

Buck

Ohio Police & Fire Pension Fund

Retiree Health Care Benefits for Fiscal Year Ending Dec.
31, 2017

Information Required Under Governmental Accounting Standards Board Statement No. 75

August 24, 2018

Buck

200 Berwyn Park
Suite 110
Berwyn PA, 19312

August 24, 2018

Board of Trustees
Ohio Police & Fire Pension Fund
140 East Town Street
Columbus, Ohio 43215

Re: *GASB 75 Disclosure to accompany January 1, 2017 Actuarial Valuation of Retiree Health Care Benefits Under GASB 74/45*

Members of the Board:

Ohio Police and Fire ("OP&F") has requested that Conduent HR Consulting, LLC to complete an actuarial valuation of their Postretirement Welfare Plan (the "Plan") for the fiscal year ending Dec. 31, 2017. This valuation report contains information that is required for compliance with the Governmental Accounting Standards Board's Statement 75, Accounting and Financial Reporting for Postemployment Benefits Other than Pensions ("GASB 75"). This report accompanies the Ohio Police and Fire Pension Fund January 1, 2017 Actuarial Valuation of Retiree Health Care Benefits Under GASB 74/75 provided on May 7, 2018.

Purpose of This Report

GASB 75 replaces Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions, and Statement No. 57, OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans, and is effective for fiscal years beginning after June 15, 2017, although earlier adoption is encouraged. OP&F may elect to adopt GASB 75 for the fiscal year ending Dec. 31, 2017 or wait to adopt until the fiscal year ending December 31, 2018.

OP&F may use this report as a source of information for its financial statements. Use of this report for any other purpose may not be appropriate and may result in mistaken conclusions due to failure to understand applicable assumptions, methodologies, or inapplicability of the report for that purpose. This report should not be provided except in its entirety.

Because of the risk of misinterpretation of actuarial results, you should ask Conduent to review any statement you wish to make on the results contained in this report. Conduent will accept no liability for any such statements made without prior review by Conduent.

Future actuarial measurements may differ significantly from current measurements due to such factors as the following: retiree group benefits program experience differing from that anticipated by the assumptions, changes in assumptions, changes expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period), and changes in plan provisions, applicable law or regulations. Retiree group benefit models necessarily rely on the use of approximations and estimates and are sensitive to changes in these approximations and estimates. Small variations in these approximations and estimates may lead to significant changes in actuarial measurements. An analysis of the potential range of such future differences other than the required disclosures related to the sensitivity to discount rate and healthcare cost trend rate assumptions is beyond the scope of this report.

Data, Assumptions, Methods and Plan Provisions

This valuation was performed using employee census data, claims and enrollment data, asset information, and plan provisions provided by OP&F personnel. Although we did not audit the data, we reviewed the data for reasonableness and consistency with the prior year's information. A detailed review of the data and its sources beyond that necessary to develop the analysis was not performed and is beyond the scope of the analysis. The results of the valuation are dependent on the accuracy of the data.

The entry age normal liabilities presented herein were determined as of Jan. 1, 2017 using data as of that date provided by OP&F. The total OPEB liability as of Dec. 31, 2017 was determined based on a no gain/loss roll-forward of the Jan. 1, 2017 valuation.

Plan benefits include medical and prescription drug benefits and OP&F's reimbursement of Medicare Part B premiums.

The actuarial assumptions and methods used in the valuation were selected in compliance with the requirements GASB 75. The demographic assumptions are consistent with the assumptions used in the Jan. 1, 2017 actuarial valuation of OP&F's pension plan benefits. The discount rate (interest rate) for GASB 75 was 3.79% at Dec. 31, 2016 and 3.24% at Dec. 31, 2017. These discount rates were calculated based on the S&P Municipal Bond 20 Year High Grade Rate Index of 3.71% at Dec. 31, 2016, 3.16% at Dec. 31, 2017, Ohio Police & Fire Pension's long term rate of 8.0% and assets at respective valuation dates.

Under GASB 75, the Net OPEB Liability is 259.79 percent of payroll and 14.13 percent funded.

Detailed summaries of the financial results of the valuation under GASB 75 are shown in this report. To the best of our knowledge, this report is complete and accurate and has been prepared in accordance with generally accepted actuarial principles and practice. It should be recognized, however, that significant differences between actual experience and these assumptions could occur. Moreover, other sets of reasonable assumptions can yield materially lesser or greater results.

Future actuarial measurements may differ significantly from current measurements due to plan experience differing from that anticipated by the economic and demographic assumptions, increases or decreases expected as part of the natural operation of the methodology used for these measurements, and changes in plan provisions or applicable law. Because of limited scope, Conduent performed no analysis of the potential range of such future differences. The undersigned is an Associate of the Society of Actuaries who met the Qualification Standards of the American Academy of Actuaries to render the actuarial opinions contained in this report. This report has been prepared in accordance with all Applicable Actuarial Standards of Practice. We are available to answer any questions on the material contained in the report, or to provide explanations or further details as may be appropriate.

Conduent is completely independent of OP&F and its officers and key personnel. Neither we, nor anyone closely associated with us, has any relationship with them that would impair our independence.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Bob Besenhofer". The signature is fluid and cursive, with a long horizontal stroke at the end.

Bob Besenhofer, ASA, MAAA
Director, Health and Productivity
Buck Global, LLC

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1. GASB 75 Information

Plan Administration

The Ohio Police and Fire Pension Board is responsible for administering the Ohio Police and Fire Health Care Plan and is responsible for managing and investing the fund.

Plan Membership

Please see Section IV of the Jan. 1, 2017 Actuarial Valuation of Retiree Health Care Benefits Under GASB 74/45.

Actuarial Assumptions

Please see Section V of the Jan. 1, 2017 Actuarial Valuation of Retiree Health Care Benefits Under GASB 74/45.

Benefits Provided

Please see Section III of the Jan. 1, 2017 Actuarial Valuation of Retiree Health Care Benefits Under GASB 74/45.

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The below table outlines the changes in Net OPEB Liability (Asset) for the fiscal year ending Dec. 31, 2017:

Schedule of Changes in Net OPEB Liability and Related Ratios	2017
Total OPEB Liability	
Service Cost	\$ 230,753,065
Interest	220,886,126
Changes of Benefit Terms ¹	-
Differences Between Expected and Actual Experience	(32,754,010)
Changes of Assumptions	633,696,010
Net Benefit Payments	(103,062,283)
Net Change in Total OPEB Liability	\$ 949,518,908
Total OPEB Liability at Beginning of Year	\$ 5,648,428,827
Total OPEB Liability at End of Year (a)	\$ 6,597,947,735
Plan Fiduciary Net Position	
Contributions - Employer	\$ 18,894,974
Net Investment Income	115,417,360
Benefit Payments	(103,062,283)
Administrative Expenses	(815,977)
Other	-
Net Change in Plan Fiduciary Net Position	\$ 30,434,074
Plan Fiduciary Net Position Beginning of Year	\$ 901,653,715
Plan Fiduciary Net Position End of Year (b)	\$ 932,087,789
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	14.13%
Client's Net OPEB Liability End of Year ((a) - (b))	\$ 5,665,859,946
Covered Employee Payroll	\$ 2,180,910,604
Net OPEB Liability as a Percentage of Covered Employee Payroll	259.79%

¹ There were no changes to the plan's benefit structure during the 2017 fiscal year.

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Sensitivity of the net OPEB liability to changes in the discount rate. The following presents the net OPEB liability as of Dec. 31, 2017, calculated using the discount rate of 3.24%, as well as what the Plan's net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.24%) or 1-percentage-point higher (4.24%) than the current rate:

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate	1% Decrease (2.24%)	Current Discount Rate (3.24%)	1% Increase (4.24%)
Net OPEB Liability	\$ 7,082,393,217	\$ 5,665,859,946	\$ 4,575,899,718

Sensitivity of the net OPEB liability to changes in the healthcare cost trend rates. The following presents the net OPEB liability as of Dec. 31, 2017, calculated using the healthcare cost trend rates as summarized in the 2016 actuarial valuation report, as well as what the Plan's net OPEB liability would be if it were calculated using trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rate	1% Decrease	Current Trend Rate	1% Increase
Net OPEB Liability	\$ 4,401,341,853	\$ 5,665,859,946	\$ 7,370,002,307

The below table presents the OPEB expense and its components for the fiscal year ending Dec. 31, 2017:

Components of OPEB Expense for the Fiscal Year Ended Dec. 31, 2017	
Service Cost	\$ 230,753,065
Interest on the Total OPEB Liability and Net Cash Flow	220,886,126
Projected Earnings on OPEB Plan Investments	(68,798,362)
Current Period Difference Between Expected and Actual Experience	(4,177,807)
Current Period Effect of Benefit Changes	-
Current Period Effect of Changes in Assumptions	80,828,573
Current Period Difference Between Projected and Actual Investment Earnings	(9,323,800)
Member Contributions	-
OPEB Plan Investment Expenses	815,977
Current Period Recognition of Prior Years' Deferred Outflows of Resources	-
Current Period Recognition of Prior Years' Deferred Inflows of Resources	-
Total OPEB Expense	\$ 450,983,772

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Following are the details of the recognized and deferred inflows and outflows of resources.

Fiscal Year Ending	2017	2017	2017	Outflows	Inflows	Total
Amount established	\$ (32,754,010)	\$ (46,618,998)	\$ 633,696,010			
Recognition Period	7.84	5.00	7.84			
Description	Differences between expected and actual experience	Differences between expected and actual investment earnings	Change in Assumptions or Other Inputs			
Amount recognized in FY						
2017	\$ (4,177,807)	\$ (9,323,800)	\$ 80,828,573	\$ 80,828,573	\$ (13,501,607)	\$ 67,326,966
2018	(4,177,807)	(9,323,800)	80,828,573	80,828,573	(13,501,607)	67,326,966
2019	(4,177,807)	(9,323,800)	80,828,573	80,828,573	(13,501,607)	67,326,966
2020	(4,177,807)	(9,323,800)	80,828,573	80,828,573	(13,501,607)	67,326,966
2021	(4,177,807)	(9,323,798)	80,828,573	80,828,573	(13,501,605)	67,326,968
2022	(4,177,807)	-	80,828,573	80,828,573	(4,177,807)	76,650,766
2023	(4,177,807)	-	80,828,573	80,828,573	(4,177,807)	76,650,766
2024	(3,509,361)	-	67,895,999	67,895,999	(3,509,361)	64,386,638
2025	-	-	-	-	-	-
2026	-	-	-	-	-	-
2027	-	-	-	-	-	-
Deferred Balance at 12/31						
2017	\$ (28,576,203)	\$ (37,295,198)	\$ 552,867,437	\$ 552,867,437	\$ (65,871,401)	\$ 486,996,036
2018	(24,398,396)	(27,971,398)	472,038,864	472,038,864	(52,369,794)	419,669,070
2019	(20,220,589)	(18,647,598)	391,210,291	391,210,291	(38,868,187)	352,342,104
2020	(16,042,782)	(9,323,798)	310,381,718	310,381,718	(25,366,580)	285,015,138
2021	(11,864,975)	-	229,553,145	229,553,145	(11,864,975)	217,688,170
2022	(7,687,168)	-	148,724,572	148,724,572	(7,687,168)	141,037,404
2023	(3,509,361)	-	67,895,999	67,895,999	(3,509,361)	64,386,638
2024	-	-	-	-	-	-
2025	-	-	-	-	-	-
2026	-	-	-	-	-	-

The average of the expected remaining service lives of all employees that are provided with benefits through the plan (active and inactive employees) determined at January 1, 2017 (the beginning of the measurement period ended December 31, 2017) is 7.84 years.