.3%	14,253,260	12,033,000	-18.5%
100,000	-96.1%	84,631	100,000	15.4%	132,184	100,000	-32.2%
<b>\$1,585,043,171</b>	<b>-1.0%</b>	<b>\$1,521,556,085</b>	<b>\$1,575,612,767</b>	<b>3.4%</b>	<b>\$1,475,876,137</b>	<b>\$1,495,443,287</b>	<b>1.3%</b>
<b>\$569,450,825</b>	<b>-302.6%</b>	<b>\$1,311,658,838</b>	<b>\$459,113,125</b>	<b>185.7%</b>	<b>\$730,737,417</b>	<b>\$459,437,009</b>	<b>59.1%</b>
\$13,735,100,304	8.9%	\$13,682,389,240	\$13,735,100,304	-0.4%	\$12,923,943,156	\$13,268,585,931	-2.6%
906,160,065	2.9%	901,653,715	902,180,074	-0.1%	929,362,382	949,823,131	-2.2%
<b>\$14,641,260,369</b>	<b>8.5%</b>	<b>\$14,584,042,955</b>	<b>\$14,637,280,378</b>	<b>-0.4%</b>	<b>\$13,853,305,538</b>	<b>\$14,218,409,062</b>	<b>-2.6%</b>
\$15,313,580,313	-9.0%	\$14,963,614,004	\$14,258,315,549	4.9%	\$13,682,389,240	\$13,770,597,321	-0.6%
874,457,834	-9.2%	932,087,789	838,077,953	11.2%	901,653,715	907,248,750	-0.6%
<b>\$16,188,038,147</b>	<b>-9.0%</b>	<b>\$15,895,701,793</b>	<b>\$15,096,393,502</b>	<b>5.3%</b>	<b>\$14,584,042,955</b>	<b>\$14,677,846,071</b>	<b>-0.6%</b>

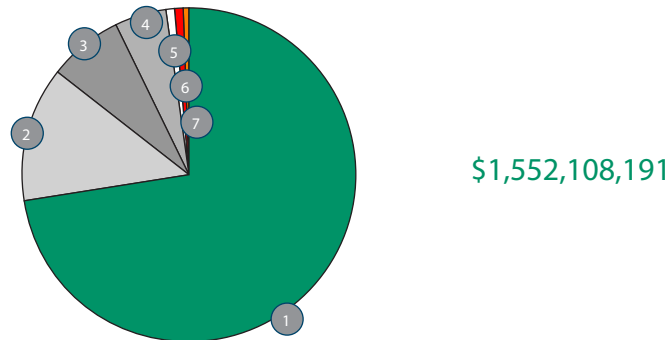
## 2020 Total Plan Assets Budget Revenues by Category

- 1 Investments: 59.8%, \$1,252,000,000
- 2 Employer Contributions: 25.1%, \$525,496,600
- 3 Member Contributions: 14.2%, \$297,886,800
- 4 Member Purchases/Transfers in: 0.9%, \$18,000,000
- 5 Employers' Interest: 0.0%, \$850,000
- 6 Health Care Contributions: 0.0%, \$0
- 7 State Subsidy: 0.0%, \$260,000
- 8 Other income: 0.0%, \$50,000

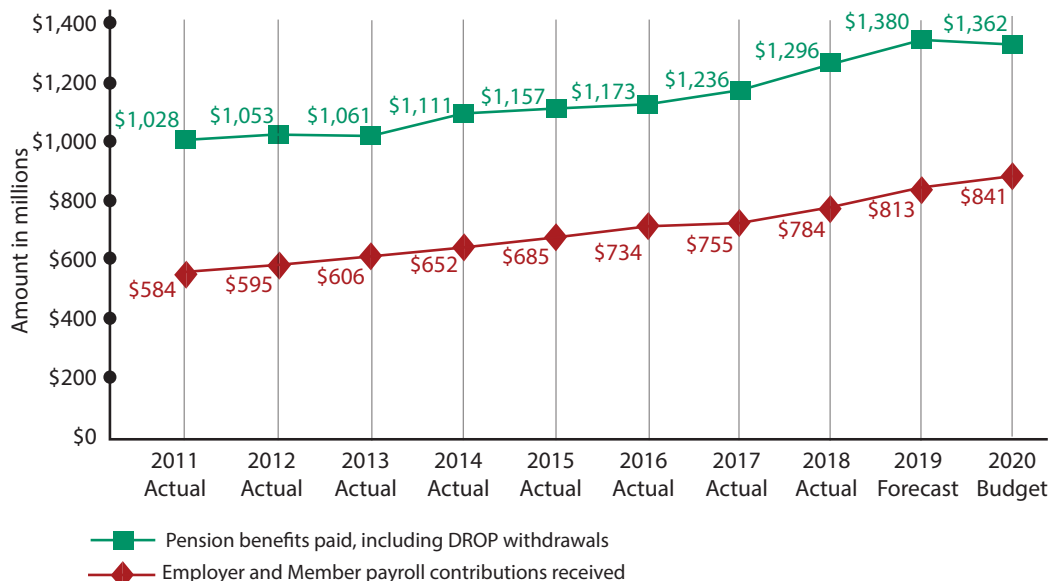


## 2020 Total Plan Assets Budget Expenses by Category

- 1 Pension Benefits: 73.6%, \$1,142,458,400
- 2 DROP: 14.2%, \$220,000,000
- 3 Health Care: 6.1%, \$95,009,600
- 4 Administrative: 5.0%, \$77,340,191
- 5 Refunds: 1.0%, \$16,000,000
- 6 Depreciation Expenses: 0.1%, \$1,200,000
- 7 Other Expenses: 0.0%, \$100,000



## 2011–2020 Employer and Member Contributions Received versus Pension Benefits Paid







# Capital Outlay Budget

Annual Budget for Fiscal year 2020

Ohio  
Police  
& Fire Pension  
Fund

140 East Town Street • Columbus, Ohio 43215  
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## 2020-2022 Capital Outlay Budget by Category

	Budget 2019	Projected Actual 2019	2020 - 2022 Budget			
			1st Year 2020	2nd Year 2021	3rd Year 2022	Three-Year Total
<b>Office Building</b>						
Carpet replacement	\$100,000	\$—	\$100,000	\$100,000	\$150,000	\$350,000
<b>Sub-Total</b>	<b>100,000</b>	<b>\$—</b>	<b>100,000</b>	<b>100,000</b>	<b>150,000</b>	<b>350,000</b>
<b>Furniture and Equipment</b>						
Office Furniture Replacement (OFR)	30,000	795	30,000	30,000	30,000	90,000
<b>Sub-Total</b>	<b>30,000</b>	<b>795</b>	<b>30,000</b>	<b>30,000</b>	<b>30,000</b>	<b>90,000</b>
<b>Computer Hardware / Software</b>						
PPC Replacements	200,000	230,276	50,000	75,000	150,000	275,000
Server/Network Replacements (Cisco)	250,000	224,773	175,000	100,000	250,000	525,000
Mobile Devices	13,200	12,096	13,200	6,600	6,600	26,400
Network Printers	8,000	—	8,000	8,000	8,000	24,000
Scanners for Imaging	20,000	748	5,000	10,000	10,000	25,000
V3 Change Orders	479,400	114,020	250,000	250,000	250,000	750,000
Vulnerability Assessment Product	30,000	—	30,000	—	—	30,000
Local Area Network (LAN) Segmentation	12,000	14,700	—	—	—	—
Web Application Firewall (WAF)	30,000	—	30,000	—	—	30,000
Mobile App and Communication Interface	96,000	—	—	—	—	—
Move All Member Records to FireProof	127,000	—	127,000	—	—	127,000
SQL/Server 2016 & SharePoint 2016 Project	285,000	124,553	160,447	—	—	160,447
OP&F Pension System	150,000	—	1,500,000	—	—	1,500,000
Replace ServicePro	25,000	—	25,000	—	—	25,000
Door Access Card Control Panel Upgrade	60,000	23,389	36,611	—	—	36,611
Boardroom Audio and Table Update	20,000	60,000	—	—	—	—
Microsoft Office Update	48,000	—	48,000	—	—	48,000
ACE Load Balance Replacement	40,000	—	40,000	—	—	40,000
New VM Server Infrastructure	125,000	77,075	—	—	—	—
Backup Server and Software Upgrade	—	—	148,000	—	—	148,000
Power Supply for Backup Door Systems	—	—	10,000	—	—	10,000
Purchase of SCCM 2019	—	—	30,000	—	—	30,000
Upgrade Audio/Visual Systems	—	—	30,000	—	—	30,000
<b>Sub-Total</b>	<b>2,018,600</b>	<b>881,630</b>	<b>2,716,258</b>	<b>449,600</b>	<b>674,600</b>	<b>3,840,458</b>
<b>TOTALS</b>	<b>\$2,148,600</b>	<b>\$882,425</b>	<b>\$2,846,258</b>	<b>\$579,600</b>	<b>\$854,600</b>	<b>\$4,280,458</b>



## Capital Outlay Budget

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The capital outlay budget allows OP&F to plan and manage for the financing of major fixed assets and capital projects by segregating these activities from the administrative operating budget. The budget is projected over a rolling three-year period beginning in 2020 and ending in 2022, the first capital budget was approved in 2005. The budget will be reviewed annually for changes based on priorities, technological advances and needs assessments.

While 2005 is the first year for the creation of the capital outlay budget, previous years capital budgets have been reallocated to this separate budget for comparison.

Capital assets will be recorded at cost and managed according to OP&F's internal Fixed Asset Accounting & Inventory Policy. Each asset will then be expensed through depreciation over a useful life period using the straight-line method. The useful life is determined based on warranty terms, historical experience, and expected experience.

Capital expenditures include purchases of computer hardware and software, projects, furniture, equipment, building improvements and other related items. Items costing \$5,000 or greater or have an estimated useful life in excess of one year will be budgeted to the capital accounts and depreciated on a straight-line basis. Major capital projects are also capitalized and typically involve software and hardware initiatives.

### Purpose of Separate Capital Budget

The dynamic nature of a capital budget will assist management with issues that previously arose when capital assets were planned in static administrative operating budget. Historically, OP&F experienced budget-spiking, delays in updating technology with the annual budget cycle and lacked the ability to communicate replacement cycles in dollars. The new environment will benefit OP&F long-term with assessing the needs of the organization, making timely adjustments, and planning for future acquisitions and cash requirements.

Obligations for future infrastructure needs will be segregated from routine operations and Fund management will be able to keep priorities and adjust priorities as needs and emergencies arise. In addition, cash outlays can be anticipated and projected for communication with our Investment Department.

This capital budget will meet OP&F's technology requirements and allow for financial planning of necessary purchases for our current PC's and server equipment. OP&F can purchase and maintain warranties on computer hardware items to extend the life cycle and eliminate the need for staff resources to make repairs and rebuild.

Within the timeframe of the capital budget, PCs will be on a five-year replacement schedule with the first three years being under warranty and the last two years on a replace-as-needed basis. This five-year schedule will allow OP&F to stay in the forefront of technology advances while at the same time decrease unnecessary spending and therefore save money. Due to security and technological advances in servers, all servers will be on a three-year replace-as-needed schedule.

Planning for capital outlay needs will help ensure that an effective inventory is kept on existing capital assets and replacement cycles. This will also help identify items that may not be living up to their expected life cycle due to wear, technology changes and reliability.

### Priorities for 2020

OP&F sets priorities for capital outlay based on the direction of the Executive Director, the Deputy Executive Director and the Board of Trustees. Factors that impact those priorities include the economy, technological needs and the work environment.

- Work on V3 Browser change orders as required
- Replace computer hardware according to the schedule or changes in priorities
- Upgrade software as requested to keep a secure and up-to-date work environment for staff
- Continue to research and implement solutions that enhance the security of the organization

## Depreciation Methods, Estimated Useful Lives and Salvage Values

Capitalized assets will be adjusted for accumulated depreciation over their economic useful lives based on the following schedule. Special consideration will be given to unusual assets or assets with particular circumstances surrounding their acquisition. Any special consideration will be fully documented in the accounting and inventory records.

Asset Type	# of Years	Method	Salvage Values
Automobiles	5 years	Straight-Line	\$0
Copiers	6 years	Straight-Line	\$0
Computer Hardware	2- 3 years	Straight-Line	\$0
Computer Software	3-10 years	Straight-Line	\$0
Land improvement	20 years	Straight-Line	\$0
Equipment	10 years	Straight-Line	\$0
Furniture and Fixtures	10 years	Straight-Line	\$0
Building and Improvements	40 years	Straight-Line	\$0
Other assets	2-6 years	Straight-Line	\$0

### New Initiatives for 2020:

#### Backup Server and Software Upgrade

##### Request

Purchase new backup software that is designed to integrate with our new virtual servers.

##### Result

Allows OP&F to stay on the most current technology and start utilizing private cloud storage for disaster recovery and business continuity.

#### Power Supply for Backup Door Systems

##### Request

Install new power supply attached to the battery backup and generators for the door system on floors: Lower Level, 1, 6, 7, 8, 9.

##### Result

This will allow all door functions to work in a power outage. This will also provide surge protection to the new door cards being installed.

#### Purchase of SCCM (System Center Configuration Manager) 2019

##### Request

Purchase of SCCM (System Center Configuration Manager) 2019 software.

##### Result

Upgraded process to roll out new software updates to PC's. The ability to manage all of our servers in one location. Deploy patches to each of our servers and track updates.

#### Upgrade Audio/Visual Systems

##### Request

Upgrade A/V due to end of life of systems in the Main Floor Training Room, UAT 9th Floor and UAT 8th floor.

##### Result

The Main Floor Training Room would be upgraded with a new projector and screen. Add ceiling speakers, one (1) handheld and one (1) wireless lavalier microphones. Add a panel which will allow for guest laptops to be connected to projection, as well as use OP&F pc in place.

- UAT 9th Floor add new projector with HDMI connections, one (1) ceiling mounted screen.
- UAT 8th Floor add 70" display with HDMI connections one (1) ceiling speaker.



**Review of 2019 Initiatives:****Move All Member Records to FireProof***Carryover 2020***Request**

Move all of the member files currently in the vault off-site to FireProof. Remove all of the shelving and reconfigure the vault for use as OP&F's printing/ mailing center.

**Result**

There are several positive results for this project:

- OP&F's paper member records will be stored in a single secure off-site location.
- The member records removed from the vault will be cataloged and indexed similarly to all of the documentation that are currently stored off-site at FireProof.
- The mailroom's environmental controls are insufficient for printing/stuffing. The Vault will provide the environment needed to produce mailings with minimal problems.
- OP&F will perform mailings printing in the vault instead of on the 8th floor. This will keep the paper at the correct temperature and humidity level and will reduce jamming and double stuffs. It will also eliminate transporting the paper from the 8th floor to the lower level.

**SQL Server 2016 & Share Point 2016 Project***Carryover 2020***Request**

Upgrade to the latest version of SharePoint and upgrade to SQL/Server 2016. This will keep OP&F on the current versions and will guarantee Microsoft support.

**Result**

Allows OP&F to stay on the most current version and maintain Microsoft support. There are also some new features that reduce the amount of effort required to install patches and updates to the environment. The new version of SharePoint also requires that we upgrade SQL/Server to the latest version. The SQL server upgrade will also be used by several other systems such as DAX and PAM.

**OP&F Pension System with RFP for Consultant Services***Carryover 2020***Request**

The goal of this initiative is to look in the current market place and determine if a new solution for OP&F's pension system is available. OP&F currently uses Vitech's V3 system version 9.8. In 2019, OP&F completed a fit gap analysis comparing Vitech V3 version 9.8 against Vitech V3 version 10, including V3locity and Vitech's cloud solution. After the fit gap analysis of Vitech was complete, it was determined while there are benefits to Vitech's version 10, it would be in OP&F's best interest to continue analysis of additional pension systems.

**Result**

OP&F plans to explore the market place through a Request for Proposal (RFP) to determine if new technology has become available in the pension arena. OP&F will research, review its findings and define a future strategy.

The funding amount is based on two needs:

1. Need for consulting services to drive the following services: IT and Business analysis; current and future state analysis; business and system requirements development; RFP writing; vendor selection; contract negotiation.
2. Need to add employees, as part of succession planning, so we have the right staff in place as development of requirements begin in January 2020. Staff needed: 1 Process/Project; 2 Business Analysts; 3 Developers.

**Replace ServicePro***Carryover 2020***Request**

The request is to find and purchase a best in class problem tracking software application. The ServicePro software used to log and track issues and their resolutions was first implement in 1999.

**Result**

Explore other problem tracking solutions and determine potential benefits over the existing product in use. Purchase of a new product should result in efficiencies.

### **Door access card control Panels upgrade**

*Carryover 2020*

#### **Request**

Upgrade the current Tyco/Johnson Control door control panels on floors 1, 6,7,8,9 and LL. The current system is at end of life and control boards are no longer available to purchase. Two boards have recently stopped working. We have one spare board currently on hand.

#### **Result**

Upgrading the door control panels will bring our system up to current standards and add reliability. It will also bring OP&F inline with the current system Newmark Knight Frank is installing for 140 Town Center.

### **Boardroom Audio and table update**

*Planned for completion, 2019*

#### **Request**

Update the microphone and audio system in the boardroom. Add electric to the top of the table so laptops and IPADs can easily be plugged in without having to go under the table

#### **Result**

Purchase new microphones will improve audio quality for the Board members and public attendees.

### **Microsoft Office Upgrade**

*Carryover 2020*

#### **Request**

Purchase Microsoft Office Professional Pro and upgrade users from Standard to Professional Pro. Current version does not support Email Archiving.

#### **Result**

Purchase of the newest version of office will allow for extended capabilities in other products used at the Fund, as well as be fully supported by Microsoft.

### **ACE Load Balancer Replacement**

*Carryover 2020*

#### **Request**

Replace the current Cisco Ace Load Balancer with Citrix NetScaler. This system balances the web traffic that comes into our V3 system for ESS and MSS sites. The ACE load balancer has reached end of life and Cisco is no longer doing development on this product.

#### **Result**

The new high performance load balancers will enable OP&F to use onsite as well as Cloud based solutions in the future. OP&F will be upgrading to the load balancers that were recommended by ViTech.

### **New VM Server Infrastructure**

*Completed 2019*

#### **Request**

Purchase new Virtual Machine hosts for the server room. The current virtualization is setup with standalone hosting. This project will begin the process of reworking the infrastructure and will continue as servers become end of life.

#### **Result**

The current Virtual Machine infrastructure does not provide failover safety when a host machine has a critical issue. The new clustered infrastructure will provide failover capability in the event of a Virtual Host machine going down.

## Review of 2018 Initiatives:

### Vulnerability Assessment Product

*Carryover 2020*

#### Request

Identify, select, purchase and implement a vulnerability assessment product.

#### Result

To help supplement the on-going Outside Security Assessments, the purchase of a Vulnerability assessment product (to be determined) is required. Some available choices include Tenable, Core Security, Rapid7 and Tripwire, with the option of an on-premise appliance or cloud subscription. This would enable monitoring, identifying and working towards resolving any vulnerabilities discovered during the assessments.

### Local Area Network (LAN) Segmentation

*Completed 2019*

#### Request

To ensure that the VOIP project performs well, along with reducing the broadcast domain size, better use of DHCP addressing and improving the security posture, LAN segmentation is required. This project would involve working with a consulting firm to help assess the current network, design the segmentation and ensure complete availability.

#### Result

This would provide a more efficient, stable and secure work environment.

### Web Application Firewall (WAF)

*Carryover 2020*

#### Request

A web application firewall (WAF) is an application firewall for HTTP applications. WAFs protect servers. WAFs may come in the form of an appliance, server plugin, or filter, and may be customized to an application. The effort to perform this customization can be significant and needs to be maintained as the application is modified.

#### Result

Protection from cross-site scripting, SQL injection, denial-of-service attacks, directory traversal and other abuses of the HTTP protocol and may also watch for request forgeries, misuse of valid authorization and other attempts to manipulate the behavior of web applications.

### Mobile App and Communication Interface

*Cancelled*

#### Request

OP&F met with representatives from The Ohio State University and DeVry University to determine what it would take to create an OP&F mobile application and potentially use their advanced student resources to create the application. The purpose of this discussion was to provide an overview of the project's goals and to discuss the infrastructure needed to support a mobile application. Following detailed discussions about OP&F's current infrastructure, it was determined that OP&F is missing a critical piece, a communication interface that sits between OP&F's data and the mobile application. The purpose of the communication interface is to get data from the various OP&F data sources, apply business rules, and then provide that data to the mobile application. Funds from this initiative would be used to hire a third party to help OP&F create the communications interface and to implement a mobile application.

#### Result

Once the communications interface has been created, OP&F would be able to move forward with mobile application development.

### V3 Contingency for Change Orders

*3-year planning cycle*

#### Request

To include a contingency plan for required programming of our pension administration system needs

#### Result

This contingency is for legislative changes and change orders.

### Computer Hardware Replacement Cycle

*3-year planning cycle*

#### Request

This recurring budget item represents Capital computer hardware related to PC, servers, scanners, network replacements, notebook computers and switch replacements.

#### Result

To include a contingency plan for computer hardware as replacements become necessary.

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## **New Carpet for all OP&F Floors**

*3-year planning cycle*

### **Request**

To furnish the necessary labor and material to demolish and haul from the existing carpet area, prep and skim sub floor. Furnish and install, by direct installation, new commercial 30oz., 12' wide carpet with new 4" vinyl base as required. The existing wood base will remain.

### **Result**

This will allow for an improved appearance of worn out carpet over the next three years.

## **Office Furniture Replacement**

*3-year planning cycle*

### **Request**

To include a budget allocation for furniture replacement as departmental needs arise. There are no specified furniture purchases at this time.

### **Result**

This will allow for improved function and appearance by replacing old and damaged furniture under a 3 year cost replacement cycle.





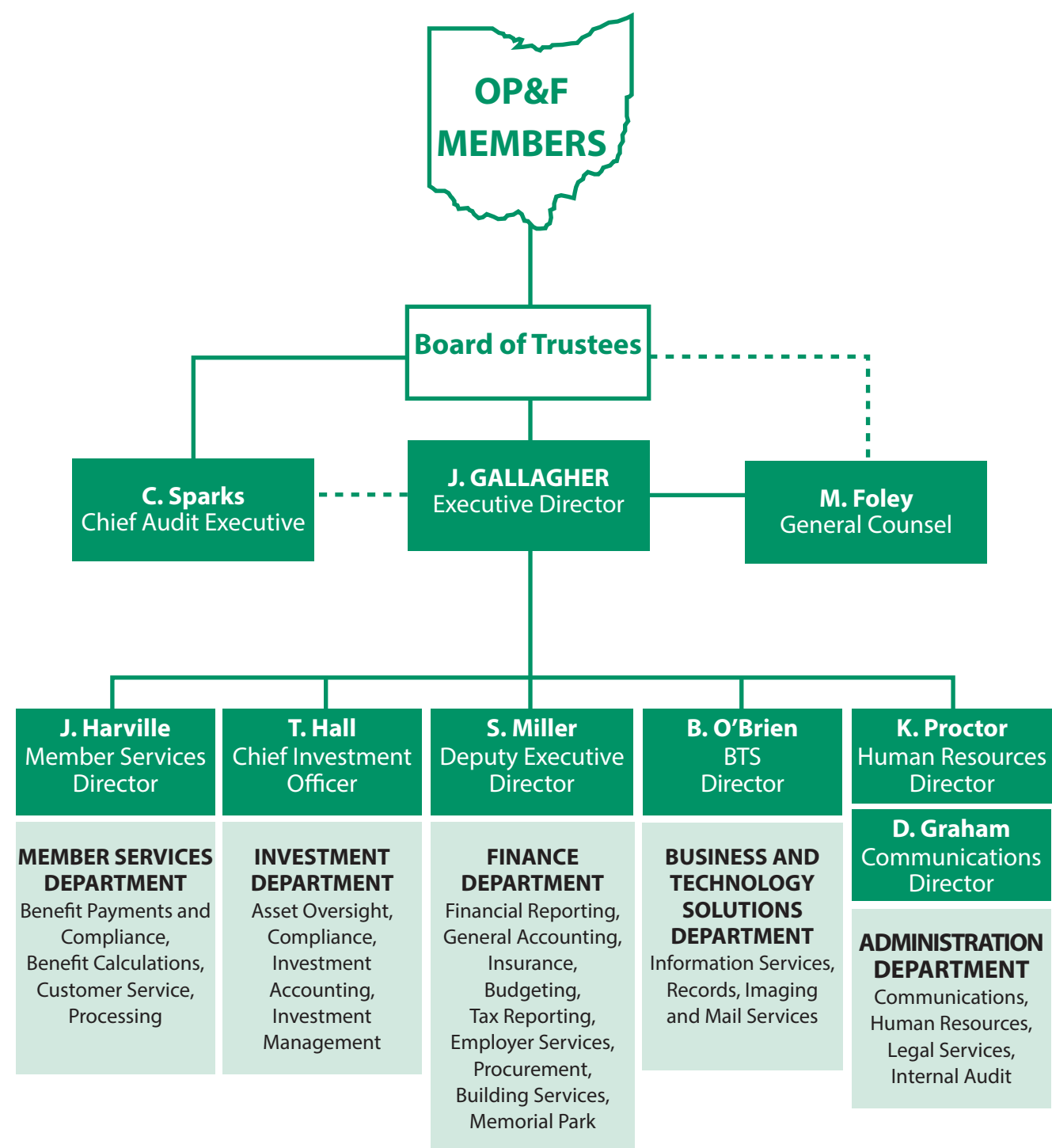
# Administrative Operating Budget

Annual Budget for Fiscal year 2020

Ohio  
Police  
& Fire Pension  
Fund

140 East Town Street • Columbus, Ohio 43215  
[www.op-f.org](http://www.op-f.org) • 1-888-864-8363

## OP&F Organizational Chart



## 2020 Total Administrative Operating Budget

Budget Category	2020 Budget	2019 Forecast	Variance \$ 2019 Forecast	Variance % 2019 Forecast	2019 Budget	Variance \$ 2019 Budget	Variance % 2019 Budget	2018 Actual
<b>Personnel Services</b>								
Salaries	\$11,207,298	\$10,059,792	\$1,147,505	11.4%	\$10,942,574	\$264,724	2.4%	\$10,205,425
Employee Benefits	4,078,443	3,303,220	775,223	23.5%	3,766,038	312,405	8.3%	2,609,681
Employer Payroll Expense	1,827,972	1,699,559	128,413	7.6%	1,811,690	16,282	0.9%	1,653,429
<b>Sub-Total</b>	<b>17,113,713</b>	<b>15,062,571</b>	<b>2,051,141</b>	<b>13.6%</b>	<b>16,520,302</b>	<b>593,411</b>	<b>3.6%</b>	<b>14,468,535</b>
<b>Work Environment</b>								
Office Rent	1,319,300	1,319,300	—	0.0%	1,242,000	77,300	6.2%	1,230,489
Maintenance and Repairs	1,236,500	1,130,926	105,574	9.3%	1,142,427	94,073	8.2%	1,107,534
Mailing Expense	279,000	266,398	12,602	4.7%	268,500	10,500	3.9%	245,251
Printing and Publications	106,500	106,630	(130)	-0.1%	104,500	2,000	1.9%	91,877
Office Supplies	94,500	81,356	13,144	16.2%	101,000	(6,500)	-6.4%	60,753
Office Equipment	175,500	138,821	36,679	26.4%	174,515	985	0.6%	109,586
Insurance Administrative	245,000	237,193	7,807	3.3%	239,000	6,000	2.5%	228,361
Recovery Plan	101,500	88,958	12,542	14.1%	101,500	—	0.0%	57,862
Contingency	100,000	—	100,000	—	100,000	—	0.0%	—
OP&F Sponsored Seminars	16,370	14,250	2,120	14.9%	14,250	2,120	14.9%	13,988
Business Travel	102,095	65,565	36,530	55.7%	111,595	(9,500)	-8.5%	54,544
Business Expense	69,845	46,522	23,323	50.1%	75,430	(5,585)	-7.4%	77,160
Trustee Training	22,045	740	21,305	2,879.3%	17,675	4,370	24.7%	12,723
Employee Training	159,095	116,623	42,472	36.4%	153,681	5,414	3.5%	66,062
Telephone Services	74,000	76,900	(2,900)	-3.8%	76,900	(2,900)	-3.8%	58,175
Dues and Subscriptions	111,206	109,161	2,045	1.9%	118,655	(7,449)	-6.3%	91,470
Miscellaneous Expenses	32,350	29,976	2,374	7.9%	30,350	2,000	6.6%	25,705
<b>Sub-Total</b>	<b>4,244,806</b>	<b>3,829,319</b>	<b>415,487</b>	<b>10.9%</b>	<b>4,071,978</b>	<b>172,828</b>	<b>4.2%</b>	<b>3,531,540</b>
<b>Outside Services</b>								
Investment Services	1,758,742	1,552,900	205,842	13.3%	1,577,083	181,659	11.5%	1,527,437
Bank Custody Fees	840,000	820,000	20,000	2.4%	900,000	(60,000)	-6.7%	863,953
Actuarial Services	350,000	277,400	72,600	26.2%	400,000	(50,000)	-12.5%	313,230
Audit Services	165,000	164,093	907	0.6%	165,000	—	0.0%	122,870
Legal Services	517,300	517,300	(0)	0.0%	517,300	—	0.0%	364,856
Disability Medical Service	604,100	595,377	8,723	1.5%	591,900	12,200	2.1%	504,488
Public Relation Consultants	50,000	—	50,000	—	50,000	—	0.0%	—
Bank Charges	81,480	81,928	(448)	-0.5%	78,720	2,760	3.5%	58,022
Ohio Retirement Study Council	710,000	78,576	631,424	803.6%	708,000	2,000	0.3%	52,104
Legislative Consultants	87,000	87,000	—	0.0%	87,000	—	0.0%	87,000
Personnel Recruitment	54,340	36,908	17,432	47.2%	54,340	—	0.0%	2,311
Temporary Employees	62,400	72,937	(10,537)	-14.4%	—	62,400	—	23,401
Health Care Consultants	—	—	—	—	—	—	—	—
Other Professional Service	483,835	339,758	(144,077)	142%	426,585	57,250	0%	171,875
<b>Sub-Total</b>	<b>5,764,197</b>	<b>4,624,177</b>	<b>851,866</b>	<b>18.4%</b>	<b>5,555,928</b>	<b>208,269</b>	<b>3.7%</b>	<b>4,091,547</b>
<b>Total Before Investment</b>								
<b>Management Fees</b>	<b>27,122,716</b>	<b>23,516,068</b>	<b>3,318,495</b>	<b>14.1%</b>	<b>26,148,208</b>	<b>974,508</b>	<b>3.7%</b>	<b>22,091,622</b>
Investment Mgt. Fees	50,217,475	49,700,000	517,475	1.0%	51,115,712	(898,237)	-1.8%	45,342,369
<b>TOTAL OPERATING</b>	<b>\$77,340,191</b>	<b>\$73,216,068</b>	<b>\$4,124,123</b>	<b>5.6%</b>	<b>\$77,263,920</b>	<b>\$76,271</b>	<b>0.1%</b>	<b>\$67,433,991</b>



## 2020 Total Administrative Operating Budget Review

This review will outline the recommended administrative operating budget for 2020. This analysis will highlight the formulation of the budget and the variances between the 2020 budget against the 2019 actual forecast and 2019 approved budget.

The 2019 Actual forecast column represents the anticipated actual expenditures for 2019. The 2020 Budget column includes new activities for 2020 and items that are anticipated or estimated to be spent in 2020, regardless of the spending level in 2019. Both comparisons must be shown to explain the entire set budget variances and changes. The actual forecast is calculated one of two ways; 1) by the department reviewing and calculating what is projected to be spent by the end of the year or 2) for routine operating categories the first six months actual was divided by six and multiplied by twelve to obtain an annualized calculation.

There is a 0.1 percent budget increase in the Administrative Operating Budget in 2020 to \$77.3 million compared to \$77.2 million in 2019 or a \$76 thousand increase. Operating costs are budgeted at a 3.7 percent increase or by \$208 thousand and investment service fees are budgeted to decrease 1.8 percent or by \$898 thousand in 2020.

By category the 0.1 percent increase can be broken down as 3.6 percent increase in personnel services, 4.2 percent increase related to work environment, and 3.7 percent increase in outside/professional services. OP&F is anticipating a 5.6 percent increase in the overall operating costs compared to the 2019 forecast.

### Salaries

Each year the Human Resources Manager calculates the salary and wage spending for the budget. This process begins in August by calculating the base wage spending level as of a pay date (August 23, 2019 was used for 2020 budget) for all filled positions. This figure is then adjusted for vacant positions that are not going to be eliminated in the following budget cycle. An amount is then calculated for the wage spending levels for merit, on-call pay, promotions, overtime, attrition, vacation and sick termination payouts and an amount for equity adjustments based on the Executive Directors direction. These items are as follows for the 2020 budget:

### Employee Benefits

An increase of 8.3 percent is anticipated from the 2019 budget. This is primarily related to the health care costs.

Benefit Description	Estimate
Health insurance	\$3,526,525
Group life insurance	56,964
Sick leave buyback program	286,596
Vacation buyback program	128,223
Parking/bus passes	3,060
Tuition reimbursement	56,000
Employee Activity Expense	21,075
<b>Total Employee Benefits</b>	<b>\$4,078,443</b>

### Salary and Wage Spending

\$ Estimate	Spending
<b>2019 Base Wage Spending Level</b>	
\$10,912,688	Wage Spending Level as of August 23, 2019 (148 full-time positions)
<b>2020 Additional Adjustments to Wage Spending Level</b>	
\$163,690	3 percent Average Merit Budget for eligible staff
2,600	On-call pays for Information Services support
29,638	Overtime estimate based on actual 2019 forecast and 2020 needs
(163,690)	Attrition savings for timing of open positions in 2020 and turnover
197,808	Longevity (\$100 per year of OP&F service, per staff member)
54,564	High performer/proficiency promotion, limited to known items in 2020
10,000	2020 Equity Budget
<b>\$11,207,298</b>	<b>TOTAL 2020 SALARY AND WAGE SPENDING LEVEL (148 full time employees)</b>

The 2019 actual forecast salaries are reflecting an 11.4 percent increase, which reflects the wage spending level for open positions throughout the year being filled by 2020, the proposed merit increase and two new headcount being added.



### **Employer Payroll Expense**

There is a 0.9 percent increase from the 2019 budget due increases in OPERS and Medicare costs due to the merit budget. This line also includes costs from workers compensation and unemployment.

### **Office Rent**

Includes an allowance for common area maintenance, plus additional amounts expected for end-of-year true up of building work orders and an additional amount to ensure increases in operating expenses (based on tenant occupancy rate) and utilities costs are covered if needed. The budget is a 6.2 percent increase from the 2019. The rent was flat for several years.

### **Maintenance and Repairs**

This category is budgeted to increase 8.2 percent compared to the 2019 budget. The increase is due to maintenance contracts projected for the upcoming year. The goal is to pay for maintenance agreements and only pay for repairs as a last resort.

### **Mailing Expense**

Mailing expenses are showing 3.9 percent increase from the 2019 budget. This amount is reflecting the anticipated mailing costs during 2020 and includes an increase in postage rates for 2020.

### **Printing and Publications**

Printing fees are expected to increase by 1.9 percent from the budget for 2019. This 2020 budgeted amount is also the projected costs based on the 2019 forecast.

### **Office Supplies**

The budget for 2019 is decreased by 6.4 percent from the previous budget. In the 2019 forecast we did not use as much as budgeted for 2019.

### **Office Equipment**

The 26.4 percent increase over our 2019 forecast variance reflects the fact that equipment is not purchased unless needed or broken. Computer software and hardware forecasted cost were less than expected.

### **Insurance Administrative**

A 2.5 percent increase from the 2019 budget. This is directly related to the insurance market conditions. The increase in budget is 3.3 percent when compared to the 2019 forecast.

### **Recovery Plan and Contingency**

The \$100,000 contingency is being budgeted.

### **OP&F Sponsored Seminars**

Seminars are estimated each year based upon expected training and site locations. The 14.9 percent increase over our 2019 actual forecast is due to project costs to be greater in 2020. The 2019 forecast is the same as the 2019 budget.

### **Business Travel**

The amount of travel in 2020 is expected to decrease 8.5 percent from the 2019 budget. This is related to the travel needs when projecting costs of travel. There is still a thorough approval process before any trips are taken.

### **Business Expense**

Business expenses are estimated so that funds are available based upon needs for the upcoming year. There is a 7.4 percent decrease when compared to the 2019 budget to account for the reduced costs.

### **Trustee Training**

Estimates are used to ensure that money is available when trips are approved. There is 24.7 percent increase to specific training requested for 2020. Very little training dollars were spent in 2019 but anticipate back to normal usage in 2020.

### **Employee Training**

Education, certification and conference travel were held to a minimum in the past several years. This account is expected to increase over 2019 budget by 3.5 percent. There is a 36 percent increase from the 2019 forecast due to the planned activities for 2020. In 2019, there were numerous planned training sessions that were budgeted but were not taken.

### **Telephone Services**

Telephone services are budgeted based upon averages for local, long-distance and dial-up services. This expense line is decreasing 3.8 percent the 2020 budget.

### **Dues and Subscriptions**

Expected to be 1.9 percent more than the 2019 forecast. This shows that only costs required were completed in 2019. The expense line is 6.3 percent less than the 2019 budgeted amount.

### Miscellaneous Expense

Estimated based upon the number of member/retiree guest visits and other miscellaneous items as necessary. For 2020, the budget requested is 6.6 more than the 2019 budget.

### Investment Services

The 11.5 percent increase from the 2019 budget and the 2019 actual forecast with an increase by 13.2 percent is based on a higher asset base to calculate the fees. The Fund is also investing in higher cost investments as part of its investment policy. Each investment category was carefully reviewed to establish the 2020 budget and its investment policy was approved by the Board.

### Bank Custody

There is a 6.7 percent decrease in fees compared to the 2019 budget. This is a 2.4 percent increase when compared to the 2019 forecast.

### Actuarial Services

Services in this area are 12.5 decreased for 2020. We have a new actuary that started in 2019. The actual cost were less due the transition and cost structure adjusted with new vendor.

### Audit Services

Audit services are expected to remain flat compared to the budget of 2019.

### Legal Services

This category remains the same as the 2019 budget.

### Disability Medical Services

This item is based on the number of members sent for exams and the consulting done by outside doctors. For 2020 there is a slight 2.1 percent increase compared to 2019.

### Public Relations Consultants

Money is being budgeted for this account for 2020. No dollars were allocated to the 2019 budget.

### Bank Charges

Commercial banking services are estimated based upon the prior year's averages and changes predicted in banking transactions. OP&F is expecting the line to increase by 3.5 percent from the 2019 budget.

### Ohio Retirement Study Council

ORSC fees based on the percentage of OP&F's plan assets compared to the total of the other Ohio Retirement Systems total plan assets. For 2020 there is a 0.3 percent increase from 2019 budget due our percentage of investment assets. For 2020, the fiduciary audit dollars from 2019 were carried forward since the audit is anticipated to be completed in 2020.

### Legislative Consultants

Retainer services are expected to remain flat for 2020.

### Personnel Recruitment

This account is used for advertising job vacancies in local newspapers and reference check services. We estimate each year the number of advertisements that may be needed based on historical turnover. For 2020 that amount remains the same budgeted in 2019.

### Other Professional Services

An increase of 13.4 percent in the 2020 budget from the 2019 budget. Three trustee elections are included as well as other fund-wide projects.

### Investment Management Fees

A decrease of 1.8 percent when comparing the 2019 budget to the 2020 budget. This being a large line item affects the overall budget more than the other categories.

## 2020 Budget Summary

Operating Costs	\$27,122,716	3.7% increase over 2019
Investment Management Fees	50,217,475	-1.8% decrease over 2019
<b>Total Operating Budget</b>	<b>\$77,340,191</b>	<b>0.1% increase over 2019</b>

## Operating Budget Highlights

### Fiduciary Plan Audit

The Ohio revised Code mandates that the Ohio Retirement Study Council (ORSC) shall have a fiduciary performance audit conducted at OP&F by an independent auditor at least every ten years. Six major areas will be reviewed: Board Governance and Administration; organizational Structure and Staffing; Investment Policy and Oversight; Legal Compliance; Risk Management and Controls; and IT Operations. OP&F is budgeting funds in the ORSC line item for the fiduciary audit that was moved to the 2020 budget. This was originally scheduled for 2019 but was not completed by the ORSC.

### Investment Services Fees

An increase of \$181,659, or 11.5 percent, over the 2019 budget. The fees for several service categories will increase by a total of \$32,779 due to contractually allowed inflation adjustments for consulting fees, analytical services, Bloomberg terminals, pricing services, and Iran/Sudan data feeds. Separately, we anticipate consulting fees will increase an additional 13.7 percent due to the inclusion of a new service to verify private market carried interest/performance fees. These increases are slightly offset by a \$1,120 reduction in research services due to a multiyear contract signed for global and geopolitical research.

### Custodial Fees

A decrease of \$60,000, or 6.7 percent, from the 2019 budget. These fees represent costs associated with the custody of our portfolio accounts and are generally based on the market value of the underlying securities and/or the level of account activity. The decrease is attributed mainly to lower domestic custody fees. We project the same international custody fees of \$660,000 for Northern Trust, and a drop in domestic custody fees to \$180,000 for Huntington National Bank. This category is somewhat tenuous as the Treasurer of State will be awarding new and/or extended custody contracts in the first half of 2020 so any potential change in fees is unknown at this time.

### Management Fees

A 1.8 percent, decrease in management fees versus our 2019 budget. This decrease is primarily due to lower estimated fees for international equities, high yield, and MLPs outweighing projected higher fees in U.S. equity and fixed income. The current long-term asset allocation policy, approved in mid-2017, calls for small reductions in domestic and international equities, a reduction in high yield, and increases in real estate, private markets, private credit and core fixed income. OP&F has reduced its exposures in U.S. and international equities and in high yield. Lower starting assets in U.S. equities is being offset by increased exposure to the relatively high fee Bridgewater global macro product. Meanwhile, active reductions to international equity combined with absolute negative performance of the class to result in a lower starting asset base. A significant withdrawal of assets from high yield negated the class's positive performance over the past year resulting in a lower starting asset base. MLPs turned in a very sluggish performance over the past year leaving the class with a lower starting asset base and thus lower projected fees.

### Maintenance and Repairs

\$1,188,050 – This is an 8.5 percent increase from the 2019 budget. This increase is due in part, to multi-year placeholders coming due for software renewals.

### Personnel Highlights

\$17,113,713 is budgeted and represents an increase of 3.6 percent increase from 2019. Included in the increase, is a proposed average 3.0 percent merit increase for eligible staff and an increase in expected employee health care costs of 8.8 percent. The total headcount to 148 full time staff.

## Administrative Operating Budget and Actual Comparison

Budget Category	Budget 2020	Forecast Actual 2019	Actual 2018	Budget % Change 2020–2019	% Overall Budget
Personnel Services	\$17,113,713	\$16,520,302	\$14,468,535	3.6%	22.1%
Work Environment	\$4,244,806	\$4,071,978	\$3,531,540	4.2%	5.5%
Outside Services	\$55,981,672	\$56,671,640	\$49,433,916	(1.2)%	72.4%
<b>TOTAL</b>	<b>\$77,340,191</b>	<b>\$77,263,920</b>	<b>\$67,433,991</b>	<b>0.1%</b>	<b>100.0%</b>

## Administrative Operating Summary Totals by Department

Operating Budget	2020 Budget	2019 Budget	\$ Change	% Change
Administration Department	\$7,094,129	\$6,667,347	\$426,782	6.4%
Finance Department	\$3,437,125	\$3,389,272	\$47,853	1.4%
Investment Department	\$5,110,111	\$4,916,708	\$193,403	3.9%
Investment Management Fees	\$50,217,475	\$51,115,712	\$(898,237)	–1.8%
Member Services Department	\$5,044,413	\$4,831,254	\$213,159	4.4%
Business Technology Solutions Department	\$6,331,333	\$6,236,842	\$94,491	1.5%
Trustees	\$105,605	\$106,785	\$(1,180)	–1.1%
<b>Total Budget Including Management Fees</b>	<b>\$ 77,340,191</b>	<b>\$77,263,920</b>	<b>\$76,271</b>	<b>0.1%</b>
<b>Total Operating Budget</b>	<b>\$ 27,122,716</b>	<b>\$26,148,208</b>	<b>\$974,508</b>	<b>3.7%</b>

## Personnel Position Changes, 2018-2020 (full-time only)

Year	Department	Budgeted Position	# of Positions
2020	Member Services	HRA Specialist	1
2020	Business and Tech. Solutions	Software Development	–1
<b>Position changes in 2020:</b>			<b>0</b>
2019	Finance	Employer Education Representative	1
2019	Investments	Investment Support Coordinator	1
<b>Position changes in 2019:</b>			<b>2</b>
2018	Administration	Admin. Assistant	–1
2018	Investments	Portfolio Specialist	1
2018	Investments	Sr. Investment Accountant	–1
2018	Business and Tech. Solutions	Admin. Support Supervisor	–1
<b>Position changes in 2018:</b>			<b>–2</b>

## Position Summary by Department (full-time equivalents)

	Administration	Finance	Investment	Bus./Tech. Solutions	Member Services	Total Full Time
2020	19	25	17	40	47	<b>148</b>
2019	19	25	17	41	46	<b>148</b>
2018	19	24	16	41	46	<b>146</b>



# Departmental Review

Annual Budget for Fiscal year 2020

*Administration Department*

*Finance Department*

*Business and Technology Solutions Department*

*Investment Department*

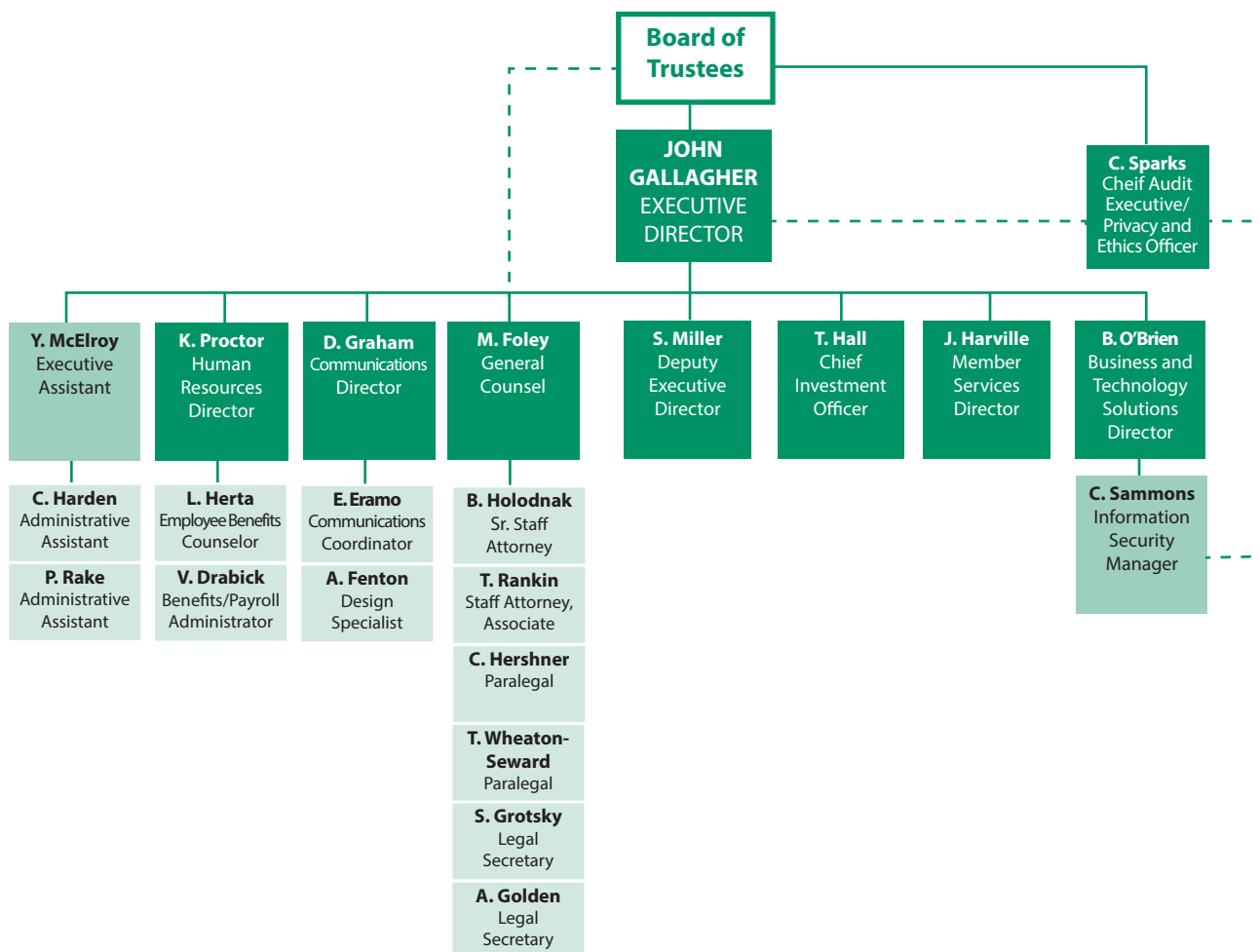
*Member Services Department*

*Board of Trustees*

**Ohio  
Police  
& Fire Pension  
Fund**

140 East Town Street • Columbus, Ohio 43215  
[www.op-f.org](http://www.op-f.org) • 1-888-864-8363

## Administration Department



Director

Manager/  
Supervisor

Staff

## Administration Department Budget

Budget Category	2020 Budget	2019 Forecast	Variance \$ 2019 Forecast	Variance % 2019 Forecast	2019 Budget	Variance \$ 2019 Budget	Variance % 2019 Budget	2018 Actual
<b>Personnel Services</b>								
Salaries	\$2,018,451	\$1,927,876	\$90,575	4.7%	\$1,930,051	\$88,401	4.6%	\$1,902,503
Employee Benefits	709,828	535,516	174,312	32.6%	611,561	98,267	16.1%	439,167
Employer Payroll Expense	361,408	342,609	18,799	5.5%	370,155	(8,747)	-2.4%	342,004
<b>Sub-Total</b>	<b>3,089,687</b>	<b>2,806,001</b>	<b>283,686</b>	<b>10.1%</b>	<b>2,911,767</b>	<b>177,920</b>	<b>6.1%</b>	<b>2,683,674</b>
<b>Work Environment</b>								
Office Rent	1,319,300	1,319,300	0	0.0%	1,242,000	77,300	6.2%	1,230,489
Maintenance and Repairs	48,450	37,250	11,200	30.1%	47,250	1,200	2.5%	23,610
Mailing Expense	279,000	266,398	12,602	4.7%	268,500	10,500	3.9%	245,251
Printing and Publications	106,500	106,630	(130)	-0.1%	104,500	2,000	1.9%	91,877
Office Supplies	94,500	81,356	13,144	16.2%	101,000	(6,500)	-6.4%	60,753
Office Equipment	85,000	77,000	8,000	10.4%	75,000	10,000	13.3%	57,651
Insurance Administrative	—	—	—	—	—	—	—	—
Recovery Plan	—	—	—	—	—	—	—	—
Contingency	100,000	—	100,000	—	100,000	—	0.0%	—
OP&F Sponsored Seminars	—	—	—	—	—	—	—	—
Business Travel	26,060	12,563	13,497	107.4%	25,520	540	2.1%	11,862
Business Expense	9,580	6,296	3,284	52.2%	9,280	300	3.2%	7,479
Trustee Training	—	—	—	—	—	—	—	—
Employee Training	65,350	30,053	35,297	117.4%	56,500	8,850	15.7%	27,332
Telephone Services	—	—	—	—	—	—	—	—
Dues and Subscriptions	62,272	56,514	5,758	10.2%	60,800	1,472	2.4%	54,291
Miscellaneous Expenses	14,800	13,728	1,072	7.8%	14,500	300	2.1%	11,400
<b>Sub-Total</b>	<b>2,210,812</b>	<b>2,007,088</b>	<b>203,724</b>	<b>10.2%</b>	<b>2,104,850</b>	<b>105,962</b>	<b>5.0%</b>	<b>1,821,995</b>
<b>Outside Services</b>								
Investment Services	—	—	—	—	—	—	—	—
Bank Custody Fees	—	—	—	—	—	—	—	—
Actuarial Services	—	—	—	—	—	—	—	—
Audit Services	—	—	—	—	—	—	—	—
Legal Services	517,300	517,300	(0)	0.0%	517,300	—	0.0%	364,856
Disability Medical Service	—	(20)	20	-100.0%	—	—	—	—
Public Relation Consultants	50,000	—	50,000	—	50,000	—	0.0%	—
Bank Charges	—	—	—	—	—	—	—	—
Ohio Retirement Study Council	710,000	78,576	631,424	803.6%	708,000	2,000	0.3%	52,104
Legislative Consultants	87,000	87,000	—	0.0%	87,000	—	0.0%	87,000
Personnel Recruitment	54,340	36,908	17,432	47.2%	54,340	—	0.0%	2,311
Temporary Employees	62,400	72,937	(10,537)	-14.4%	—	62,400	—	23,401
Health Care Consultants	—	—	—	—	—	—	—	—
Other Professional Service	312,590	234,090	78,500	33.5%	234,090	78,500	33.5%	121,379
<b>Sub-Total</b>	<b>1,793,630</b>	<b>1,026,791</b>	<b>766,839</b>	<b>74.7%</b>	<b>1,650,730</b>	<b>142,900</b>	<b>8.7%</b>	<b>651,051</b>
<b>Total Before Investment</b>								
<b>Management Fees</b>	<b>7,094,129</b>	<b>5,839,880</b>	<b>1,254,249</b>	<b>21.5%</b>	<b>6,667,347</b>	<b>426,782</b>	<b>6.4%</b>	<b>5,156,720</b>
Investment Mgt. Fees	—	—	—	—	—	—	—	—
<b>TOTAL OPERATING</b>	<b>\$7,094,129</b>	<b>\$5,839,880</b>	<b>\$1,254,249</b>	<b>21.5%</b>	<b>\$6,667,347</b>	<b>\$426,782</b>	<b>6.4%</b>	<b>\$5,156,720</b>



## Administration Budget

OP&F's Administration Department provides a wide variety of services to the Board of Trustees and other OP&F departments in the areas of human resources, general counsel, internal audit and communications. In addition to leading the entire organization, the Executive Director also oversees the Administration Department and coordinates external outreach with legislators and member organizations. He also serves as the direct line of contact between the Board of Trustees and OP&F staff.

The specific responsibilities of each area within the department include:

### Human Resources

Responsible for all personnel matters and human resources functions, including staffing, payroll, employee compensation and benefits, employee relations, performance management, training, and the Employee Activity Committee.

### General Counsel

The General Counsel serves as legal counsel to the Board of Trustees, Executive Director and all divisions of OP&F. General Counsel drafts and/or reviews all contracts entered into by OP&F as well as documents for the investment of OP&F funds. Legal oversees all litigation brought by or against OP&F, drafts and reviews rules and legislation and processes all court orders, powers of attorney and domestic property orders. General Counsel serves as the liaison to the office of the Ohio Attorney General and coordinates all special counsel assigned to the Board of Trustees.

### Internal Audit:

Internal Audit provides independent, objective assurance and consulting activities to improve management practices, identify operational improvements, and reduce OP&F's risk exposure. Internal Audit is responsible for auditing department procedures and processes and recommending alternative solutions and practices to lower risk and/or to increase efficiency.

### Communications

The Communications Group is responsible for public relations and media relations efforts. In addition, Communications produces all OP&F publications, forms and also is responsible for the content and updates to the OP&F website. Communications ensures that a consistent message and image is conveyed throughout these materials.



**Goals and Objectives**

1. Goal: Coordinate effective outreach efforts with legislators and member organization leaders.  
Objective: Provide OP&F information to all interested parties to keep them informed about OP&F activities.
2. Goal: Coordinate monthly meetings for full Board and Board committees.  
Objective: Coordinate the timely production and distribution of all Board materials.
3. Goal: Monitor status of pending legislation and legislation that has been enacted.  
Objective: Evaluate potential impact of pending legislation on OP&F operations and assist with the drafting or review of internal procedures or administrative rules to comply with all new legislation.
4. Goal: Maintain a work environment that supports teamwork, high performance, and continued learning.  
Objective: Encourage participation in professional development activities that include in-house training, online learning, position specific seminars and workshops, and professional certifications as appropriate. Provide performance feedback and coaching to encourage a highly performing workforce.
5. Goal: Provide legal oversight on all OP&F matters.  
Objective: Conduct legal reviews of all pending cases and make recommendations as needed to internal procedures and processes.
6. Goal: Facilitate and support OP&F's governance and risk management functions and improve the control environment to assure that OP&F can fulfill its mission and vision.  
Objective: Conduct audit engagements of critical or high-risk processes and consider consulting engagements or special projects at managements request for new/updated processes.
7. Goal: Allocate Internal Audit resources in an optimal and efficient manner to improve the effectiveness of the internal audit function.  
Objective: Perform an annual fund-wide operational risk assessment to prioritize audit resources to achieve the approve plan and conduct projects that add value to OP&F.
8. Goal: Provide a work environment that promotes a high performance workplace and the satisfaction of OP&F's staff with the work environment.  
Objective: Monitor building operations with the contracted building manager to maintain efficient building operations and a safe work environment.
9. Goal: Promote a consistent business image for OP&F based on member satisfaction and quality service.  
Objective: Develop communication materials that present a consistent image and message.

## Performance Measurements

Supports Goal #4	Actual 2018	Estimated 2019	Expected 2020	Type
In a given year, performance evaluations and feedback will be conducted for all OP&F staff hired prior to 9/30 of that year	100%	100%	100%	Output
Online Learning Center available for all staff	100%	100%	100%	Output

Supports Goal #5	Actual 2018	Estimated 2019	Expected 2020	Type
80% of Division of Property Order Acknowledgements sent within three days	100%	100%	100%	Output
95% of Division of Property Orders processed within 50 days. (10 days less than statutory deadline)	100%	100%	100%	Efficiency
Number of Division of Property Orders reviewed	200	210	205	Efficiency
50% of Powers of Attorney entered within two days of approval	100%	100%	100%	Efficiency
75% of special counsel information updated within two days of receipt	100%	100%	100%	Efficiency
80% of contract information entered same day as the the contract number is issued	100%	100%	100%	Output

Supports Goal #6	Actual 2018	Estimated 2019	Expected 2020	Type
Report the results of audit engagements and the status of management's corrective action plans to the Administration/ Audit Committee	Yes	Yes	Yes	Output
Provide training to OP&F staff on their responsibility to implement, monitor and maintain effective internal controls and quality assurance processes	Yes	Yes	Yes	Output
Facilitate the update of the Risk Management Policy		Yes	Yes	Output
Perform at least two consulting engagements or special projects during the year.	Yes	Yes	Yes	Output
Perform at least three audits during the year	Yes	Yes	Yes	Output

Supports Goal #7	Actual 2018	Estimated 2019	Expected 2020	Type
Develop and administer an electronic survey to better quantify perceptions of risk and supplement the current risk process.		Yes	Yes	Output
Present risk assessment results and proposed annual audit plan to the Administration/Audit Committee by January 2018	Yes	Yes	Yes	Output
Maintain an average satisfaction score from the engagement survey responses	Yes	Yes	Yes	Output

Supports Goal #8	Actual 2018	Estimated 2019	Expected 2020	Type
Number of publications revised and newly developed	34	34	35	Output

## Budget Category Summary

Budget Category	Budget 2020	Budget 2019	% Change 2019-2020	Actual 2018
Personnel Services	\$3,089,687	\$2,911,767	6.1%	\$2,683,674
Work Environment	2,210,812	2,104,850	5.0%	1,821,995
Outside Services	1,793,630	1,650,730	8.7%	651,051
<b>TOTAL</b>	<b>\$7,094,129</b>	<b>\$6,667,347</b>	<b>6.4%</b>	<b>\$5,156,720</b>

## Budget Category Explanations

### Personnel Services

This category reflects the salaries, employee benefits, and employer payroll expense of all Administration Department employees. A significant change from 2019 is an increase in Health Insurance of \$82,993 (19.4 percent).

### Work Environment

This category represents all expenses related to the Administration Department's work environment including; maintenance and repairs, equipment, supplies, training and travel, printing and publications and mailing costs. The most significant change from 2019 is the budget for Office Rent, which is increasing \$77,300 (6.2 percent).

### Outside Services

This category reflects all external professional services for the Administration Department. The Other Professional Services line item will increase \$78,500, or 33.5 percent in 2020 due to additional budgeting of fees for trustee elections and an internal audit risk assessment project.

## Personnel Projections

Category	2020	2019	2018
Exempt Salary	9	9	9
Non-Exempt Salary	10	10	10
<b>TOTAL FULL-TIME</b>	<b>19</b>	<b>19</b>	<b>19</b>

## Administration 2020 Initiatives

No initiatives planned for 2020

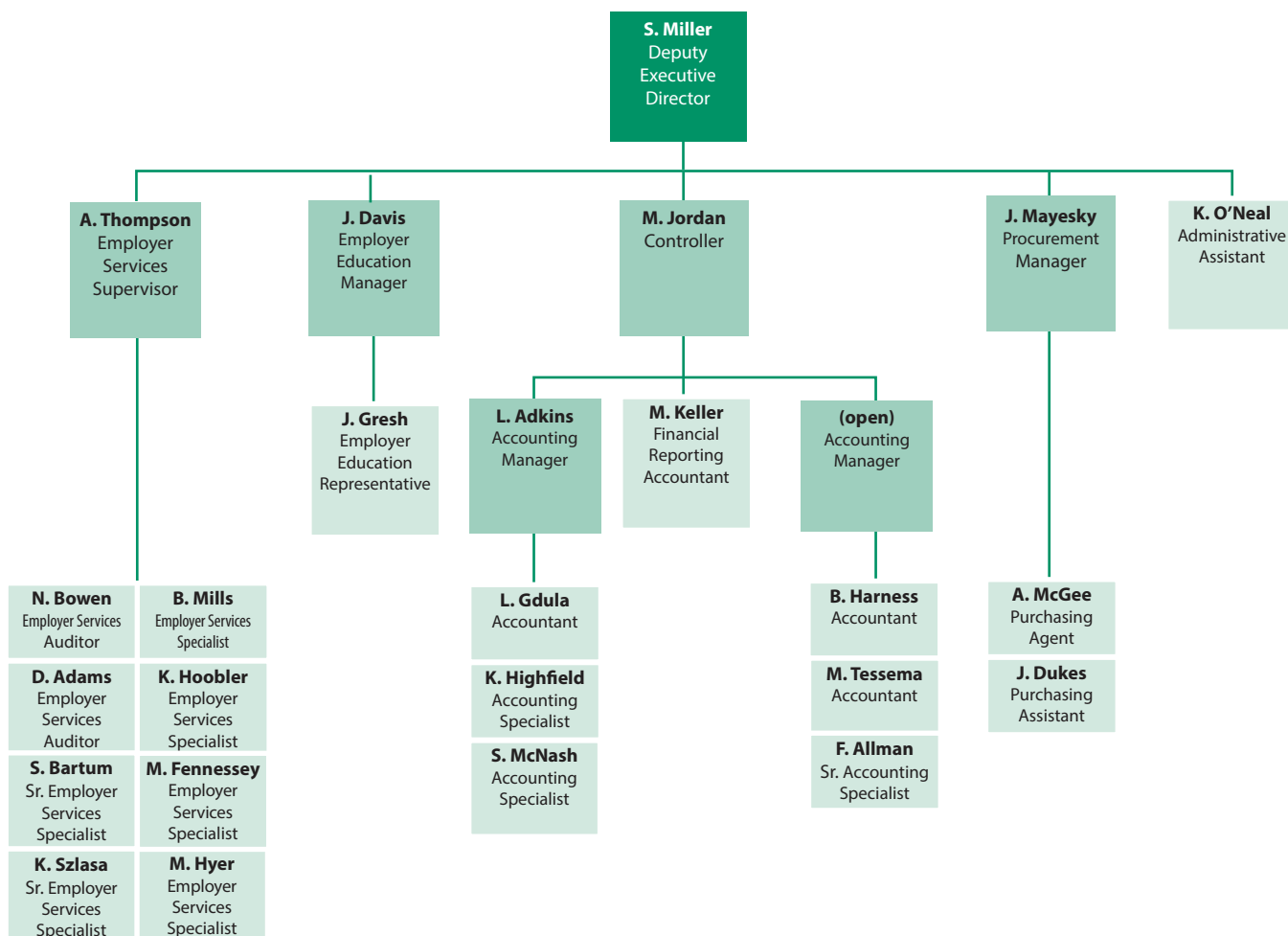
## Review of Administration Department's 2019 Initiatives

### Employment branding

This initiative is designed to enhance the recruiting and employment experience at OP&F. Through videos, internal signage and online messaging the project highlights the uniqueness of employment at OP&F and its advantages.

Two short videos (one primarily for recruitment and a second to be used as part of the new employee orientation process) will be produced during the first quarter of 2020. New posters were designed and printed for all areas of OP&F with messaging focusing on the altruistic value of working for OP&F – serving public safety officers who serve our communities. These replaced the old mission, vision and core value posters and include new, upgraded frames. This is a joint initiative from the Human Resources and Communications groups.

## Finance Department



Director

Manager/  
Supervisor

Staff



## Finance Department Budget

Budget Category	2020 Budget	2019 Forecast	Variance \$ 2019 Forecast	Variance % 2019 Forecast	2019 Budget	Variance \$ 2019 Budget	Variance % 2019 Budget	2018 Actual
<b>Personnel Services</b>								
Salaries	\$1,651,379	\$1,499,391	\$151,988	10.1%	\$1,614,663	\$36,716	2.3%	\$1,537,319
Employee Benefits	648,682	560,940	87,742	15.6%	598,925	49,758	8.3%	392,856
Employer Payroll Expense	263,584	245,025	18,559	7.6%	257,064	6,520	2.5%	242,623
<b>Sub-Total</b>	<b>2,563,645</b>	<b>2,305,356</b>	<b>258,289</b>	<b>11.2%</b>	<b>2,470,652</b>	<b>92,994</b>	<b>3.8%</b>	<b>2,172,798</b>
<b>Work Environment</b>								
Office Rent	—	—	—	—	—	—	—	—
Maintenance and Repairs	—	—	—	—	—	—	—	—
Legislative Expenses	—	—	—	—	—	—	—	—
Mailing Expense	—	—	—	—	—	—	—	—
Printing and Publications	—	—	—	—	—	—	—	—
Office Supplies	—	—	—	—	—	—	—	—
Office Equipment	—	—	—	—	—	—	—	—
Insurance Administrative	245,000	237,193	7,807	3.3%	239,000	6,000	2.5%	228,361
Recovery Plan	—	—	—	—	—	—	—	—
Contingency	—	—	—	—	—	—	—	—
OP&F Sponsored Seminars	—	—	—	—	—	—	—	—
Business Travel	8,400	5,133	3,267	63.6%	9,400	(1,000)	-10.6%	6,040
Business Expense	3,100	1,864	1,236	66.3%	3,400	(300)	-8.8%	940
Trustee Training	—	—	—	—	—	—	—	—
Employee Training	10,000	6,638	3,362	50.6%	12,500	(2,500)	-20.0%	3,092
Telephone Services	—	—	—	—	—	—	—	—
Dues & Subscriptions	10,500	10,047	453	4.5%	10,600	(100)	-0.9%	8,791
Miscellaneous Expenses	—	—	—	—	—	—	—	—
<b>Sub-Total</b>	<b>\$ 277,000</b>	<b>260,875</b>	<b>16,125</b>	<b>6.2%</b>	<b>274,900</b>	<b>2,100</b>	<b>0.8%</b>	<b>247,224</b>
<b>Outside Services</b>								
Investment Services	—	—	—	—	—	—	—	—
Bank Custody Fees	—	—	—	—	—	—	—	—
Actuarial Services	350,000	277,400	72,600	26.2%	400,000	(50,000)	-12.5%	313,230
Audit Services	165,000	164,093	907	0.6%	165,000	—	0.0%	122,870
Legal Services	—	—	—	—	—	—	—	—
Disability Medical Service	—	—	—	—	—	—	—	—
Public Relations Consultants	—	—	—	—	—	—	—	—
Bank Charges	81,480	81,928	(448)	-0.5%	78,720	2,760	3.5%	58,022
Ohio Retirement Study Council	—	—	—	—	—	—	—	—
Legislative Consultants	—	—	—	—	—	—	—	—
Personnel Recruitment	—	—	—	—	—	—	—	—
Health Care Consultants	—	—	—	—	—	—	—	—
Other Professional Service	—	—	—	—	—	—	—	—
<b>Sub-Total</b>	<b>596,480</b>	<b>523,421</b>	<b>73,059</b>	<b>14.0%</b>	<b>643,720</b>	<b>(47,240)</b>	<b>-7.3%</b>	<b>494,122</b>
<b>Total Before Investment</b>								
<b>Management Fees</b>	<b>3,437,125</b>	<b>3,089,652</b>	<b>347,473</b>	<b>11.2%</b>	<b>3,389,272</b>	<b>47,854</b>	<b>1.4%</b>	<b>2,914,144</b>
Investment Mgt. Fees	—	—	—	—	—	—	—	—
<b>TOTAL OPERATING</b>	<b>\$3,437,125</b>	<b>\$3,089,652</b>	<b>\$347,473</b>	<b>11.2%</b>	<b>\$3,389,272</b>	<b>\$47,854</b>	<b>1.4%</b>	<b>\$2,914,144</b>

## Finance

The Finance Department manages the accounting, budgeting, taxes, insurance, audit, procurement, and financial reporting functions of OP&F. The strong financial stewardship of our member's money and the employer's contributions is our overriding concern as we are a service provider to our members, employers and employees of the Fund. These responsibilities encompass:

### Accounting

- Maintaining internal controls over plan assets.
- Recording and reconciling financial transactions in the general ledger system and subsidiary systems.
- Financial reporting (internal and external).
- Reporting pension distributions and tax withholdings
- Paying vendor invoices and pension distributions.
- Maintaining proper insurance coverage.
- Forecasting plan assets and liabilities.
- Reviewing the annual actuarial report and supporting assumptions.
- Overseeing external audits ensuring compliance with statutory funding requirements.

### Employer Services Group

- Maintains a high working knowledge of the Ohio Revised Code related to employer requirements.
- Reviews, posts and releases monthly contributions to members' participant accounts.
- Reviews each payroll for any exceptions and works with the employer to correct any deficiencies. Sends 30 day letters to employers regarding payroll deficiencies.
- Calculates, audits and processes employer refunds and credits.
- Updates employer information and corrects and maintains information in the agreement and import modules.
- Calculates penalties on a monthly basis for late and/or missing payroll and payment items.

### Employer Education

- Provides training and outreach to the employer community on all OP&F reporting requirements.
- Serves as a point of contact for general employer inquiries.
- Researches and administers special penalty provisions.
- Identifies and corrects recurring employer reporting and payment deficiencies.

### Procurement

- The Procurement Group is a centralized function for all fund wide purchases with a few exceptions (i.e., Executive Director and Board travel) and is staffed by the Purchasing Manager, Purchasing Agent and Purchasing Assistant.

## Goals and Objectives

1. Goal: Maintain an accurate and efficient general ledger system to ensure proper collection, reconciliation, and reporting of financial data.  
Objective: Record all financial data in the general ledger properly and ensure timely and accurate financial reporting.
2. Goal: Achieve the highest standards of financial and budgetary reporting.  
Objective: Attainment of the Government Finance Officers Association (GFOA) Certificate of Achievement for Excellence Award in Financial Reporting for our Comprehensive Annual Financial Report (CAFR) and Distinguished Budget Presentation Award for our annual budget.
3. Goal: Ensure full statutory and regulatory reporting compliance for pension and vendor distributions.  
Objective: Meet all reporting deadlines for tax deposits, annual forms reporting and avoid penalties for non-compliance from outside agencies.
4. Goal: Provide excellent customer service to our employers, members, and employees.  
Objective: Ensure we meet the needs of our primary customers (external and internal).
5. Goal: Create a partnership with our employers to help ensure an effective exchange of matters as required by the ORC. This includes improving processing times and avoiding penalty situations whenever possible.  
Objective: Notify employers about upcoming due dates prior to penalties being assessed.
6. Goal: Processing employer payroll reports in a timely and accurate manner.  
Objective: Release member payroll details reported by the employers within 30 days of the date received or the due date of the payroll.
7. Goal: To provide training to employer community on all OP&F reporting requirements.  
Objective: Through onsite and telephonic training, OP&F will respond to employer needs for reporting and/or payment assistance, which will enhance compliance with regulatory requirements.
8. Goal: The Procurement Area strives to obtain quality goods and services, at the lowest reasonable cost, while operating at the highest standards of ethical conduct.  
Objective: Utilize various bidding methods that foster a fair and open bidding process.

## Performance Measurements

Supports Goal #1	Actual 2018	Estimated 2019	Expected 2020	Type
Accounting close of general ledger system by the 15th business day each month	8	8	11	Efficiency
Deposits are recorded and posted to the proper general ledger accounts within three business days of the month end close	100%	100%	100%	Output
Bank accounts are reconciled on a monthly basis	100%	100%	100%	Outcome
Monthly financial reports are generated by the 20th business day each month	n/a	92%	100%	Efficiency

Supports Goal #2	Actual 2018	Estimated 2019	Expected 2020	Type
Submit and receive the Certificate of Achievement for Excellence in Financial Reporting from the Government Finance Officers Association	Yes	Yes	Yes	Outcome
Submit and receive annual Distinguished Budget Presentation Award	Yes	Yes	Yes	Outcome

Supports Goal #3	Actual 2018	Estimated 2019	Expected 2020	Type
Forward all member, retiree and survivor tax withholdings within Federal and State timetable	Yes	Yes	Yes	Efficiency
Mail all eligible vendor Form 1099-Ms by Jan. 31 of each year	Yes	Yes	Yes	Output
Mail all member, retiree, and survivor Form 1099-Rs by Jan. 31 of each year	Yes	Yes	Yes	Output

Supports Goal #4	Actual 2018	Estimated 2019	Expected 2020	Type
Process employer refunds within 10 business days of receipt	90%	90%	90%	Output
Mail employer penalty bills timely and accurately each quarter	Yes	Yes	Yes	Output

Supports Goal #5	Actual 2018	Estimated 2019	Expected 2020	Type
Provide courtesy calls on the monthly member contribution reports and payments by the second to the last business day of each month, before penalties	12 months	12 months	12 months	Efficiency
Provide courtesy calls to delinquent employers in an effort to avoid penalty escalation on billing related items	Yes	Yes	Yes	Efficiency

Supports Goal #6	Actual 2018	Estimated 2019	Expected 2020	Type
Employer payroll reports processed and released within 30 days of the date received	31%	25%	40%	Output
Employer payroll reports processed and released within 30 days of the payroll due date	82%	75%	90%	Output
Complete the year-end close process for employer payroll reports by the end of following February for items in our control	Yes	Yes	Yes	Efficiency

Supports Goal #7	Actual 2018	Estimated 2019	Expected 2020	Type
Number of Employers that have undergone training on OP&F reporting and payment requirements	125	200	350	Output

Supports Goal #8	Actual 2018	Estimated 2019	Expected 2020	Type
Purchase orders processed	1,748	1,774	1,800	Output
Requests for Information issued	0	0	0	Output
Requests for Proposals issued	1	2	2	Output



## Budget Category Summary

Budget Category	Budget 2020	Budget 2019	% Change 2019-2020	Actual 2018
Personnel Services	\$2,563,645	\$2,470,652	3.8%	\$2,172,798
Work Environment	277,000	274,900	0.8%	247,224
Outside Services	596,480	643,720	-7.3%	494,122
<b>TOTAL</b>	<b>\$3,437,125</b>	<b>\$3,389,272</b>	<b>1.4%</b>	<b>\$2,914,144</b>

## Budget Category Explanations

### Personnel Services

This category reflects salaries, employee benefits, and employer payroll expenses for all Finance department employees. The overall 2020 Personnel Services Category is increasing due to an increase in the cost of employee healthcare as well as a proposed average merit increase of 3.0 percent for all eligible staff in 2020. The number of personnel (25) for the Finance Department is unchanged from 2019.

### Work Environment

This category represents all expenses related to the Finance department work environment including equipment, insurance, training, travel, dues and subscriptions. The overall Work Environment category for 2020 shows a small increase primarily due to anticipated increases in insurance costs.

### Outside Services

This category reflects external professional services such as actuarial services, audit fees, and bank charges. For 2020, the 7.9% decrease in this category is primarily due to a decrease in the Actuarial Services fees associated with the hiring of a new actuarial firm.

## Personnel Projections

Category	2020	2019	2018
Exempt Salary	7	7	7
Non-Exempt Salary	18	18	17
<b>TOTAL FULL-TIME</b>	<b>25</b>	<b>25</b>	<b>24</b>

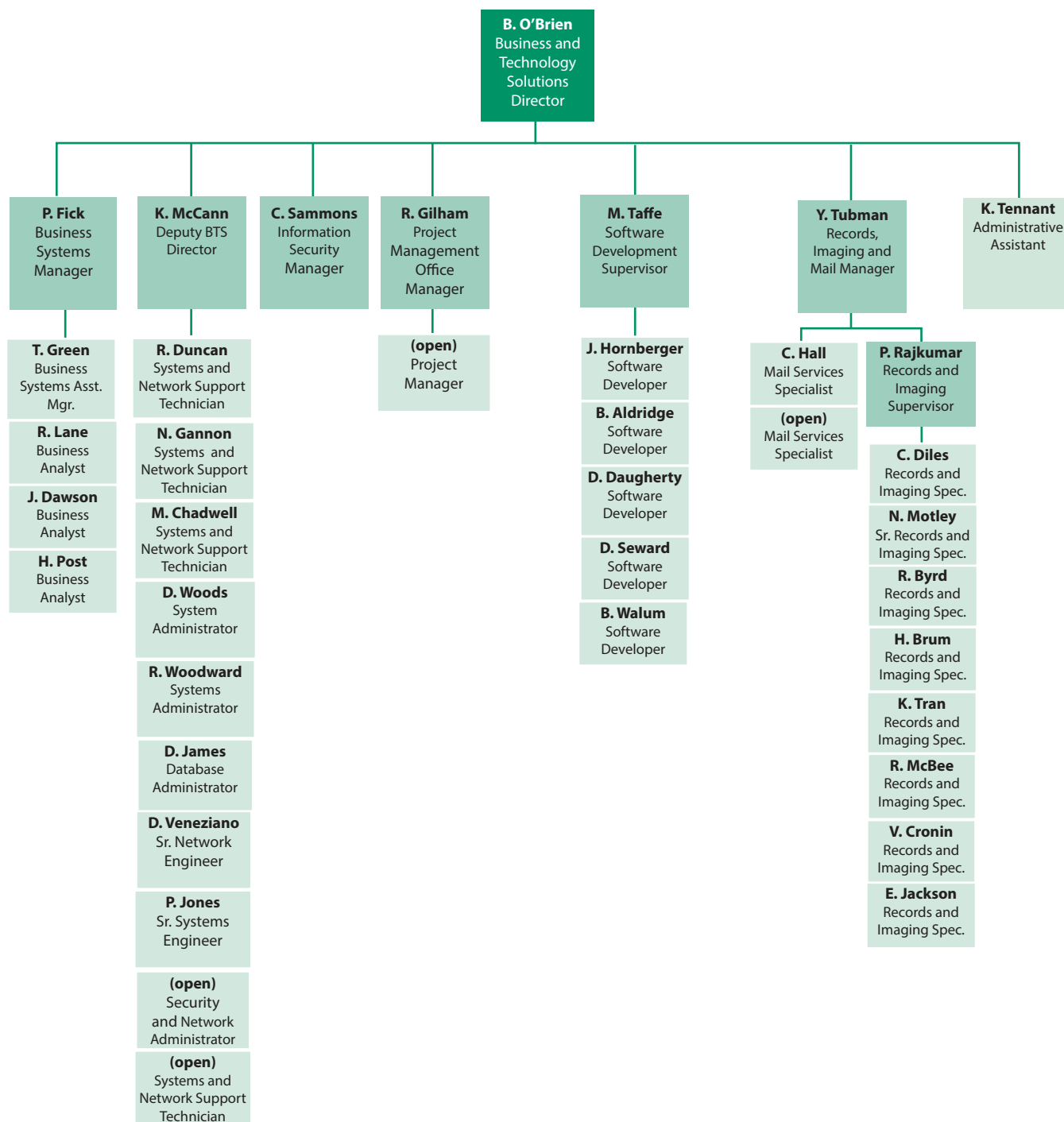
## Finance 2020 Initiatives

No initiatives have been submitted for 2020.

## Review of Finance Department's 2019 Initiatives

No initiatives from 2019.

## Business and Technology Solutions Department



Director

Manager/  
Supervisor

Staff

## Business and Technology Solutions Department Budget

Budget Category	2020 Budget	2019 Forecast	Variance \$ 2019 Forecast	Variance % 2019 Forecast	2019 Budget	Variance \$ 2019 Budget	Variance % 2019 Budget	2018 Actual
<b>Personnel Services</b>								
Salaries	\$3,094,341	\$2,685,357	\$408,984	15.2%	\$3,115,757	\$(21,416)	-0.7%	\$2,762,150
Employee Benefits	1,048,844	857,781	191,063	22.3%	1,005,198	43,646	4.3%	653,111
Employer Payroll Expense	489,609	471,033	18,576	3.9%	497,394	(7,784)	-1.6%	436,492
<b>Sub-Total</b>	<b>4,632,794</b>	<b>4,014,171</b>	<b>618,623</b>	<b>15.4%</b>	<b>4,618,349</b>	<b>14,445</b>	<b>0.3%</b>	<b>3,851,753</b>
<b>Work Environment</b>								
Office Rent	—	—	—	—	—	—	—	—
Maintenance and Repairs	1,188,050	1,093,677	94,374	8.6%	1,095,177	92,873	8.5%	1,083,924
Legislative Expenses	—	—	—	—	—	—	—	—
Mailing Expense	—	—	—	—	—	—	—	—
Printing and Publications	—	—	—	—	—	—	—	—
Office Supplies	—	—	—	—	—	—	—	—
Office Equipment	90,500	61,822	28,678	46.4%	99,515	(9,015)	-9.1%	51,935
Insurance Administrative	—	—	—	—	—	—	—	—
Recovery Plan	101,500	88,958	12,542	14.1%	101,500	—	0.0%	57,862
Contingency	—	—	—	—	—	—	—	—
OP&F Sponsored Seminars	—	—	—	—	—	—	—	—
Business Travel	24,305	17,803	6,502	36.5%	32,595	(8,290)	-25.4%	9,308
Business Expense	800	350	450	128.6%	800	—	0.0%	103
Trustee Training	—	—	—	—	—	—	—	—
Employee Training	65,300	65,212	88	0.1%	65,212	88	0.1%	25,811
Telephone Services	74,000	76,900	(2,900)	-3.8%	76,900	(2,900)	-3.8%	58,175
Dues and Subscriptions	4,209	4,619	(410)	-8.9%	4,619	(410)	-8.9%	2,141
Miscellaneous Expenses	1,000	300	700	233.3%	300	700	233.3%	155
<b>Sub-Total</b>	<b>1,549,664</b>	<b>1,409,640</b>	<b>140,025</b>	<b>9.9%</b>	<b>1,476,618</b>	<b>73,046</b>	<b>4.9%</b>	<b>1,289,414</b>
<b>Outside Services</b>								
Investment Services	—	—	—	—	—	—	—	—
Bank Custody Fees	—	—	—	—	—	—	—	—
Actuarial Services	—	—	—	—	—	—	—	—
Audit Services	—	—	—	—	—	—	—	—
Legal Services	—	—	—	—	—	—	—	—
Disability Medical Services	—	—	—	—	—	—	—	—
Public Relations Consultants	—	—	—	—	—	—	—	—
Bank Charges	—	—	—	—	—	—	—	—
Ohio Retirement Study Council	—	—	—	—	—	—	—	—
Legislative Consultants	—	—	—	—	—	—	—	—
Personnel Recruitment	—	—	—	—	—	—	—	—
Temporary Employees	—	—	—	—	—	—	—	—
Contract Staffing	—	—	—	—	—	—	—	—
Health Care Consultants	—	—	—	—	—	—	—	—
Other Professional Service	148,875	44,376	104,499	235.5%	141,875	7,000	4.9%	59,218
<b>Sub-Total</b>	<b>148,875</b>	<b>44,376</b>	<b>104,499</b>	<b>235.5%</b>	<b>141,875</b>	<b>7,000</b>	<b>4.9%</b>	<b>59,218</b>
<b>Total Before Investment</b>								
<b>Management Fees</b>	<b>6,331,333</b>	<b>5,468,187</b>	<b>863,147</b>	<b>15.8%</b>	<b>6,236,842</b>	<b>94,491</b>	<b>1.5%</b>	<b>5,200,385</b>
Investment Mgt. Fees	—	—	—	—	—	—	—	—
<b>TOTAL OPERATING</b>	<b>\$ 6,331,333</b>	<b>\$5,468,187</b>	<b>\$863,147</b>	<b>15.8%</b>	<b>\$6,236,842</b>	<b>\$94,491</b>	<b>1.5%</b>	<b>\$5,200,385</b>

## Business and Technology Solutions

The Business and Technology Solutions (BTS) department consists of Information Services, Records, Imaging and Mailroom. Its purpose is to provide support to other departments within OP&F by helping identify more efficient business processes and technology solutions.

### Information Services

The Information Services (IS) department is divided into Business Systems, Systems and Network, and Development staff. IS is ultimately responsible for all of OP&F's computer and computer-related equipment and the programs running on them. IS fundamentally serves as a resource to other OP&F departments to provide or assist in the use or creation of tools and systems designed to improve efficiency and productivity. It also serves as a resource for the evaluation and determination of fitness for use of purchased software for various projects and departmental needs.

### Business Systems

- Responsible for collection and proper communication of OP&F staff needs to appropriate IS technical teams, including follow-through to ensure user satisfaction after completion of each request. This team serves as the first step in new software development.
- Responsible for training and documentation.
- Responsible for quality assurance testing and coordination of user acceptance testing of new software development as well as changes to existing software.

### Systems and Network

- **Help Desk:** responsible for inputting and tracking user requests, while assisting staff with computer-related needs. The group ensures the proper and efficient operation of end-users' personal computers, including hardware and software operations.
- **Database Administration:** responsible for management, integrity and performance of all OP&F databases.
- **Network and Security Administration:** responsible for providing secure and reliable connectivity between all OP&F computer resources and the Internet; includes wiring, network devices and security appliances.

- **Systems Administration:** responsible for correct and efficient operation of all computer server resources and the programs running on them; includes installation and maintenance of hardware and operating system as well as virtual servers.
- **Telecommunications:** responsible for control and maintenance of the telephone system including connectivity of phones and facsimile machines. Completes physical moves and changes of telecommunication devices. Troubleshoots all telephone wiring problems and administration and support for the phone system software and hardware.

### Development

Development: responsible for the correct and efficient development of computer programs to meet stated user requirements.

### Records, Imaging and Mail (RIM) Center

The RIM Center is responsible for handling all member, employer and applicable business records, received in the mail via paper, fax electronic mail and in person. The RIM Center provides OP&F with timely, accurate and best practice efficiencies associated to the OP&F's business information through creation, receipt, distribution, maintenance, use, protection, retention and preservation.



## Goals and Objectives

1. Goal: Ensure timely and accurate monthly benefit payments.  
Objective: Adhere to monthly check run procedures to generate monthly benefit statements; monitor for efficiency and improvement; continually implement improvements to increase effectiveness and efficiency.
2. Goal: Maintain a stable and available computing environment.  
Objective: Monitor network and operating environment; perform system maintenance as scheduled; monitor for efficiency, security and improvements; continually implement improvements to increase effectiveness, integrity and efficiency.
3. Goal: Properly assist users with computer related tasks.  
Objective: Provide Help Desk support as listed in the OP&F departmental service level agreements.
4. Goal: Create computer-based tools and systems to assist in pension processing to end-user satisfaction and on schedule.  
Objective: Ensure user approval of requirements and prototype documentation; conduct user acceptance testing as listed in the OP&F Service Development life cycle (SDLC); conduct follow-up of user satisfaction on all IS requests.
5. Goal: Effectively assist staff in evaluating third-party computer-based applications and systems.  
Objective: Ensure user approval of requirements for third-party computer-based applications and provide final recommendations to user; provide pros and cons of various recommendations of third-party computer-based tools.
6. Goal: To provide proper protection and file integrity of all member and employer files, regardless of the medium created or stored – paper or electronic.  
Objective: Preservation of member and employer related records through the vital records protection program.
7. Goal: To provide accessibility to reliable and accurate member and employer related information once records are collected, scanned and indexed with proper quality controls to the various OP&F departments.  
Objective: Retrieval of member and employer-related records in a timely and accurate manner for service to other departments.
8. Goal: To provide prompt and efficient mailroom services to all departments.  
Objective: Ensure all incoming and outgoing mail is processed in an efficient and timely manner to the proper department.

## Performance Measurements

Supports Goal #1	Actual 2018	Estimated 2019	Expected 2020	Type
Monthly benefit checks on time	12	12	12	Output

Supports Goal #2	Actual 2018	Estimated 2019	Expected 2020	Type
Systems availability	99.89%	99.99%	99.00%	Output

Supports Goal #3	Actual 2018	Estimated 2019	Expected 2020	Type
Number of requests opened within 15 minutes of receipt	3,876	3,763	3,900	Output
Percent opened per Service Level Agreement	100%	100%	100%	Output

Supports Goal #4	Actual 2018	Estimated 2019	Expected 2020	Type
Number of development requests received	139	149	145	Outcome
Number of development requests completed	139	145	145	Outcome
Percent completed	100%	97%	100%	Outcome

Supports Goal #5	Actual 2018	Estimated 2019	Expected 2020	Type
Products reviewed	5	5	3	Efficiency
Products acquired	1	2	1	Efficiency

Supports Goal #6	Actual 2018	Estimated 2019	Expected 2020	Type
Processing of Member File requests (minutes/group)	<1	<1	<1	Output

Supports Goal #7	Actual 2018	Estimated 2019	Expected 2020	Type
Number of imaged documents available for viewing on Vitech system	4.12 million	4.23 million	4.4 million	Output
Amount of correspondence received, scanned and files per two-week period	7,837	8,000	9,500	Output

Supports Goal #8	Actual 2018	Estimated 2019	Expected 2020	Type
Turnaround time for off-site records - 24 hours on standard request	24 hrs	24 hrs	24 hrs	Output
Processing of Incoming mail (letters/hour)	50	75	100	Output
Response time to outgoing mail pickup requests from departments (minutes)	10	10	10	Output

## Budget Category Summary

Budget Category	Budget 2020	Budget 2019	% Change 2019-2020	Actual 2018
Personnel Services	\$4,632,794	\$4,618,349	0.3%	\$3,851,753
Work Environment	1,549,664	1,476,618	4.9%	1,289,414
Outside Services	148,875	141,875	4.9%	59,218
<b>TOTAL</b>	<b>\$6,331,333</b>	<b>\$6,236,842</b>	<b>1.5%</b>	<b>\$5,200,385</b>

## Budget Category Explanations

### Personnel Services

The 0.3 percent increase is related to a proposed 3% merit increase for eligible staff, and increases to employee health care costs, and employer share contributions to OPERS.

### Business Travel

The 25.4 percent decrease is due to decrease in out of state travel.

### Maintenance and Repairs

This is a 8.5 percent increase from the 2019 budget. This increase is due in part, to multi-year placeholders coming due for software renewals.

### Other Professional Services

This 4.9 percent increase is due to the addition of consulting hours for Mitel phone system training.

## Personnel Projections

Category	2020	2019	2018
Exempt Salary	25	25	23
Non-Exempt Salary	15	16	18
<b>TOTAL FULL-TIME</b>	<b>40</b>	<b>41</b>	<b>41</b>

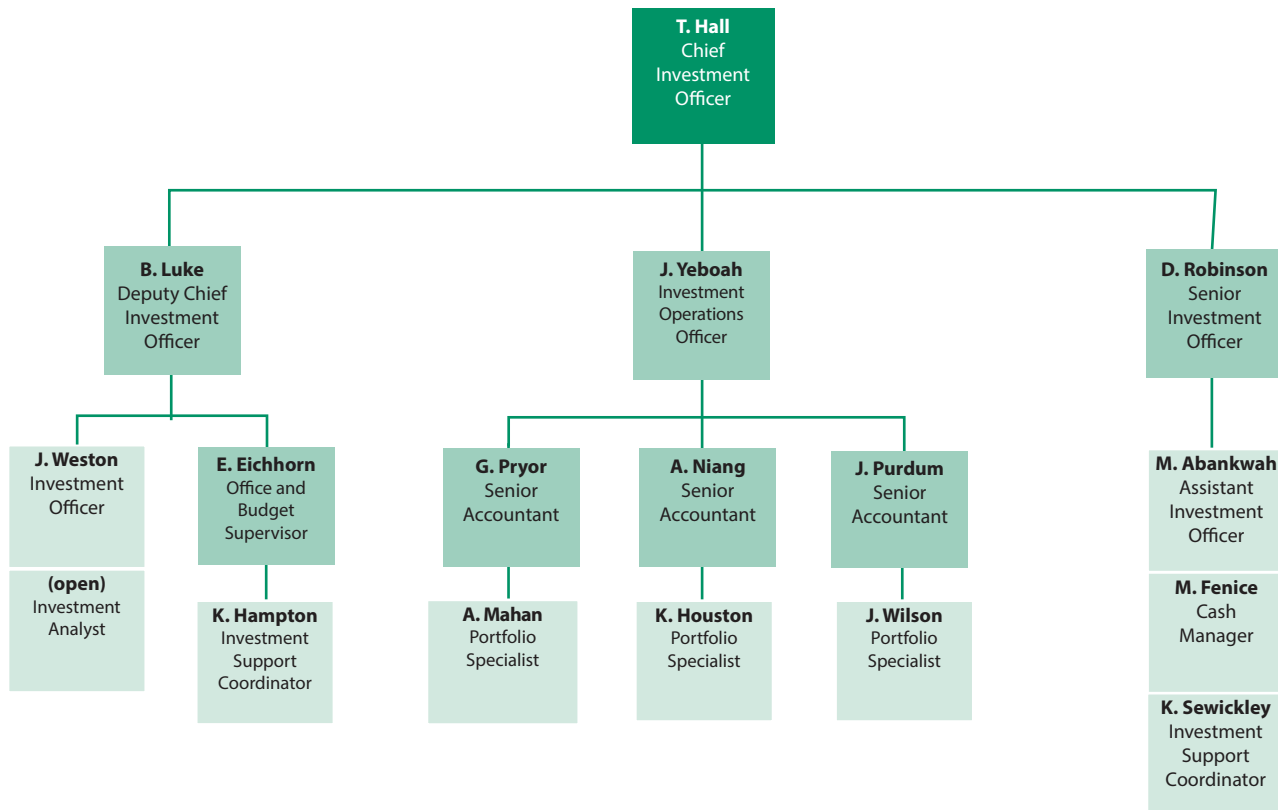
## Business and Technology Solutions 2020 Initiatives

No initiatives have been submitted for 2020.

## Review of Business and Technology Solutions 2019 Initiatives

No initiatives from 2019.

## Investment Department



Director

Manager/  
Supervisor

Staff

## Investment Department Budget

Budget Category	2020 Budget	2019 Forecast	Variance \$ 2019 Forecast	Variance % 2019 Forecast	2019 Budget	Variance \$ 2019 Budget	Variance % 2019 Budget	2018 Actual
<b>Personnel Services</b>								
Salaries	\$1,674,526	\$1,554,138	\$120,388	7.7%	\$1,598,646	\$75,880	4.7%	\$1,542,853
Employee Benefits	501,387	433,624	67,763	15.6%	474,166	27,222	5.7%	375,512
Employer Payroll Expense	273,771	255,268	18,503	7.2%	262,493	11,278	4.3%	244,256
<b>Sub-Total</b>	<b>2,449,684</b>	<b>2,243,030</b>	<b>206,654</b>	<b>9.2%</b>	<b>2,335,305</b>	<b>114,379</b>	<b>4.9%</b>	<b>2,162,621</b>
<b>Work Environment</b>								
Office Rent	—	—	—	—	—	—	—	—
Maintenance and Repairs	—	—	—	—	—	—	—	—
Legislative Expenses	—	—	—	—	—	—	—	—
Mailing Expense	—	—	—	—	—	—	—	—
Printing and Publications	—	—	—	—	—	—	—	—
Office Supplies	—	—	—	—	—	—	—	—
Office Equipment	—	—	—	—	—	—	—	—
Insurance Administrative	—	—	—	—	—	—	—	—
Recovery Plan and Contingency	—	—	—	—	—	—	—	—
OP&F Sponsored Seminars	—	—	—	—	—	—	—	—
Business Travel	15,810	10,871	4,939	45.4%	17,560	(1,750)	-10.0%	8,660
Business Expense	100	—	100	—	100	—	0.0%	-
Trustee Training	—	—	—	—	—	—	—	—
Employee Training	11,025	7,300	3,725	51.0%	12,049	(1,024)	-8.5%	4,590
Telephone Services	—	—	—	—	—	—	—	—
Dues and Subscriptions	26,680	31,150	(4,470)	-14.4%	34,041	(7,361)	-21.6%	22,065
Miscellaneous Expenses	450	150	300	200.0%	450	—	0.0%	241
<b>Sub-Total</b>	<b>54,065</b>	<b>49,471</b>	<b>4,594</b>	<b>9.3%</b>	<b>64,200</b>	<b>(10,135)</b>	<b>-15.8%</b>	<b>35,556</b>
<b>Outside Services</b>								
Investment Services	1,758,742	1,552,900	205,842	13.3%	1,577,083	181,659	11.5%	1,527,437
Bank Custody Fees	840,000	820,000	20,000	2.4%	900,000	(60,000)	-6.7%	863,953
Actuarial Services	—	—	—	—	—	—	—	—
Audit Services	—	—	—	—	—	—	—	—
Legal Services	—	—	—	—	—	—	—	—
Disability Medical Services	—	—	—	—	—	—	—	—
Public Relations Consultants	—	—	—	—	—	—	—	—
Bank Charges	—	—	—	—	—	—	—	—
Ohio Retirement Study Council	—	—	—	—	—	—	—	—
Legislative Consultants	—	—	—	—	—	—	—	—
Personnel Recruitment	—	—	—	—	—	—	—	—
Health Care Consultants	—	—	—	—	—	—	—	—
Other Professional Service	7,620	40,120	(32,500)	-81.0%	40,120	(32,500)	-81.0%	7,735
<b>Sub-Total</b>	<b>2,606,362</b>	<b>2,413,020</b>	<b>193,342</b>	<b>8.0%</b>	<b>2,517,203</b>	<b>89,159</b>	<b>3.5%</b>	<b>2,399,125</b>
<b>Total Before Investment</b>								
<b>Management Fees</b>	<b>5,110,111</b>	<b>4,705,520</b>	<b>404,591</b>	<b>8.6%</b>	<b>4,916,708</b>	<b>193,403</b>	<b>3.9%</b>	<b>4,597,302</b>
Investment Mgt. Fees	50,217,475	49,700,000	517,475	1.0%	51,115,712	(898,237)	-1.8%	45,342,369
<b>TOTAL OPERATING</b>	<b>\$55,327,586</b>	<b>\$54,405,520</b>	<b>\$922,066</b>	<b>1.7%</b>	<b>\$56,032,420</b>	<b>\$(704,834)</b>	<b>-1.3%</b>	<b>\$49,939,671</b>



## Investment

The Investment department is comprised of several functional areas, including investment management, oversight and operations. The role of the Investment department is to effectively and prudently invest the assets of the Fund so as to maximize total return while staying within statutory and policy guidelines. This is accomplished by investing in a number of different asset classes utilizing both internal staff and multiple external managers. This responsibility encompasses:

- Maintaining the asset allocation decisions of the Board of Trustees by shifting assets among asset classes and among managers.
- Implement existing policy actions, and recommend new policies, new ideas and new managers, when appropriate.
- Manage cash equivalent assets for the Fund.
- Monitor our managers, their investment activity, their compliance with guidelines and their performance.
- Report to the Board on investment activity and costs, policy guideline compliance and performance.
- Record and authorize investment activity to maintain accurate Fund records and to facilitate settlement of investment transactions.

## Goals and Objectives

The goals and objectives of the OP&F have been established in conjunction with a comprehensive review of the current and projected financial requirements. These goals and objectives for investment administration are:

1. Goal: To have the ability to pay all benefit and expense obligations when due.  
Objective: We will maintain an investment portfolio structure consistent with guidelines and that also provides the necessary liquidity for near-term cash needs as well as the income and growth to meet future obligations.
2. Goal: To maintain the purchasing power of the current assets and all future contributions by maximizing the rate of return on Fund assets at a reasonable level of risk.  
Objective: We will maintain a diversified portfolio structure with a focus on asset class risk contributions to help minimize total portfolio risk while at the same time implementing a portfolio with the highest level of return consistent with the Board's risk tolerance. We will study and possibly implement new methods of reducing portfolio risk.
3. Goal: To maintain 30-year funding and achieve full funding on an actuarial accrued liability basis.  
Objective: We will work toward and then maintain Board approved asset allocation targets in an effort to earn over the long-term a rate of return in excess of actuarial requirements.
4. Goal: To control costs of administering the Fund and managing the investments.  
Objective: We will explore new investment ideas and trading approaches in an attempt to improve the efficiency of and reduce the cost of our operations. We will also monitor the costs of our investment operations through the use of industry surveys such as Cost Effectiveness Measurement.
5. Goal: Maintain efficient systems to ensure proper recording and reconciliation of investment data.  
Objective: We will maintain all investment data in the investment accounting system and ensure timely and accurate financial reporting. We will upgrade and enhance investment systems as necessary to help monitor investment information.

The most important expectation is the achievement of results consistent with OP&F's Investment Policy Statement and the analysis set forth in the asset liability study completed in June 2017. The investment performance goal for the Total Portfolio is to meet or exceed the return of the Total Portfolio policy benchmark over a full market cycle, generally measured over three to five years, without taking on additional risk as measured by standard deviation of returns. The Total Portfolio policy benchmark is a weighted average based on the allocation targets of each asset class benchmark.

The Fund shall also strive to achieve a long-term rate of return that is equal to or greater than OP&F's actuarial rate assumption of 8.00 percent.

The Fund shall attempt to achieve these return goals without unnecessary risk to principal. The risk/return characteristics of the Fund shall be reviewed on a periodic basis (no less than every five years) through a comprehensive asset allocation and liability study. The goal of the study shall be to formulate an Asset Allocation policy that maximizes return while minimizing overall risk through the most efficient combination of acceptable asset classes under the prudent person standard.

The most recent asset liability study completed in June 2017 resulted in a more efficient asset mix for meeting long term goals. It also maintains the total portfolio risk reduction concept known as "risk parity" initially adopted by the Board in early 2010. Changes include giving Private Credit its own distinct 5% allocation by removing it from High Yield, which will be reduced over time to a 7% allocation target. Additionally, the Real Assets class is being boosted to 8% of the portfolio and the 2 times levered inflation linked bond allocation was converted from a Global mandate to a U.S. TIPS mandate. The new structure is expected to reduce risk, increase returns and improve the overall risk balance of the total portfolio. This new asset mix also brings slightly more balance to the portfolio by decreasing assets in the Growth category while increasing exposure to assets in both the Safety and Inflation Hedging categories. Toward these ends, over the past year, risk was slightly reduced via reductions in U.S. and International Equity and High Yield bond exposures. This was offset by increased exposures in U.S. TIPS, Real Estate, Real Assets and Core Fixed Income.

## Performance Measurements

Supports Goal #1	Actual 2018	Estimated 2019	Expected 2020	Type
Fund all benefit and expense obligations	100%	100%	100%	Outcome

Supports Goal #2	Actual 2018	Estimated 2019	Expected 2020	Type
Outperform the Fund's policy benchmark	Yes	Yes	Yes	Outcome

Supports Goal #3	Actual 2018	Estimated 2019	Expected 2020	Type
Achieve and maintain 30-year funding on an actuarial accrued liability basis.	Yes	Yes	Yes	Outcome
Meet or exceed the return of the Total Portfolio Policy Benchmark over a full market cycle	Yes	Yes	Yes	Outcome

Supports Goal #4	Actual 2018	Estimated 2019	Expected 2020	Type
Participate in the Cost Effectiveness Measurement survey each year	Yes	Yes	Yes	Efficiency

## Investment Operations

Investment Operations is responsible for processing and accounting for the fund's investment related assets, liabilities, income, and expenses. This group accounts for the collection of income, as well as administering the fund's investment accounting system. Investment Operations also provides monthly journal entries to the general ledger and creates numerous reports needed within the department, by other departments or outside sources for informational and decision-making purposes.

Supports Goal #5	Actual 2018	Estimated 2019	Expected 2020	Type
Process standard purchase and sale transactions by T+1	100%	100%	100%	Efficiency
Complete month-end portfolio valuation within five business days	100%	100%	100%	Efficiency
Complete month-end reconciliations for all portfolios and provide journal entries to the G/L within 10-12 business days	98%	100**	100%	Efficiency
Transition market data source from ICE (fka FTIDC) to Thomson Reuters to reduce monthly pricing costs	Yes	n/a	n/a	Outcome

## Alternative Investments

### Private Markets

The private markets allocation is designed to generate a total return, net of fees, well in excess of public equities. To achieve an excess return and mitigate the inherent risks in private markets, OP&F seeks to diversify this asset class by investing in various types of private markets (venture capital, growth equity, buyouts, etc.), primary vs. secondary exposure, geography, stages of development, capitalization, industry and vintage year.

Supports Goals #2 and #3	Actual 2018	Estimated 2019	Expected 2020	Type
Generate a total return net of fees in excess of the Wilshire 5000 Index + 300 bps calculated on a public market equivalent basis over full market cycles (Primary Benchmark)	No	No	Yes	Outcome
Generate a total return that ranks above the median internal, dollar weighted, rate of return of a representative private markets investment universe. (Secondary benchmark)	Yes	Yes	Yes	Outcome
Achieve Private Markets exposure within the range around the target allocation as set forth by the Asset Allocation Policy and Implementation Plan	Yes	Yes	Yes	Outcome

### Real Estate

The real estate allocation is designed to provide: (i) an inflation hedge; (ii) a source of diversity for OP&F's portfolio through a return that has a low or negative correlation with stock and bond returns; and (iii) a total return that is competitive on a risk-adjusted basis with stocks and bonds and is accretive to OP&F achieving its long-term target rate of return with acceptable levels of risk. In order to achieve these objectives, preserve capital and avoid imprudent risks, the real estate portfolio will be diversified between strategic and tactical investments as well as by property type, location, size of investment and fund sponsor. In addition, the use of leverage will be monitored.

Supports Goals #2 and #3	Actual 2018	Estimated 2019	Expected 2020	Type
Generate a total return net of investment management fees in excess of the NCREIF Fund Index – Open End Diversified Core Equity (ODCE) net of fees plus 50 bps over full market cycles (Primary Benchmark)	Yes	Yes	Yes	Outcome
Generate a total return net of investment management fees equal to the NCREIF (ODCE) net of fees over rolling three-year and five-year periods (secondary benchmark)	Yes	Yes	Yes	Outcome
Achieve Real Estate exposure within the range around the target allocation as set forth by the Asset Allocation Policy and Implementation Plan	Yes	Yes	Yes	Outcome

## Real Assets

In 2016, OP&F converted its strategic timber allocation to a broader real assets allocation consisting of timber, infrastructure and agriculture/farmland. This broader allocation to real assets is designed to: (i) preserve investment capital; (ii) generate attractive risk-adjusted rates of return as a function of income and capital appreciation; (iii) provide diversification and relative non-correlation to other asset classes; and (iv) provide a hedge against inflation. In order to achieve the aforementioned objectives and avoid imprudent risks, the real assets portfolio will be diversified among the aforementioned classes of real assets as well as among Core and Non-Core real assets. Other risk controls, such as vintage year diversification, investment manager diversification, investment size, geographic diversification, sector diversification, and the use of leverage will be monitored.

Supports Goals #2 and #3	Actual 2018	Estimated 2019	Expected 2020	Type
Generate a total return that exceeds a real rate of return of 5% net of fees, over rolling 10-year periods	n/a	n/a	n/a	Outcome
Achieve Real Assets exposure within the range around the target allocation as set forth by the Asset Allocation Policy and Implementation Plan	Yes	Yes	Yes	Outcome

## Public Markets Investment

### Cash Management

The Cash Management STIF portfolio is designed to provide effective cash management when investing cash balances, with an emphasis on the protection of principal through the purchase of high quality money market instruments, while at the same time attempting to achieve the highest available return. In 2018, Staff, Wilshire, Western and Russell planned and implemented a transition of the Western Short Duration portfolio to an Enhanced Cash/Liquidity Pool to improve portfolio management and liquidity options for pension and other cash flows..

Supports Goals #1, #2 and #3	Actual 2018	Estimated 2019	Expected 2020	Type
Achieve investment returns that should exceed the 91-day Treasury bill rate of return over rolling 12-month periods	Yes	Yes	Yes	Outcome
Perform credit reviews of approved issuers of commercial paper on a regular basis, but no less than every six months for issuers rated A1/P1 and every three months for issuers rated A2/P2 or split rated	Yes	Yes	Yes	Outcome
Maintain commercial paper exposure limits within the policy ranges of OP&F's Short Term Cash Management Policy	Yes	Yes	Yes	Outcome
Transition the Western Short Duration portfolio to an Enhanced Cash/Liquidity Pool to improve portfolio management efficiencies for pension and other cash flows.	Yes	n/a	n/a	Outcome

## Domestic Equity

The domestic equity allocation is focused on companies headquartered and/or domiciled in the United States. The structure of the domestic equity allocation will be divided between passive and active managers with further diversification across the capitalization spectrum. The Investment Structure within the Domestic Equity allocation includes: 1) passive large cap core, 2) active large cap portable alpha, 3) active small cap core and, 4) synthetic small cap.

Supports Goals #2 and #3	Actual 2018	Estimated 2019	Expected 2020	Type
Achieve investment returns for the Domestic Equity Portfolio that exceed the return of the Wilshire 5000 Index over a three-year period on an annualized basis	Yes	Yes	Yes	Outcome
The Domestic Equity composite portfolio will have similar portfolio characteristics as that of the Wilshire 5000 Index with no market cap or style (growth v. value) bias.	Yes	Yes	Yes	Outcome
Achieve the Domestic Equity exposure within the targeted range as set forth by the Asset Allocation Policy and Implementation Plan.	Yes	Yes	Yes	Outcome

## Non-U.S. Equity

The Non-U.S. equity allocation is focused on companies headquartered or domiciled in the MSCI ACWI ex-U.S. countries. The Non-U.S. equity allocation will be managed solely on an active basis in order to exploit the perceived inefficiencies in the Non-U.S. equity markets. International Equity structure work was completed in 2017, which led to an RFP/search and hiring of two new managers, Arrowstreet and Harding Loevner, and the termination of Fidelity International Small Cap and Fidelity International Growth. The transition to the new managers and the termination of Fidelity occurred in Q3 2018.

Supports Goals #2 and #3	Actual 2018	Estimated 2019	Expected 2020	Type
Achieve investment returns in the Non-US Equity Portfolio that exceed the return of the Morgan Stanley Capital International All Country World Index ex-US IMI Index (N) over a three-year period on an annualized basis	Yes	Yes	Yes	Outcome
Achieve the Non-US Equity exposure within the targeted range as set forth by the Asset Allocation Policy and Implementation Plan	Yes	Yes	Yes	Outcome
Complete structure work on Non-U.S. Equity	Yes	n/a	n/a	Objective

## Master Limited Partnerships

The Master Limited Partnership allocation is focused on active, long-only investments in publicly traded partnership units of energy focused MLP companies. A Master Limited Partnership is a public partnership that is traded on a stock exchange. In 2019, the Board approved a change to the benchmark for the MLP managers and the asset class from the Alerian MLP Index to the Alerian Midstream Energy Index. In addition, the manager guidelines were changed to allow investing in securities traded on North American exchanges rather than U.S. exchanges only. These changes became effective July 1, 2019. This also necessitated a custodial change from Huntington National Bank to Northern Trust given the managers now have the ability to invest in non-U.S. securities.

Supports Goals #2 and #3	Actual 2018	Estimated 2019	Expected 2020	Type
Achieve investment returns in the Master Limited Partnership composite portfolio that exceed the return of the Alerian MLP Index over a three-year period on an annualized basis.	Yes	Yes	Yes	Outcome
Achieve the MLP exposure within the targeted range as set forth by the Asset Allocation Policy and Implementation Plan	Yes	Yes	Yes	Outcome

## Fixed Income: Investment Grade

The Fixed Income Investment Grade allocation is primarily focused on U.S. dollar denominated fixed income securities. In Q3 2019, Staff and Wilshire will conduct a structure review of the investment grade allocation and, depending on the results, changes might be brought to the Board by year-end.

Supports Goals #2 and #3	Actual 2018	Estimated 2019	Expected 2020	Type
Achieve investment returns in the investment grade fixed income composite portfolio that exceed the return of the Barclays Aggregate Index over a three-year period on an annualized basis.	Yes	Yes	Yes	Outcome
Achieve the Fixed Income Investment Grade exposure within the targeted range as set forth by the Asset Allocation Policy and Implementation Plan	Yes	Yes	Yes	Outcome



### Fixed Income: U.S. Inflation Protected Securities (TIPS)

The Inflation Protected composite portfolio is intended to provide OP&F with a strategic allocation to an inflation hedged investment strategy. The TIPS allocation is levered in keeping with OP&F's risk parity asset allocation approach and will have a long-term target of 20% (on a 2x levered basis) of total fund assets.

Supports Goals #2 and #3	Actual 2018	Estimated 2019	Expected 2020	Type
Achieve investment returns in the GIPS (or TIPS for Q4 2017 and beyond) composite portfolio which exceed the return of a custom weighted-average mix of the Bloomberg Barclays country indexes within the Global Inflation-Linked Bond Index (Bloomberg Barclays U.S. Government Inflation Linked Bond Index starting Oct. 1, 2017) over three-year period on an annualized basis.	Yes	Yes	Yes	Outcome
Achieve the Global Inflation Protected or U.S. Treasury Inflation Protected Securities exposure within the targeted range as set forth by the Asset Allocation Policy and Implementation Plan.	Yes	Yes	Yes	Outcome

### Fixed Income: Commercial Mortgages

The Commercial Mortgage portfolio may include any commercial mortgage whole loans that provide for fixed income payments derived from underlying property cash flows. Risk shall be controlled through diversification strategies and the retention of qualified managers with acceptable loan underwriting and/or commercial mortgage acquisition experience.

Supports Goals #2 and #3	Actual 2018	Estimated 2019	Expected 2020	Type
Achieve investment returns in the Commercial Mortgage composite portfolio that exceed the return of the Bloomberg Barclays Mortgage Index over a three year period on an annualized basis	Yes	Yes	Yes	Outcome

### Fixed Income: High Yield

The high yield fixed income composite allocation is focused on below investment grade fixed income securities issued by U.S. corporations. Non-U.S. dollar denominated securities are an allowable investment of up to 10% in non-U.S. denominated European currencies. The high yield fixed income allocation will be managed solely on an active basis in order to exploit the perceived inefficiencies in the high yield markets and to minimize the probability of exposure to securities in default.

Supports Goals #2 and #3	Actual 2018	Estimated 2019	Expected 2020	Type
Achieve investment returns in the high yield fixed income composite portfolio which exceed the return of the Merrill Lynch U.S. High Yield Constrained Index over a three-year period on an annualized basis	No	No	Yes	Outcome
Achieve the High Yield composite exposure within the targeted range as set forth by the Asset Allocation Policy and Implementation Plan	Yes	Yes	Yes	Outcome
Begin reducing High Yield exposure consistent with newly approved Asset Allocation study	Yes	Yes	Yes	Objective

## Private Credit

In 2017, the Board approved a separate allocation for private credit with a long-term target weight of 5.0 percent. This target compares to our current weight of approximately 2.0 percent based on called capital. In 2018, Wilshire Associates was hired to provide Private Credit consulting services to OP&F. In June 2019, the Board approved an amended Private Credit Investment Policy as well as an Investment Plan for the July 1, 2019 to June 30, 2020 period.

Supports Goals #2 and #3	Actual 2018	Estimated 2019	Expected 2020	Type
Hire private credit consultant	Yes	n/a	n/a	Objective
Complete Private Credit Investment Policy	n/a	Yes	n/a	Objective
Complete Private Credit Investment Plan	n/a	Yes	n/a	Objective
Increase allocation toward 5.0% target	Yes	Yes	Yes	Objective

## Securities Lending

The Securities Lending program is focused on lending securities to facilitate market liquidity. The program provides domestic securities to borrowers through a third party lending agent, and international securities through a custodial agent. Securities are loaned in exchange for cash or in-kind collateral of a sufficient percentage over the market value of the securities delivered. Due to the custodial change for the MLP managers, the securities lending management for the MLP portfolios moved from KeyBank to Northern Trust.

Supports Goals #4	Actual 2018	Estimated 2019	Expected 2020	Type
Domestic - Maintain a minimum of 102% collateral	Yes	Yes	Yes	Outcome
International – Maintain a minimum of 105% collateral	Yes	Yes	Yes	Outcome

## Budget Category Summary

Budget Category	Budget 2020	Budget 2019	% Change 2019-2020	Actual 2018
Personnel Services	\$2,449,684	\$2,335,305	4.9%	\$2,162,621
Work Environment	54,065	64,200	-15.8%	35,556
Outside Services	2,606,362	2,517,203	3.5%	2,399,125
Investment Management Fees	50,217,475	51,115,712	-1.8%	45,342,369
<b>TOTAL</b>	<b>\$55,327,586</b>	<b>\$56,032,420</b>	<b>-1.3%</b>	<b>\$49,939,671</b>

## Budget Category Explanations

### Personnel Services

This category represents the salaries, employee benefits, and employer payroll expense for all investment department employees. The 4.9 percent increase from our 2019 budget is due to overall increased costs for wages, employer payroll expense, and health care.

### Work Environment

This category represents all expenses related to the investment department work environment including: furniture, equipment, supplies, training and travel, and dues & subscriptions. The projected decline of 15.8 percent, or \$10,135, in 2020 versus our 2019 budget is explained by decreases in employee due diligence travel, registration fees and dues and subscriptions. The latter category decreased due to multi-year subscriptions paid beyond the 2020 budget and the elimination of employee certification programs.

### Outside Services

This category represents all external professional services for the investment department including consulting, analytical, quotes & data, research, bank custody and other professional services. Outside services are projected to increase 3.5 percent, or \$89,159, in 2020 versus our 2019 budget. OP&F will experience slight increases in consulting, analytical, and quotes & data expenses due to contractually allowed inflation escalators. Additionally, consulting fees will increase 15.4 percent due the inclusion of a new service to verify private market carried interest/performance fees. However, lower domestic custody costs and other professional service fees offset roughly half of these increases. Custody fees are projected to decline by 6.7 percent due to the reduction in the number of portfolios held at Huntington Bank, our domestic custodian. In addition, Other Professional Services will decrease 81 percent, or \$32,500, from the 2019 budget as 2020 will be the off year of our every other year participation in the Cost Effectiveness Measurement Inc. study.

### Investment Management Fees

Investment management fees are projected to decrease 1.8 percent, or \$898,237, versus our 2019 budget. This is primarily due to the use of a July 2019 asset base that is 0.2 percent, or \$37.2 million, lower than the 2018 asset value used to project 2019 management fees. This decrease is primarily due to lower estimated fees for international equities, high yield, and MLPs outweighing projected higher fees in U.S. equity and fixed income. The current long-term asset allocation policy, approved in mid-2017, calls for small reductions in domestic and international equities, a reduction in high yield, and increases in real estate, private markets, private credit and core fixed income. OP&F has reduced its exposures in U.S. and international equities and in high yield. Lower starting assets in U.S. equities is being offset by increased exposure to the relatively high fee Bridgewater global macro product. Meanwhile, active reductions to international equity combined with absolute negative performance of the class to result in a lower starting asset base. A significant withdrawal of assets from high yield negated the class's positive performance over the past year resulting in a lower starting asset base. MLPs turned in a very sluggish performance over the past year leaving the class with a lower starting asset base and thus lower projected fees.

## Personnel Projections

Category	2020	2019	2018
Exempt Salary	10	10	9
Non-Exempt Salary	7	7	8
<b>TOTAL FULL-TIME</b>	<b>17</b>	<b>17</b>	<b>17</b>

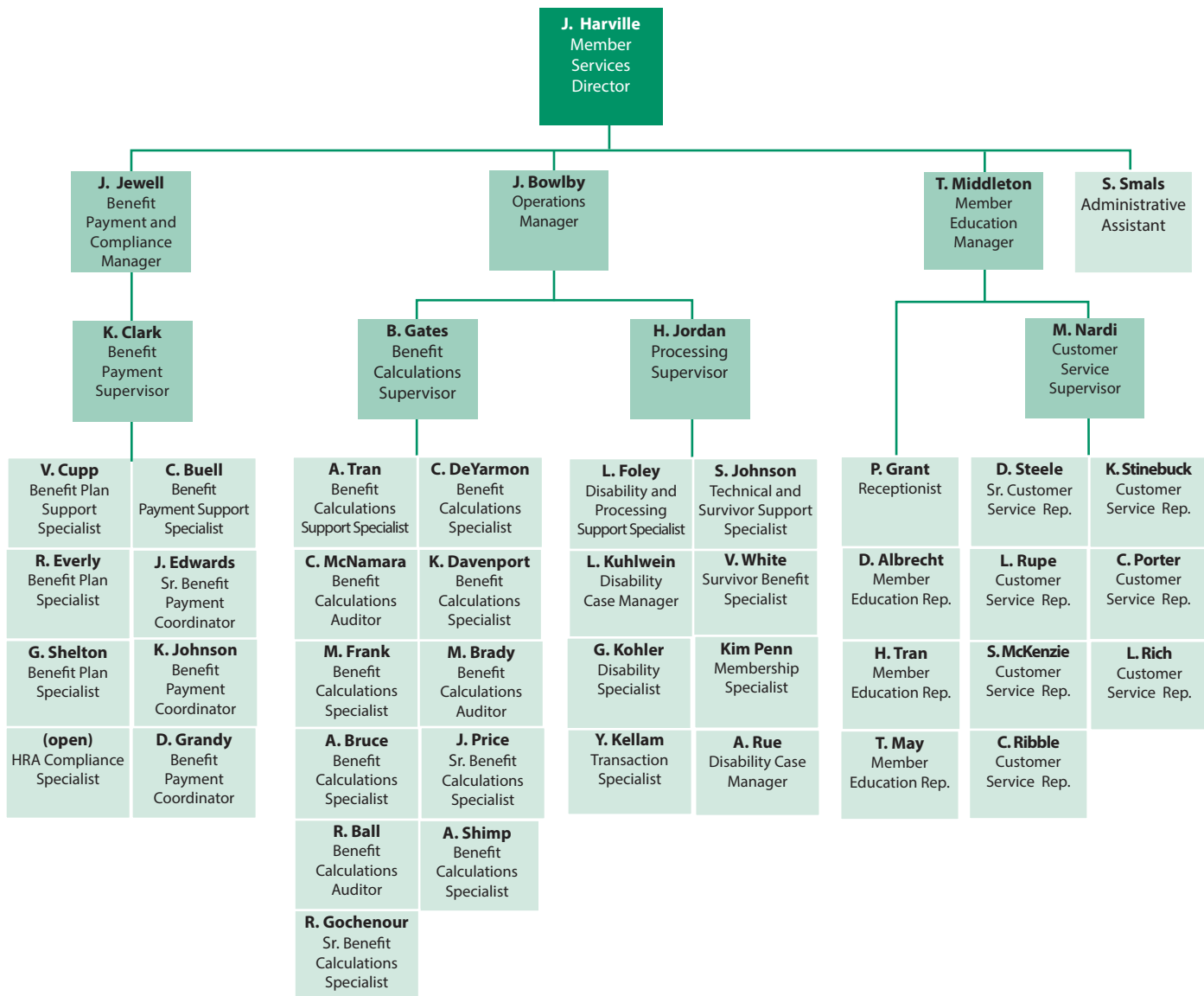
## Investment Department 2020 Initiatives

No initiatives have been submitted for 2020.

## Review Investment Department 2019 Initiatives

No initiatives from 2019.

## Member Services Department



Director

Manager/  
Supervisor

Staff

## Member Services Department Budget

Budget Category	2020 Budget	2019 Forecast	Variance \$ 2019 Forecast	Variance % 2019 Forecast	2019 Budget	Variance \$ 2019 Budget	Variance % 2019 Budget	2018 Actual
<b>Personnel Services</b>								
Salaries	\$2,768,600	\$2,393,029	\$375,571	15.7%	\$2,683,457	\$85,143	3.2%	\$2,460,600
Employee Benefits	1,169,703	915,360	254,343	27.8%	1,076,188	93,515	8.7%	749,035
Employer Payroll Expense	439,600	385,624	53,976	14.0%	424,584	15,016	3.5%	388,054
<b>Sub-Total</b>	<b>4,377,903</b>	<b>3,694,013</b>	<b>683,890</b>	<b>18.5%</b>	<b>4,184,229</b>	<b>193,674</b>	<b>4.6%</b>	<b>3,597,689</b>
<b>Work Environment</b>								
Office Rent	—	—	—	—	—	—	—	—
Maintenance and Repairs	—	—	—	—	—	—	—	—
Legislative Expenses	—	—	—	—	—	—	—	—
Mailing Expense	—	—	—	—	—	—	—	—
Printing and Publications	—	—	—	—	—	—	—	—
Office Supplies	—	—	—	—	—	—	—	—
Office Equipment	—	—	—	—	—	—	—	—
Insurance Administrative	—	—	—	—	—	—	—	—
Recovery Plan and Contingency	—	—	—	—	—	—	—	—
OP&F Sponsored Seminars	16,370	14,250	2,120	14.9%	14,250	2,120	14.9%	13,988
Business Travel	6,460	6,460	—	0.0%	6,460	—	0.0%	1,199
Business Expense	2,765	1,850	915	49.5%	1,850	915	49.5%	3,507
Trustee Training	—	—	—	—	—	—	—	—
Employee Training	7,420	7,420	—	0.0%	7,420	—	0.0%	5,237
Telephone Services	—	—	—	—	—	—	—	—
Dues and Subscriptions	4,545	4,545	(0)	0.0%	4,545	—	0.0%	1,245
Miscellaneous Expenses	10,100	10,100	(0)	0.0%	10,100	—	0.0%	7,895
<b>Sub-Total</b>	<b>47,660</b>	<b>44,626</b>	<b>3,035</b>	<b>6.8%</b>	<b>44,625</b>	<b>3,035</b>	<b>6.8%</b>	<b>33,071</b>
<b>Outside Services</b>								
Investment Services	—	—	—	—	—	—	—	—
Bank Custody Fees	—	—	—	—	—	—	—	—
Actuarial Services	—	—	—	—	—	—	—	—
Audit Services	—	—	—	—	—	—	—	—
Legal Services	—	—	—	—	—	—	—	—
Disability Medical Services	604,100	595,397	8,703	1.5%	591,900	12,200	2.1%	504,488
Public Relations Consultants	—	—	—	—	—	—	—	—
Bank Charges	—	—	—	—	—	—	—	—
Ohio Retirement Study Council	—	—	—	—	—	—	—	—
Legislative Consultants	—	—	—	—	—	—	—	—
Personnel Recruitment	—	—	—	—	—	—	—	—
Health Care Consultants	—	—	—	—	—	—	—	—
Other Professional Services	14,750	21,172	(6,422)	-30.3%	10,500	4,250	40.5%	(16,457)
<b>Sub-Total</b>	<b>618,850</b>	<b>616,569</b>	<b>2,281</b>	<b>0.4%</b>	<b>602,400</b>	<b>16,450</b>	<b>2.7%</b>	<b>488,031</b>
<b>Total Before Investment</b>								
<b>Management Fees</b>	<b>5,044,413</b>	<b>4,355,208</b>	<b>689,205</b>	<b>15.8%</b>	<b>4,831,254</b>	<b>213,159</b>	<b>4.4%</b>	<b>4,118,791</b>
Investment Mgt.Fees	—	—	—	—	—	—	—	—
<b>TOTAL OPERATING</b>	<b>\$5,044,413</b>	<b>\$4,355,208</b>	<b>\$689,205</b>	<b>15.8%</b>	<b>\$4,831,254</b>	<b>\$213,159</b>	<b>4.4%</b>	<b>\$4,118,791</b>



## Member Services

The Member Services Department serves active and retired OP&F members and their families, from entry into the system through retirement and beyond. The Department is comprised of four teams working together to deliver superior customer service to new members and to those nearing or already at retirement by providing regular educational opportunities, swift application processing, and accurate payment of benefits. In addition, we administer survivor benefits, death fund benefits and sponsor health care programs for eligible retirees, survivors, spouses and children.

### Benefit Calculations

The Benefit Calculations team calculates service and disability benefits at the time of retirement. They process Deferred Retirement Option Plan (DROP) distributions, pension recalculations and annual cost of living adjustments. They work closely with the other Ohio retirement systems to calculate service credit transfers among the funds. They are responsible for the granting and purchase of military service credit and other civilian service credit transactions. They prepare reports, perform research, and make recommendations to the Board of Trustees at the monthly Benefits Committee meetings.

### Benefit Payments and Compliance

The Benefit Payment and Compliance (BPC) team administers the retiree health care program and works closely with new partner, Aon, to ensure retirees receive the appropriate health care coverage and support they need. BPC manages the health care eligibility and enrollment processes and assigns appropriate stipend levels for funding to retiree health reimbursement accounts (HRA). BPC monitors financial trends impacting the health care stabilization fund and prepares reports, performs research and makes recommendations to the Board of Trustees at the monthly Health Care Committee meeting. With a focus on the data integrity of member system information, BPC is responsible for numerous financial transactions including initiating payment of monthly benefits and maintenance transactions such as direct deposit, Medicare Part B reimbursement, court ordered distributions, division of property orders, and collection of overpayments.

## Customer Service and Member Education

The Customer Service and Member Education team provides superior customer service to OP&F members, dependents and employers. They are responsible for conducting member seminars and benefit counseling sessions and serve as the frontline for all incoming calls and interviews.

### Processing

The Processing team is responsible for receipt of all incoming application transactions related to new member enrollment, service and disability retirement, DROP and survivor and death fund benefits. In addition to performing the initial system set-ups, the team works closely with members and their families to ensure swift initiation of benefit payments. This team also works closely with physicians and vocational experts to compile disability case files for review with the Board of Trustees at the monthly Disability Committee meeting.

## Goals and Objectives

1. Goal: Provide quality service to members by establishing and maintaining specific and measurable turnaround times for core processes.  
Objective: Ensure the needs of internal and external customers are met.
2. Goal: Maintain accurate financial and indicative data in all areas of production.  
Objective: Record all system data timely and accurately to ensure accurate records and reliable reporting.
3. Goal: Process payments to vendors timely and accurately for delivery of administrative services.  
Objective: Review invoices for reasonableness, address issues promptly and reply swiftly to health care billing inquiries.
4. Goal: Ensure accurate and timely adjustments to pension checks.  
Objective: Validate and make needed system changes to meet deadline check run dates.
5. Goal: Oversee required filings and fee payments with CMS and ACA.  
Objective: Successfully obtain Med D reimbursements quarterly and payment of required PCORI.

6. Goal: Provide access to healthcare coverage through the retiree health exchange (Aon).  
Objective: Account for HRA expenses and analyze data to monitor health care stabilization fund solvency.
7. Goal: Ensure healthcare broker meets contractual obligations through analysis of process reporting tools and guidance materials for OP&F retirees.  
Objective: Review monthly reporting and provide feedback on tools and guidance materials.
8. Goal: Provide quality service in a courteous and responsive manner to members, retirees, beneficiaries, employers, associations and staff.  
Objective: Develop resources, training, and work environment to enable and empower OP&F staff to provide courteous and responsive service to all internal and external customers.

## Performance Measurements

Supports Goal #1 and 8	Actual 2018	Estimated 2019	Expected 2020	Type
Service retirement applications acknowledged per month	67	76	72	Output
Disability applications acknowledged per month	12	11	12	Output
Survivor applications acknowledged per month	31	33	32	Output
DROP applications acknowledged per month	69	65	69	Output
Lump Sum DROP disbursements paid within 90 days of termination	397	340	385	Output
Ad hoc disbursements and EFT processed in four days	5,024	5,400	5,000	Output
EFT's processed within voucher deadline date	5,754	5,800	5,800	Output
Verification of invoice within three days	881	850	900	Output
Acknowledge service retirement applications within one week	63%	26%	64%	Output
Acknowledge disability applications within one week	87%	80%	84%	Output
Acknowledge reports of death within two days	95%	95%	95%	Output
Acknowledge DROP elections within two days	62%	71%	67%	Output
Customer Service calls answered within 30 seconds or less	39%	69%	88%	Output
Customer Service quality assurance measurements maintained at 98% or better	99%	99%	99%	Outcome

Supports Goal #2	Actual 2018	Estimated 2019	Expected 2020	Type
DROP benefits calculated within 90 days of payroll release	772	375	575	Output
Service credit/contribution transfers to OP&F processed per month	9	7	8	Output
Withdrawals/rollovers processed per month	18	18	18	Output
Prior service costs processed per month	69	75	70	Output
Interim payments processed in 14 days	284	270	175	Output
Partial DROP disbursements paid within 14 days of request	1,335	1,475	1,400	Output
Service credit/contribution transfers processed per month	1	1	1	Output
Personal History Records processed per month	202	224	213	Output
Process new member enrollment within nine days	60%	69%	70%	Output
Calculate service retirement interim within one week	65%	75%	77%	Output
Calculate service retirement final within three months	100%	100%	100%	Output
Calculate disability retirement interim within one week	71%	75%	77%	Output
Calculate disability retirement final within three months	100%	100%	100%	Output
Process DROP entry within one week	95%	95%	96%	Output
Process DROP entry audit within one week	81%	84%	85%	Output
Process DROP benefit calculation within three weeks	98%	98%	98%	Output
Process DROP benefit calculation audit within 2 weeks	64%	65%	70%	Output
Process DROP to Service final within 3 weeks	100%	100%	100%	Output
Process DROP distribution partial <\$300K within 1 week	75%	75%	77%	Output
Process DROP distribution lump sum <\$300K within 1 week	63%	65%	77%	Output
Process DROP distribution jumbo partial >\$300K within 1 month	76%	68%	75%	Output
Process DROP distribution jumbo lump sum >\$300K within 1 month	86%	70%	85%	Output

Supports Goal #3	Actual 2018	Estimated 2019	Expected 2020	Type
Reconcile invoices and submit for payment within contractual due dates	Yes	Yes	Yes	Efficiency

Supports Goal #4	Actual 2018	Estimated 2019	Expected 2020	Type
Verify V3 system changes within three business days	Yes	Yes	Yes	Efficiency
Validate weekly changes file for vendor accuracy	Yes	Yes	Yes	Efficiency

Supports Goal #5	Actual 2018	Estimated 2019	Expected 2020	Type
Timely reconcile Med D materials for quarterly reimbursements	Yes	Yes	Yes	Outcome

Supports Goal #6	Actual 2018	Estimated 2019	Expected 2020	Type
Evaluate programs to provide savings through healthier behavior patterns and disease prevention	Yes	Yes	Yes	Outcome

Supports Goal #7	Actual 2018	Estimated 2019	Expected 2020	Type
Analyze rebates and performance guarantees	Yes	Yes	Yes	Efficiency

## Budget Category Summary

Budget Category	Budget 2020	Budget 2019	% Change 2019-2020	Actual 2018
Personnel Services	\$4,377,903	\$4,184,229	4.6%	\$3,597,689
Work Environment	\$47,660	\$44,625	6.8%	\$33,071
Outside Services	\$618,850	\$602,400	2.7%	\$488,031
<b>TOTAL</b>	<b>\$5,044,413</b>	<b>\$4,831,254</b>	<b>4.4%</b>	<b>\$4,118,791</b>

## Budget Category Explanations

### Personnel Services

Increased by \$193,674 or 4.6 percent, which is attributable to a merit increase for eligible staff and increases in health care costs based on projections for 2020.

### Work Environment

Work Environment increased by \$3,035 or 6.8 percent. This small increase is primarily attributable to costs associated with Member education seminars.

### Outside Services

Increased by \$16,450 or 2.7 percent. This category reflects expenses for the disability process and other professional services. The disability process includes evaluation fees, consultant fees for doctors and vocational experts and occasional fees for out of state physician locators. An increase of \$100 per month per physician was included in the 2020 budget for DEP Panel physicians who last had an increase in 2015.

## Personnel Projections

Category	2020	2019	2018
Exempt Salary	8	8	9
Non-Exempt Salary	39	38	37
<b>TOTAL FULL-TIME</b>	<b>47</b>	<b>46</b>	<b>46</b>

## Member Services 2020 Initiatives

Member Services is adding one head count to the Benefit Payment and Compliance team by hiring an HRA Specialist. This position will bring a working knowledge of HRA rules and guidelines, be familiar with the allowable expense list, IRS guidelines and policies, HRA claims payments and reconciliations, etc. This position will also assist with member escalated issues. We are still using temporary employees in the Customer Service team with two temporary team members currently on staff and a plan to hire three more for annual enrollment..

## Review of 2019 Initiatives

### Health Care transition

Although Member Services didn't have any formal initiatives for 2019, the new health care program took the spotlight and the department shifted existing resources in response to the unexpected challenges that arose once the health care transition began to add pressure to OP&F operations. In addition to reassigning resources to help cover incoming member calls, three vacant positions from across the department were permanently reallocated to other teams: a Disability Case Manager position was shifted to Customer Service (CS) who hired a third Member Education Representative; a Benefit Calculations Specialist position was shifted to Benefit Payment and Compliance who hired a second Benefit Plan Specialist; and a Benefit Payment and Compliance position was shifted to Customer Service who hired a seventh Customer Service Representative. In addition, both Benefit Payment and Compliance and Customer Service utilized temporary employees as an innovative way to respond to and sustain the changes.

## Board of Trustees

### Board of Trustees Budget

Budget Category	2020 Budget	2019 Forecast	Variance \$ 2019 Forecast	Variance % 2019 Forecast	2019 Budget	Variance \$ 2019 Budget	Variance % 2019 Budget	2018 Actual
<b>Personnel Services</b>								
Salaries	\$—	\$—	\$—	—	\$—	\$—	—	\$—
Employee Benefits	—	—	—	—	—	—	—	—
Employer Payroll Expense	—	—	—	—	—	—	—	—
<b>Sub-total</b>	—	—	—	—	—	—	—	—
<b>Work Environment</b>								
Office Rent	—	—	—	—	—	—	—	—
Maintenance and Repairs	—	—	—	—	—	—	—	—
Legislative Expenses	—	—	—	—	—	—	—	—
Mailing Expense	—	—	—	—	—	—	—	—
Printing and Publications	—	—	—	—	—	—	—	—
Office Supplies	—	—	—	—	—	—	—	—
Office Equipment	—	—	—	—	—	—	—	—
Insurance Administrative	—	—	—	—	—	—	—	—
Recovery Plan and Contingency	—	—	—	—	—	—	—	—
OP&F Sponsored Seminars	—	—	—	—	—	—	—	—
Business Travel	21,060	12,736	8,324	65.4%	20,060	1,000	5.0%	17,475
Business Expense	53,500	36,162	17,338	47.9%	60,000	(6,500)	-10.8%	65,131
Trustee Training	22,045	740	21,305	2879.3%	17,675	4,370	24.7%	12,723
Employee Training	—	—	—	—	—	—	—	—
Telephone Services	—	—	—	—	—	—	—	—
Dues and Subscriptions	3,000	2,285	715	31.3%	4,050	(1,050)	-25.9%	2,937
Miscellaneous Expenses	6,000	5,697	303	5.3%	5,000	1,000	20.0%	6,014
<b>Sub-total</b>	<b>105,605</b>	<b>57,620</b>	<b>47,985</b>	<b>83.3%</b>	<b>106,785</b>	<b>(1,180)</b>	<b>-1.1%</b>	<b>104,280</b>
<b>Outside Services</b>								
Investment Services	—	—	—	—	—	—	—	—
Bank Custody Fees	—	—	—	—	—	—	—	—
Actuarial Services	—	—	—	—	—	—	—	—
Audit Services	—	—	—	—	—	—	—	—
Legal Services	—	—	—	—	—	—	—	—
Disability Medical Service	—	—	—	—	—	—	—	—
Public Relations Consultants	—	—	—	—	—	—	—	—
Bank Charges	—	—	—	—	—	—	—	—
Ohio Retirement Study Council	—	—	—	—	—	—	—	—
Legislative Consultants	—	—	—	—	—	—	—	—
Personnel Recruitment	—	—	—	—	—	—	—	—
Health Care Consultants	—	—	—	—	—	—	—	—
Other Professional Service	—	—	—	—	—	—	—	—
<b>Sub total</b>	—	—	—	—	—	—	—	—
<b>Total Before Investment</b>								
<b>Management Fees</b>	<b>105,605</b>	<b>57,620</b>	<b>47,985</b>	<b>83.3%</b>	<b>106,785</b>	<b>(1,180)</b>	<b>-1.1%</b>	<b>104,280</b>
Investment Mgt. Fees	—	—	—	—	—	—	—	—
<b>TOTAL OPERATING</b>	<b>\$105,605</b>	<b>\$57,620</b>	<b>\$47,985</b>	<b>83.3%</b>	<b>\$106,785</b>	<b>\$(1,180)</b>	<b>-1.1%</b>	<b>\$104,280</b>



## Board of Trustees

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This department is used by OP&F to track the costs and activities of the Board of Trustees.

### Budget Category Summary

Budget Category	Budget 2020	Budget 2019	% Change 2019-2018	Actual 2018
Personnel Services	\$0	\$0	0.0%	\$0
Work Environment	105,605	106,785	-1.1%	104,280
Outside Services	0	0	0.0%	0
<b>TOTAL</b>	<b>\$105,605</b>	<b>\$106,785</b>	<b>-1.1%</b>	<b>\$104,280</b>

### Budget Category Explanations

#### Personnel Services

The Trustees do not receive any compensation or employee benefits.

#### Work Environment

This category represents all expenses that are paid for by OP&F for the purpose of accommodating and training the Board of Trustees. There is a 1.1 percent decrease in this budget category for 2020.

#### Outside Services

No outside services are related to this department.

#### Capital Outlay

No capital outlay is required for this department.

#### Personnel Projections

There are no personnel projections related to this department, as all Trustees are elected or appointed into non-compensated positions.

#### Trustees' Proposed 2020 Initiatives

No initiatives for 2020.

#### Review of Trustees' 2019 Initiatives

No initiatives from 2019.





# Supplemental and Glossary of Terms

Annual Budget for Fiscal year 2020

*Supplemental Section  
Glossary*

**Ohio  
Police  
& Fire** Pension  
Fund

140 East Town Street • Columbus, Ohio 43215  
[www.op-f.org](http://www.op-f.org) • 1-888-864-8363

## Active and Retired Member Statistics

### Active Member Valuation Data

Year	Number of Employers			Number of Active Members			Average Annual Salary		Percentage of Average Annual Salary Increases		Annual Payroll
	Police	Fire	Total	Police	Fire	Total	Police	Fire	Police	Fire	(Millions)
2019	528	398	926	15,496	13,408	28,904	\$77,544	\$79,597	1.5%	2.2%	\$2,268.6
2018	528	398	926	15,214	13,194	28,408	\$76,397	\$77,870	0.8%	0.4%	\$2,209.3
2017	526	390	916	15,205	12,970	28,175	75,772	77,583	3.8%	4.5%	2,180.9
2016	527	388	915	14,846	12,778	27,624	72,976	74,229	4.2%	4.2%	2,060.9
2015	529	388	917	14,719	12,727	27,446	72,976	74,229	4.2%	4.2%	2,060.9
2014	532	386	918	14,798	12,804	27,602	70,033	71,228	1.9%	1.6%	1,986.6
2013	531	380	911	14,841	12,764	27,605	68,724	70,087	0.8%	1.0%	1,942.3
2012	537	380	917	14,745	12,699	27,444	68,163	69,359	1.6%	1.0%	1,913.4
2011	537	380	917	14,854	12,769	27,623	67,094	68,663	2.2%	1.6%	1,897.4
2010	533	384	917	15,293	12,929	28,222	65,649	67,559	2.0%	2.0%	1,868.5

### Active Members

Year	Number of Active Members	Percentage Change in Membership	Total Annual Payroll (Thousands)	Percentage Change in Payroll
2019	28,904	2.39%	\$2,268,611	****3.82%
2018	28,408	0.83%	\$2,185,127	*** 1.46%
2017	28,175	1.99%	2,153,765	** 4.51%
2016	27,624	-0.52%	2,060,851	3.74%
2015	27,446	-5.20%	2,060,851	3.74%
2014	27,602	-0.01%	1,986,569	2.28%
2013	27,605	-0.07%	1,942,269	1.49%
2012	27,444	-2.76%	1,913,383	0.83%
2011	27,623	-3.48%	1,897,413	1.55%
2010	28,222	-1.39%	1,868,502	-1.41%

\*\* Increase for 2017 includes 1.427% assumed increase for late reported salaries

\*\*\* Increase for 2018 includes 1.258% assumed increase for late reported salaries

\*\*\*\*Increase for 2019 includes 1.261% assumed increase for late reported salaries

### Retirees and Beneficiaries added to and removed from rolls *(dollars in thousands)*

Valuation as of Jan. 1	Added to rolls		Removed from rolls		Rolls, end of year		Percentage Change in Allowance	Average Annual Allowances	Percentage Change in Membership
	Number	Annual Allowances	Number	Annual Allowances	Number	Annual Allowances			
2018	1,292	\$66,129	1,087	\$28,036	29,566	\$1,105,862	3.57%	\$37.40	0.70%
2017	1,458	50,476	1,010	24,321	29,361	1,067,769	4.53%	36.37	1.55%
2016	1,401	47,436	890	21,186	28,913	1,021,509	4.67%	35.33	1.80%
2015	1,450	48,864	1,011	22,141	28,402	975,929	4.81%	34.36	1.57%
2014	1,261	41,378	859	17,204	27,963	931,176	4.59%	33.30	1.46%
2013	1,362	44,842	1,044	23,851	27,561	890,288	4.42%	32.30	1.17%
2012	1,390	48,249	1,225	19,469	27,243	852,602	5.58%	31.30	0.61%
2011	1,783	65,572	779	16,397	27,078	807,550	8.52%	29.82	3.85%
2010	1,165	34,553	803	15,721	26,074	744,144	4.74%	28.54	1.41%
2009	1,128	30,920	733	14,566	25,712	710,463	4.52%	27.63	1.56%



## Average Benefit Payments

### Retired Membership By Type Of Benefit (Source: Actuarial Valuation)

Year	Service		Disability		Survivors		Total
	Police	Fire	Police	Fire	Police	Fire	
2019	8,729	6,759	3,634	2,486	4,560	3,398	29,566
2018	8,558	6,612	3,710	2,527	4,540	3,414	29,361
2017	8,307	6,406	3,732	2,551	4,484	3,433	28,913
2016	8,048	6,207	3,754	2,563	4,424	3,406	28,402
2015	8,048	6,207	3,754	2,563	4,424	3,406	28,402
2014	7,842	5,972	3,784	2,576	4,403	3,386	27,963
2013	7,623	5,784	3,820	2,588	4,395	3,351	27,561
2012	7,459	5,683	3,834	2,594	4,352	3,321	27,243
2011	7,204	5,540	3,825	2,577	4,543	3,389	27,078
2010	6,762	5,185	3,772	2,566	4,479	3,310	26,074

### Average Monthly Benefit Payments\* for Members Placed on Retirement Rolls

#### Service Retirement

Year	Normal	Service Commuted	Age Commuted	Age/Service
2018	\$3,859	\$1,445	\$—	\$3,061
2017	3,797	1,268	—	2,569
2016	3,681	1,444	—	2,724
2015	3,651	1,522	—	2,707
2014	3,606	1,698	—	2,455
2013	3,530	1,292	—	2,590
2012	3,466	1,241	—	2,341
2011	3,442	1,282	—	2,699
2010	3,339	1,374	—	3,016
2009	3,301	1,460	—	2,359

#### Disability Retirement

Year	Permanent and Total	P and T Presumptive	Partial	Partial Presumptive	Off Duty
2018	\$4,618	\$4,295	\$3,299	\$3,465	\$3,222
2017	4,466	3,998	2,970	2,696	2,809
2016	4,681	4,074	2,882	3,047	2,563
2015	3,864	3,602	2,757	3,239	2,647
2014	3,642	4,252	3,040	3,147	2,258
2013	3,997	5,038	2,865	2,599	2,731
2012	4,276	3,717	2,928	3,338	2,770
2011	3,838	3,870	2,963	2,983	2,510
2010	3,495	3,886	2,827	3,659	2,785
2009	3,626	3,810	2,807	2,966	2,697

\* Source: Numbers calculated by taking an average of final placements for retirees as listed in OP&F Board of Trustees monthly reports.

### Revenues by Source (dollars in millions)

Year	Employer Contributions	Member Contributions and purchases	Employer Contributions as a percentage of Covered Payroll	Investment and Securities Lending Income	Health Care Contributions	Other Revenues	Total Revenues
2018	\$489.6	\$295.5	21.6%	\$(487.9)	\$73.2	\$24.9	\$395.6
2017	472.9	282.0	22.9%	1,923.5	74.5	28.9	2,781.8
2016	465.4	268.6	22.6%	1,317.4	73.2	36.3	2,160.9
2015	438.7	245.8	22.1%	(10.0)	71.2	29.2	774.9
2014	427.8	224.0	22.0%	860.7	70.0	25.2	1,607.7
2013	418.2	211.4	21.9%	2,053.0	66.6	28.5	2,777.7
2012	417.0	177.5	22.0%	1,657.9	65.1	30.7	2,348.2
2011	407.5	176.8	21.8%	229.6	62.5	40.5	916.9
2010	414.0	175.5	21.8%	1,651.8	58.9	25.8	2,326.0
2009	404.3	168.4	21.3%	1,894.9	59.1	24.3	2,551.0



**Expenses By Type** *(dollars in millions)*

Year	Benefit Payments	Administrative Expenses	Refund of Member Contributions	Other Expenses	Total Expenses
2018	\$1,550.7	\$16.8	\$18.3	\$—	\$1,585.8
2017	1,429.2	20.3	20.6	—	1,470.1
2016	1,396.4	19.6	14.2	—	1,430.2
2015	1,369.9	16.3	13.8	—	1,400.0
2014	1,310.5	16.2	15.2	—	1,341.9
2013	1,302.5	15.9	16.0	—	1,334.4
2012	1,236.4	15.4	26.5	—	1,278.3
2011	1,204.2	15.4	22.0	—	1,241.6
2010	1,132.1	15.1	15.8	—	1,163.0
2009	1,085.1	16.3	15.7	—	1,117.1

**Benefit Expenses by Type** *(dollars in millions)*

Year	Service	DROP**	Disability	Health Care	Survivor	Total Benefits
2018	\$749.1	\$203.0	\$254.4	\$217.9	\$89.7	\$1,514.1
2017	710.3	186.4	252.0	193.6	86.9	1,429.2
2016	672.6	166.7	248.9	223.6	84.6	1,396.4
2015	631.6	197.3	245.7	213.2	82.1	1,369.9
2014	598.8	190.4	242.1	199.6	79.6	1,310.5
2013	563.2	232.2	239.0	191.3	76.8	1,302.5
2012	529.9	212.1	232.8	187.4	74.2	1,236.4
2011	490.2	241.1	225.0	176.3	71.6	1,204.2
2010	444.4	241.0	217.8	159.9	69.0	1,132.1
2009	423.7	215.4	211.1	168.8	66.1	1,085.1

\*\* Implementation date of Jan. 1, 2003.

**Number of Employer Units**

Year	Municipalities		Townships		Villages		Total		Total
	Police	Fire	Police	Fire	Police	Fire	Police	Fire	Both
2019	248	224	0	141	274	39	522	401	926
2018	248	222	0	136	280	40	528	398	926
2017	248	198	0	158	278	34	526	390	916
2016	248	221	0	130	279	37	527	388	915
2015	249	220	0	131	280	37	529	388	917
2014	249	221	0	129	283	36	532	386	918
2013	249	223	0	124	282	33	531	380	911
2012	249	225	0	122	288	33	537	380	917
2011	250	227	0	123	283	34	533	384	917
2010	252	229	0	123	284	33	536	385	921

## Short-Term Solvency Test

A short-term solvency test is one means of checking a system's progress under its funding program. In a short-term solvency test, the plan's valuation assets are compared with:

1. Active member contributions on deposit;
2. The liabilities for future benefits to present retired lives;
3. The liabilities for service already rendered by active members.

In a system that has been following the discipline of level percent of payroll financing, the liabilities for active member contributions on deposit (Liability 1) and the liabilities for future benefits to present retired lives (Liability 2) will be fully covered by present assets (except in rare circumstances). In addition, the liabilities for service already rendered by active members (Liability 3) will be partially covered by the remainder of present assets. Generally, if the system has been using level cost financing, the funding portion of liability 3 will increase over time. Liability 3 being fully funded is very rare.

### Accrued Liabilities (\$ Amounts in Thousands)

	Valuation Year	(1) Active Member Contributions	(2) Retirants and Beneficiaries	(3) Active Members (Employer Financed Portion)	Valuation Assets	Portion of Accrued Liabilities Covered by Reported Assets		
						(1)	(2)	(3)
Police	2019	\$1,584,057	\$7,107,922	\$2,987,107	\$8,102,788	100%	92%	0%
Fire	2019	\$1,423,619	\$5,373,749	\$2,788,255	\$6,650,372	100%	97%	0%
Police	2018	\$1,515,993	\$6,870,423	\$3,138,109	\$8,052,548	100%	95%	0%
Fire	2018	\$1,345,237	\$5,150,080	\$2,867,386	\$6,542,014	100%	100%	2%
Police	2017	\$1,451,473	\$6,576,192	\$3,184,383	\$7,825,895	100%	97%	0%
Fire	2017	\$1,276,582	\$4,922,990	\$2,878,774	\$6,336,593	100%	100%	5%
Police	2016	\$1,386,649	\$6,085,896	\$3,002,889	\$7,473,979	100%	100%	0%
Fire	2016	\$1,213,330	\$4,614,250	\$2,832,862	\$6,179,025	100%	100%	12%
Police	2015	\$1,210,400	\$5,857,146	\$3,015,390	\$7,141,575	100%	100%	2%
Fire	2015	\$1,062,097	\$4,337,819	\$2,912,741	\$5,887,716	100%	100%	17%
Police	2014	\$1,171,496	\$5,368,637	\$2,583,711	\$6,088,816	100%	92%	0%
Fire	2014	\$1,028,465	\$3,924,388	\$2,501,058	\$4,974,383	100%	100%	1%
Police	2013	\$1,131,664	\$5,166,808	\$2,532,580	\$5,670,069	100%	88%	0%
Fire	2013	\$974,362	\$3,751,279	\$2,451,195	\$4,607,962	100%	97%	0%
Police	2012	\$1,100,146	\$4,960,051	\$2,969,900	\$5,694,783	100%	93%	0%
Fire	2012	\$965,598	\$3,581,800	\$2,769,204	\$4,614,176	100%	100%	2%
Police	2011	\$1,100,251	\$4,368,659	\$3,008,219	\$5,885,449	100%	100%	14%
Fire	2011	\$956,559	\$3,132,521	\$2,818,228	\$4,795,563	100%	100%	25%
Police	2010	\$1,067,209	\$4,216,219	\$2,832,235	\$5,163,648	100%	100%	24%
Fire	2010	\$916,033	\$3,004,267	\$2,700,815	\$4,818,972	100%	100%	33%

## Contribution and Actuarial Interest Rate History

### Schedule of Contribution Rates

#### Employer Rates

Time Frame of Rates	Employer Rates	
	Police	Fire
Jan. 1, 1967 - Dec. 31, 1967	13.55	13.13
Jan. 1, 1968 - Dec. 31, 1968	13.66	13.50
Jan. 1, 1969 - Dec. 31, 1969	14.68	14.49
Jan. 1, 1970 - Dec. 31, 1970	15.52	15.52
Jan. 1, 1971 - Dec. 31, 1971	12.81	12.96
Jan. 1, 1972 - Dec. 31, 1972	12.96	13.26
Jan. 1, 1973 - Dec. 31, 1973	12.85	13.41
Jan. 1, 1974 - Dec. 31, 1974	12.88	13.60
Jan. 1, 1975 - Dec. 31, 1975	12.49	13.78
Jan. 1, 1976 - Dec. 31, 1976	14.02	15.57
Jan. 1, 1977 - Dec. 31, 1977	15.34	16.77
Jan. 1, 1978 - Dec. 31, 1978	17.53	18.90
Jan. 1, 1979 - Dec. 31, 1979	18.40	20.11
Jan. 1, 1980 - Dec. 31, 1980	15.70	19.87
Jan. 1, 1981 - Dec. 31, 1981	15.60	20.72
Jan. 1, 1982 - Dec. 31, 1982	16.62	22.39
Jan. 1, 1983 - Dec. 31, 1983	18.45	23.57
Jan. 1, 1984 - Dec. 31, 1984	21.35	24.59
Jan. 1, 1985 - Dec. 31, 1985	20.03	24.59
Jan. 1, 1986 - Present	19.50	24.00

#### Member Rates

Time Frame of Rates			Member Rates	
			Police	Fire
Jan. 1, 1967	to	Dec. 31, 1967	6.00	6.00
Jan. 1, 1968	to	Feb. 28, 1980	7.00	7.00
March 1, 1980	to	July 31, 1986	8.50	8.50
Aug. 1, 1986	to	Sept. 8, 1988	9.50	9.50
Sept. 9, 1988	to	July 1, 2013	10.00	10.00
July 2, 2013	to	July 1, 2014	10.75	10.75
July 2, 2014	to	July 1, 2015	11.50	11.50
July 2, 2015	to	present	12.25	12.25

### Schedule of Actuarial Interest Rates

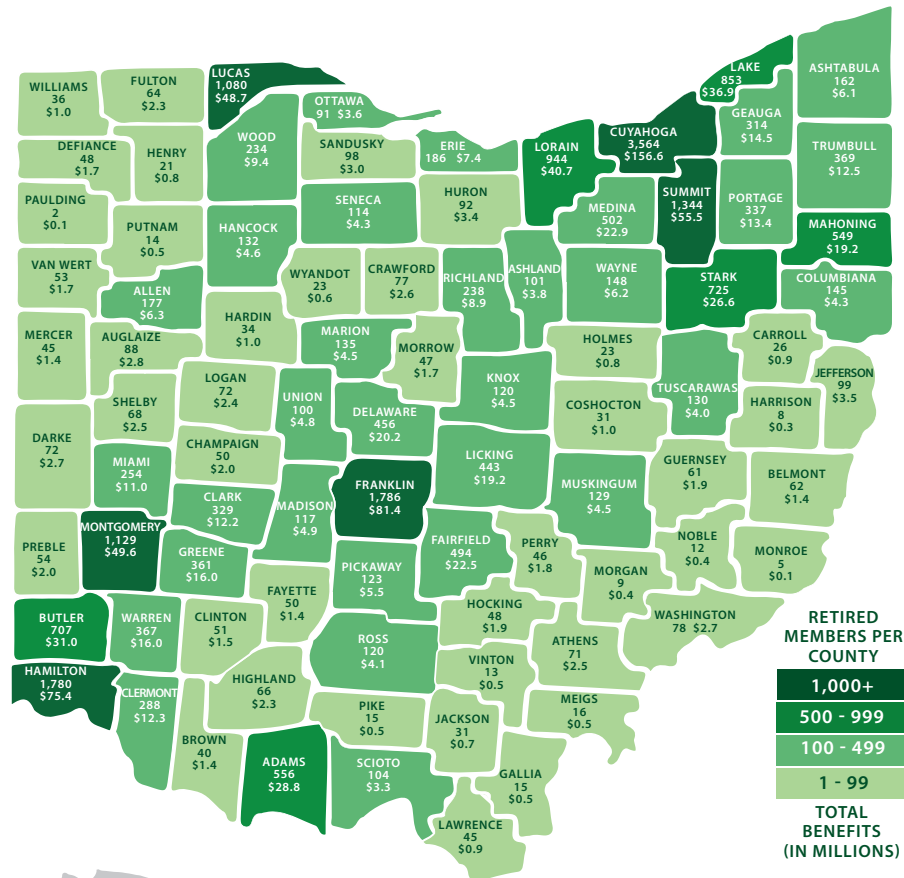
Time Frame of Rates	Actuarial Interest Rates
Jan. 1, 1967 - Dec. 31, 1969	4.250
Jan. 1, 1970 - Dec. 31, 1971	4.625
Jan. 1, 1972 - Dec. 31, 1973	4.750
Jan. 1, 1974 - Dec. 31, 1978	5.000
Jan. 1, 1979 - Dec. 31, 1979	6.000
Jan. 1, 1980 - Dec. 31, 1982	6.375
Jan. 1, 1983 - Dec. 31, 1985	7.500
Jan. 1, 1986 - Dec. 31, 1988	7.750
Jan. 1, 1989 - Dec. 31, 2016	8.250
Jan. 1, 2017- Present	8.000

### Health Care allocation from employer rates

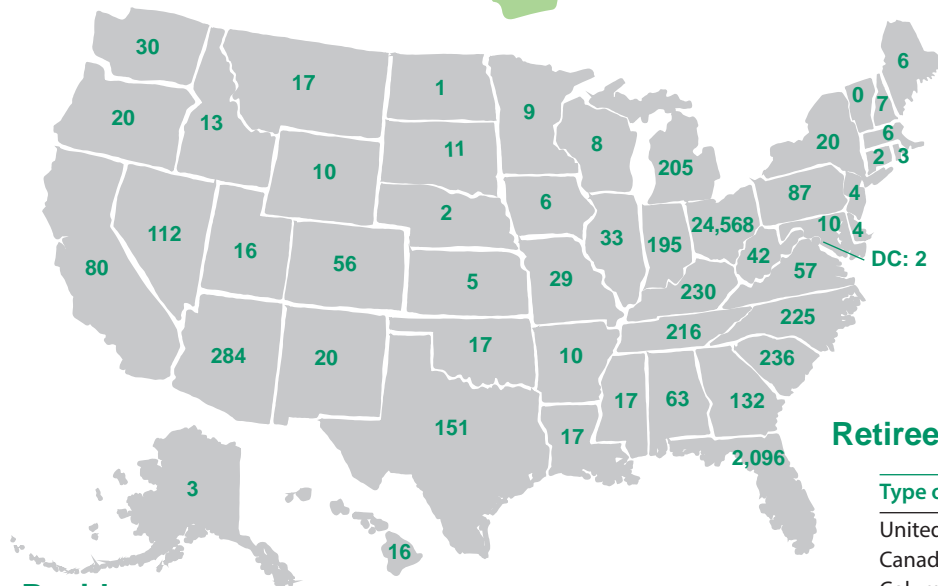
Time Frame of Rates	Rate
Jan. 1, 1974 - Dec. 31, 1991	Rate = to \$ of benefits paid
Jan. 1, 1992 - Dec. 31, 1998	6.50%
Jan. 1, 1999 - Dec. 31, 1999	7.00%
Jan. 1, 2000 - Dec. 31, 2000	7.25%
Jan. 1, 2001 - Dec. 31, 2002	7.50%
Jan. 1, 2002 - Dec. 31, 2006	7.75%
Jan. 1, 2007 - Dec. 31, 2012	6.75%
Jan. 1, 2013 - May 31, 2013	4.69%
June 1, 2013-Dec. 31, 2013	2.85%
Jan. 1, 2014 - Present	0.50%

## Demographics and Economic Impact (as of Dec. 31, 2019)

### Retirees and Benefits Paid by County



### Retirees by state



### Retirees by country

Type of Member	Retirees
United States	29,412
Canada	10
Columbia	1
France	1
Ireland	1
Micronesia	1
Philippines	3
Portugal	1
Puerto Pico	1
Thailand	1
Virgin Islands	1
Armed Forces, Europe	1

### Membership Residence

Type of Member	Total Persons	Ohio Residents	Non-Residents	% of Non-Residents
Active Members (including DROP)	29,247	28,763	484	1.65%
Retirees	22,610	19,070	3,540	15.66%
Survivors	6,824	5,498	1,326	19.43%
<b>TOTAL</b>	<b>58,681</b>	<b>53,331</b>	<b>5,350</b>	<b>9.12%</b>
DROP participants	4,306	4,251	55	1.28%

## Glossary of Terms

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### *Account*

A term used to identify an individual asset or record of the financial transactions relating to a specific asset, liability, income item, expense item, or net-worth item.

### *Accrual Basis of Accounting*

A method of accounting that recognizes the financial effect of transactions and events when they occur, regardless of the timing of related cash flow.

### *Accrue*

A process in which income and expenses are recorded on the financial statements without the actual exchange of money occurring.

### *Actuarial Investment Rate of Return*

The rate of return used by the actuary to project future outcomes based on a long-term expectation.

### *Actuarial Valuation*

An annual examination of a pension plan's financial solvency, including a determination of the actuarial liabilities, assets and employer contribution required to ensure sufficient assets will be available to pay benefits when due.

### *Actuary*

A person whose work is to calculate statistical risks, premiums and life expectancies.

### *Agency Fund*

Assets held in a fund under an agency relationship for another entity.

### *Aggregate*

Considering the whole or sum of all referred activities.

### *Amortization*

To account for expenses by prorating over a fixed period.

### *Annual Membership Payroll*

The aggregate amount of payroll dollars earned by contributing members in one year used as a base for calculating member and employer contributions.

This amount is also used for projecting future contribution levels for the membership body.

### *Assets*

Refers to anything that has monetary value to a plan. Usually states the entire resources of an entity at any given point-in-time.

### *Asset Allocation*

A process that determines the optimal distribution of funds among various types of assets that offer the highest probability of consistently achieving investment objectives within the confines of predetermined level of risk. The process often includes the use of a computer model program to assist in the process of a myriad of data.

### *Benchmark*

A standard or point of reference in measuring or judging quality.

### *Biennial*

An occurrence every two years.

### *Board of Trustees*

A group of persons who manage or control a business.

### *Budget*

A plan used to project or estimate the revenue and expense flows of an entity for any given period of time, normally one fiscal year. Primarily used as a management tool to forecast expectations and analyze actual results.

### *Budget Message*

A general discussion of the proposed budget as presented in writing to budget making authorities.

### *Budgetary Control*

The control or management of entity in accordance with an approved budget for the purpose of keeping expenditures within the limitations of available funds.

### *Capital*

A term used to describe an asset purchased by an entity with a useful life

of more than one year and cost above a predetermined dollar amount. These assets are then depreciated over that useful live and recorded as an expense to the entity.

### *Category*

A classification of logical basic concepts or activities.

### *Comprehensive Annual Financial Report (CAFR)*

A financial report that encompasses all funds of a governmental unit.

### *Contingency*

A thing or event that depends on or is incidental to another event.

### *Contribution*

A term used to describe the amount of money received by an entity for a specific purpose.

### *Cost Effective Management Group (CEM)*

An entity providing cost effective comparison information to OP&F by measuring activities against other benchmark entities with similar interests.

### *Deferred Retirement Option Plan (DROP)*

The Deferred Retirement Option Plan is a benefit option that allows eligible members to defer actual retirement for up to eight years, once they have achieved an eligible retirement status, and continue working. During this extended service their calculated pension is credited to a DROP accrual account, along with their current contributions and interest. These funds are then available to the member once a minimum of three years has passed or other criteria are met.

### *Department*

A section of an entity housing specialized functions. Each section has budget allowances and specialized goals.

### *Disability Evaluation Panel (DEP)*

This is a group of the Board of Trustees'



Disability Committee and four expert physicians and they meet once a month to review applications for disability benefits and to prepare written recommendations for action. From the date an application is filed with OP&F, it may take anywhere from three to five months before the application is heard by OP&F's Board of Trustees.

#### *Discretionary benefits*

Benefits offered at the discretion of the Board of Trustees. Authority is not fixed based on state statute.

#### *Encumbrances*

Obligations in the form of purchase orders, which are committed against a budget until they are received and paid in full. This may include products or services.

#### *Enterprise Risk Management*

A process designed to identify areas of organizational risk and how to approach those areas based on the level of risk.

#### *Environment*

All the conditions, circumstances and influences surrounding and affecting the development of an entity.

#### *Equity*

That portion of a company's net worth belonging to its owners and shareholders.

#### *Expenses*

Charges or costs for running a business or doing one's work. Usually results in a reduction of plan net assets, which may include cash, or non-cash reductions.

#### *Fiscal year*

A period of time including the beginning and ending of a business cycle and encompasses twelve-months of activities.

#### *Fixed Assets*

Assets of a long-term character in which the intent is to continue to be held or used, such as land, building, machinery, furniture and other equipment.

#### *Forecast*

An estimation and/or calculation in

advance used to predict actual expense levels for the current year.

#### *Fund*

An independent fiscal and accounting entity with a self-balancing set of accounts, recording cash and/or other resources, together with all related liabilities, obligations, reserves and equities which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with any special regulations or restrictions.

#### *Fund Balance*

A sum of money set aside for a particular purpose as specified law.

#### *Goal*

A statement of broad direction, purpose or intent based on the needs of the stakeholders that are directly impacted.

#### *Governmental Accounting Standards Board (GASB)*

The ultimate authoritative accounting and financial reporting standard settings body for state and local governments. The GASB was established in June 1984 to replace the National Council on Governmental Accounting (NCGA).

#### *Governmental Accounting Standards Board - GASB Statement No. 14 The Financial Reporting Entity*

A statement issued by the Governmental Accounting Standards Board (GASB) that establishes standards for defining and reporting on the financial reporting entity. The concept underlying the definition of the financial reporting entity is that elected officials are accountable to their constituents for their actions. Fiscally independent governments have the ability to complete certain essential fiscal events without substantive approval by a primary government. This includes determining its annual budget without another government's having the authority to approve and modify that budget.

#### *Health Insurance Portability and Accountability Act (HIPAA)*

HIPAA is the Health Insurance Portability and Accountability Act of 1996. It may also be referred to as the Kennedy-Kassebaum Act. HIPAA was enacted by the federal government on August 21, 1996, with the intent to assure health insurance portability, reduce health care fraud and abuse, guarantee security and privacy of protected health information, and enforce standards for health information.

#### *Income*

The money or other gain received from an individual activity. These activities normally result in an increase of plan net assets, which may include cash, or non-cash increases.

#### *Initiative*

The characteristic of originating new ideas or methods.

#### *Liability*

Debts or commitments of a person or business that are unpaid.

#### *Med B*

Abbreviation for the Social Security program, which requires recipients to make a monthly payment for Medicare coverage. OP&F then reimburses eligible members for this expense. A member with Medicare coverage reduces the overall OP&F medical costs.

#### *Net Plan Assets*

Assets remaining after a reduction for liabilities or outstanding obligations and accounts payable. Assets include cash, cash equivalents, receivables, investments at fair value and capital assets. Liabilities include payables, unpaid accrued benefits and obligations to other entities.

#### *Ohio Retirement Study Council (ORSC)*

This council was created in 1968 to assist the state legislature, governor, and other public officials in the formation of sound public pension policy, and is one of the oldest public oversight councils

in the country. The general purpose of the Council is to advise and inform the state legislature on all matters relating to the benefits, funding, investment, and administration of the five statewide retirement systems in Ohio. In addition, the council provides legislative oversight with respect to the Ohio Public Safety Officers Death Benefit Fund, a state-funded program providing death benefits to the survivors of law enforcement and public safety officers killed in the line of duty, and the Volunteer Fire Fighters' Dependents Fund, a program providing benefits to disabled volunteer firefighters and their survivors. The Cincinnati Retirement System is the only municipal retirement system in Ohio, and falls outside the jurisdiction of the Council.

*Ohio Revised Code (O.R.C. or R.C.)*  
Contains the laws of Ohio, which the legislature enacts. The Ohio Police & Fire Pension Fund can be found in Title [7] VII, Section 742 of the O.R.C.

### *Operating budget*

The annual budget of an activity stated in terms of Budget Classification Code, functional/sub-functional categories and cost accounts. It contains estimates of the total value of resources required for the performance of the operation including reimbursable work or services for others. It also includes estimates of workload in terms of total work units identified by cost accounts.

In the United States, businesses along with state and local governments divide their budgets into two types: the operating budget and capital budget. The operating budget is used to keep track of maintenance operations, salaries, and interest payments.

### *Parameter*

A term used to identify a characteristic, a feature, a measurable factor that can help in defining a particular system. It is an important element to take into consideration for the evaluation or for the comprehension of an event, a project or any situation.

### *Pension*

A non-wage payment made periodically to a person who has fulfilled certain conditions of service, reached a certain age or meets requirements set forth by other policy or law.

### *Performance Measurements*

Measurements established to track the quality of business matters.

### *Plan*

Refers to the entire structure of an entity encompassing all business activities into one body.

### *Portable Alpha*

Portable alpha is an investment strategy that refers to separating the active manager's excess return from the base market return and transporting the alpha to some other market index for investment purposes.

### *Portfolio*

All the securities held for investment as by an individual, bank, investment company, etc.

### *Prudent*

To be capable of exercising sound judgment in practical matters as someone would for their own interest. Also, to be cautious and discreet in relation to business matters.

### *Return on Investments (ROI)*

The ratio of money gained or lost (whether realized or unrealized) on an investment relative to the amount of money invested. The amount of money gained or lost may be referred to as interest, profit/loss, gain/loss, or net income/loss. The money invested may be referred to as the asset, capital, principal, or the cost basis of the investment. ROI is usually expressed as a percentage.

### *Revenues*

The financial return from performing individual business activities. A source of income.

### *Risk Parity*

An alternative approach to investment portfolio management which focuses on allocation of risk rather than allocation of capital. The risk parity approach asserts that when asset allocations are adjusted (leveraged or deleveraged) to the same risk level, the risk parity portfolio has the same expected rate of return as the portfolio with traditional asset allocations.

### *Segregate*

To set aside from others or from the main mass or group.

### *Statutory Benefits*

Benefits that are fixed, authorized or established by state statute.

### *Trust Fund*

An arrangement to provide sustained benefits for a person or entity.

### *Unfunded Liability*

When the actuarial determined financial liabilities of an entity exceed the amount of assets available.

### *Unrealized Appreciation/Depreciation*

Overall gains or losses related to investment assets that remain held as assets in the investment portfolio. Gains and losses are not realized until they are sold or traded.

### *Volatile*

Something that is likely to shift quickly and unpredictably.

### *W-2 based formula*

A formula for determining pensionable earnings from member payroll that coincides closely with the Internal Revenue Code formula for determining taxation of wage/salary earnings. Member contributions toward pensions would be paid on the same figures as reported wage and tax statement in most circumstances.





# Ohio Police & Fire Pension Fund

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140 East Town Street  
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## CUSTOMER SERVICE

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## GENERAL INFORMATION

614-228-2975

## TTY

614-221-3846

## FAX

614-628-1777

## E-MAIL

[questions@op-f.org](mailto:questions@op-f.org)