

**Ohio Police & Fire Pension Fund  
MINUTES**

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**Board of Trustees  
140 East Town Street, Columbus, Ohio  
October 23, 2019**

**Call to Order:** The meeting was called to order at 1:19 p.m. Chairman Desmond asked for a moment of silence for our members who have passed in the last month.

**In attendance:**

**Trustees Present:**

Britt, Corvi, Heller, Maloney Stifler, Miller, Montgomery, Moore, Wainscott and Desmond

**Trustees Absent:**

None

**AGENDA ITEM 1:**

**Approval of the September 2019 Board Minutes**

Mr. Miller moved, and Mr. Corvi seconded a motion that the Board of Trustees approves the September 2019 Board minutes. The motion passed with the roll call vote as follows:

Ayes: Britt, Corvi, Heller, Maloney Stifler, Miller, Montgomery, Moore, Wainscott, and Desmond  
Nays: None

**AGENDA ITEM 2:**

**Executive Director's Report**

*Talking Points for the Executive Director 10/23/2019*

**PORTFOLIO UPDATE**

- As of 9/24: \$15.75 billion
- End of September value: \$15.78 billion
- End of August value: \$15.68 billion

**LAWSUIT RESOLUTION**

- We are pleased to have the legal action behind us and agree with the court's decision
- We will continue to work to make our retiree health care plan as strong as possible with the resources we have available

**OPEN ENROLLMENT**

- For Medicare retirees, are currently in the open enrollment period, which runs until Dec. 7.
- For those retirees not yet eligible for Medicare, open enrollment is from Nov. 1 (A WEEK FROM FRIDAY) to Dec. 15.

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**NEXT MEETING**

- There will be no meeting in November, as we have decided to consolidate the next two meetings.
- Our next meetings will be Dec. 3-4

**AGENDA ITEM 3: INVESTMENT COMMITTEE/BOARD TALKING POINTS:**

Mr. Heller read the Investment Committee/Board talking points:

Items discussed or reviewed:

- Mr. Hall commented on the September month-end portfolio value, significant cash movements and year-to-date investment performance.
- Wilshire discussed the status of OP&F's core fixed income allocation and thoughts on how to continue its transition toward its long term policy structure.

Motions Approved:

- The Board approved Staff's and Wilshire's recommended changes to the Total Safety Oriented Assets rebalancing range.
- The Board approved Staff's and Wilshire's investment manager rating recommendations for Dimensional Fund Advisors, Franklin Templeton and Bridgewater's U.S. TIPS mandate.
- The Board approved Townsend's recommendation to commit up to \$60 million to Exeter Industrial Value Fund V.
- The Board approved Staff's and TorreyCove's Private Markets Co-Investment proposal.
- The Board approved Staff's recommended changes to the Short Term Cash Management Investment Guidelines.
- The Board approved Staff's and Wilshire's recommendation to commit up to \$50 million to Annaly Credit Opportunities Fund, LP.
- The Board approved Staff's and TorreyCove's recommendation to commit up to \$20 million Odyssey Investment Partners VI, LP.

**AGENDA ITEM 4- DISABILITY COMMITTEE TALKING POINTS AND MOTIONS:**

Mr. Montgomery read the Disability Committee talking points and motions:

Items discussed or reviewed:

- Staff provided an updated list of two disability benefit recipients who have not submitted an Annual Earnings Statement as of Oct. 21, 2019. The form must be received by Dec. 7, 2019 or future benefits will be suspended.
- Ms. Harville presented the 3<sup>rd</sup> Quarter Disability Experience Report.

Motions approved:

- The Committee voted to approve the Disability Committee Minutes for September 24, 2019.

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**Initial Determination Hearings**

Mr. Montgomery moved and Mr. Corvi seconded a motion that the Board approves the Committee recommendations for the sixteen (16) initial determination of disability for the members as identified in the initial determination hearings list presented to the Board on October 23, 2019. The motion passed with the roll call vote as follows:

Ayes: Britt, Corvi, Heller, Maloney Stifler, Miller, Montgomery, Moore, Wainscott, and Desmond  
Nays: None

**No Reconsideration Hearings**

**Appeal Hearings**

Mr. Montgomery moved and Mr. Britt seconded a motion that the Board approves the recommendation for the two (2) appeal hearings for the members as identified in the appeals list presented to the Board on October 23, 2019. The motion passed with the roll call vote as follows:

Ayes: Britt, Corvi, Heller, Maloney Stifler, Miller, Montgomery, Moore, Wainscott, and Desmond  
Nays: None

**Death Benefit Fund Hearings**

Mr. Montgomery moved and Mr. Wainscott seconded a motion, that the Board makes a determination for those requesting death fund benefits. The motion passed with the roll call vote as follows:

Ayes: Britt, Corvi, Heller, Maloney Stifler, Miller, Montgomery, Moore, Wainscott, and Desmond  
Nays: None

**Reporting Waivers**

Mr. Montgomery moved and Mr. Britt seconded a motion that the Board waives the mandatory medical evaluation and filing of annual earnings statements for future years for the members identified in the disability reporting waivers list presented to the Board on October 23, 2019. The motion passed with the roll call vote as follows:

Ayes: Britt, Corvi, Heller, Maloney Stifler, Miller, Montgomery, Moore, Wainscott, and Desmond  
Nays: None

**AGENDA ITEM 5: HEALTH CARE COMMITTEE/BOARD TALKING POINTS:**

Mr. Wainscott read the Health Care Committee/Board talking points:

Items discussed or reviewed:

- Ms. Jewell presented the 2nd Quarter 2019 Health Care Stabilization Fund and Net Cost Report.
- Mark Chandler and Mat Burkley from Aon provided information on the member on-site meetings and number of attendees;

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- There was a discussion on how many members have met with the Columbus office team; and an update on the upcoming enrollment period along with year-to-date statistics on the HRA claims.
- Chairman Desmond discussed several items during open discussion including his recent trip to Washington, the OAPFF's health care report and litigation matters.

**Responses to the OAPFF Task Force report on retiree health care:**

- Aon's pledge of multiple plan choices holds true for the majority of our retiree population – the Medicare eligible retiree. This group has several choices, and they are more affordable than the previous plan design we had before 1/1/2019. In addition, many of pre-65 members experienced positive plans and cost saving as well; though many did not.
- The minority of our retirees – the pre-Medicare group – do not have the same amount of options available to them. Neither Aon nor OP&F had knowledge of the number and types of plans that would be available prior to the Nov. 1 open enrollment period.
- We all agree that there were significant shortcomings in Aon's rollout. We have held them accountable under the contract – and continue to do so. We have much higher expectations for this year's open enrollment periods and Aon's performance.
- The changes to the health care plan throughout 2019 are meaningful and should offer more plan choices for the pre-Medicare group – specifically the open HRA concept in place for 2020. We listened to members who asked why they couldn't find a plan on their own and use the stipend. For 2020, they can.
- OP&F had an open RFP process in 2017 where each of the insurance companies OAPFF has met with had the opportunity to submit proposals. UnitedHealthcare did respond, but their solution did not create enough savings to address the problem with our health care funding.
- The proposals we have seen from other insurance companies the task force contacted are not solutions either. Generally, the proposals limit choice and seek to force all members into one plan with one carrier. The proposals require the retransition of Medicare eligible members who have done well in the exchange. The most recent proposal provides adequate coverage for current pre-Medicare retirees only, but leaves out all future retirees. OP&F seeks to provide some type of health care assistance to current and future retirees for as long as possible.
- Claims data has been made available in aggregate for a ten year period. Carriers who insist that they cannot give guidance on pricing while knowing OP&F stats over a decade are being disingenuous. OP&F spent \$200 million or more a year, with pre-65 driving 57% of the claims though only about 35% of the retiree membership. Vendors could give a ballpark, but do not. Respectfully, the members of the task force are not subject to the statutory duties Board members are or any of the legal strictures of fiduciaries; nor are the vendors the task force seeks to share the information with.
- Short-term policies that cover retirees when they are traveling have always been eligible for stipend reimbursement as long as members are enrolled in an Aon product for health care. That has been communicated whenever the question has been asked.
- OP&F and Aon began working with The James and Nationwide Children's Hospital in 2018 when we realized the institutions were not covered. Both institutions became available through CaereSource in 2019, addressing the concerns of some in central Ohio.

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- The RFP process that resulted in contracting with Aon was an open process and the Board's interviews with each of the finalists were open to the public. Some retirees did attend these interviews. At the end of the process, Aon was the obvious choice. To say OP&F was derelict in its vetting process shows a lack of understanding of the process we used. In fact the court affirmed OP&F's diligence in Zwegat v OP&F:

“...it is abundantly clear in the record that the OP&F Board was thorough and conscientious...”.

- Aon health services had no litigation against it at the time of selection. The individual who bankrolled the health care lawsuit on the other hand has been raided by the FBI on two occasions.
- The expenditures for the stipend model and any self-insured plan would certainly not be the same. The plaintiffs made that same argument in court. Remember, in as group plan, OP&F pays all claims – not the insurance company. The insurance company only administers the plan (as UHC did for us). A fully insured plan requires a profit margin for the vendor and requires many more dollars. Again, the court found in Zwegat v OP&F:

The record here does not demonstrate that the Board abused its discretion ...in studying health care benefit issues, in adopting a new stipend model, or in selecting Aon to assist in administering it...

- The health care fund would certainly be depleted at a faster rate if the pre-Medicare group was placed back on any reasonable group plan. Our actuary estimated we would have lost SIX solvency years in 2019 had we not switched to the exchange model, falling to 6 years and 8 months.
- If OP&F could have afforded a group plan we would have stayed with UHC. Unfortunately, the group we are discussing is primarily between 48-65 years of age, and who have spent their careers in dangerous and physically demanding positions. This is not a group insurers are eager to accept and is why OP&F sponsored a self-insured plan.
- VEBA's are generally associated with employer plans, not retirement plans. This is a good idea for members and unions to negotiate with their employer while active to supplement health care in retirement.
- Our constituency groups were a part of this decision. We had many meetings and have representatives of the unions on our Board. We are always in favor of better communication and understanding with these groups. Again, our Board meetings are open to the public. We welcome the attendance of members and wish we could work together instead of playing a blame game :

It is a cruel irony that OP&F's volunteer Board members have been blamed...because they had to enforce funding priorities dictated by the General Assembly.

- The Health Car Stabilization Fund is an IRS approved tax free vehicle and the appropriate source for the Medicare Part B reimbursements. To use the general pension fund for these reimbursements would further jeopardize pension funding, which is our primary responsibility under Ohio law. It is like “squeezing a balloon”. We further note the other systems have eliminated or drastically reduced the Medicare Part B reimbursements, while OP&F has retained it for our seniors.

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**AGENDA ITEM 6 – BENEFITS COMMITTEE TALKING POINTS AND MOTIONS:**

Mr. Montgomery read the Benefit Committee talking points and motions:

Items discussed or reviewed:

- Ms. Harville presented the 3<sup>rd</sup> Quarter 2019 DROP Experience Report.

Motions approved:

- The Committee voted to approve the Benefits Committee minutes for September 25, 2019.
- The Committee recommended the Board approve the four (4) Administrative Rules as outlined in staff's memorandum dated October 22, 2019.
- Mr. Wainscott moved and Mr. Montgomery seconded a motion that the Benefits Committee recommends that the Board adopt the proposed changes to Administrative Rule 742-4-09 to set a 2.5 percent "floor" for the DROP interest rate, and to continue to annually re-confirm with the Board's actuary the appropriateness of the DROP interest rate as outlined in staff's memorandum dated October 23, 2019. Ms. Maloney Stiffler made a friendly amendment that the Board re-affirm the current rate by Board vote at least once each year. Mr. Wainscott accepted the friendly amendment.

**Administrative Rules – 2019 10 001 BC**

Mr. Montgomery moved and Mr. Heller seconded a motion that the Board approves the Administrative Rules outlined in staff's memorandum dated October 22, 2019, and authorizes the required filing of the Rules with the proper agencies. The motion passed with the roll call vote as follows:

Ayes: Britt, Corvi, Heller, Maloney Stiffler, Miller, Montgomery, Moore, Wainscott, and Desmond  
Nays: None

**Actuarial Valuations – 2019 10 002 BC**

Mr. Montgomery moved and Mr. Corvi seconded a motion that the Board of Trustees approve the submission of OP&F's Actuary Pension and Health Care Valuations as of January 1, 2019 to the Ohio Retirement Study Council as presented by Cavanaugh Macdonald on October 23, 2019. The motion passed with the roll call vote as follows:

Ayes: Britt, Corvi, Heller, Maloney Stiffler, Miller, Montgomery, Moore, Wainscott, and Desmond  
Nays: None

**DROP interest rate – 2019 10 003 BC**

Mr. Montgomery moved and Mr. Moore seconded a motion that the Board approves the changes to Administrative Rule 742-4-09 to set a floor for the DROP interest rate, as outlined in staffs memorandum dated October 23, 2019, and authorizes the required filing of the Rule with the proper agencies. The Board will re-affirm by vote the appropriateness of the DROP interest rate at least annually. The motion passed with the roll call vote as follows:

Ayes: Britt, Corvi, Heller, Maloney Stiffler, Miller, Montgomery, Moore, Wainscott, and Desmond  
Nays: None

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**AGENDA ITEM 7 – FINANCE COMMITTEE TALKING POINTS AND MOTION:**

Mr. Moore read the Finance Committee talking points and Chair Desmond read the motion

Items discussed or reviewed:

- Mr. Scott Miller and Mr. Mark Jordan reviewed the 2020 OP&F Budget.

Motions Approved:

- The Committee approved the September 24, 2019 Finance Committee minutes.
- The 2020 Annual Budget Plan was approved to be moved to full Board for vote in the form submitted to the Board of Trustees on October 22, 2019.

**2020 Budget – 2019 10 001 FC**

Mr. Moore moved and Mr. Miller seconded a motion that the Board of Trustees approve the 2020 Annual Budget in the form submitted to the Board of Trustees on October 22, 2019. The motion passed with the roll call vote as follows:

Ayes: Britt, Corvi, Heller, Maloney Stifler, Miller, Montgomery, Moore, Wainscott, and Desmond

Nays: None

**AGENDA ITEM 8:**

Other Business

None.

**AGENDA ITEM 9:**

Address Audience

David Montgomery with OAPFF, thanked the Board for their response to the OAPFF's Task Force report, then Mr. Montgomery made the following requests:

1. That the Board explore the option of returning the pre-65 to a group plan;
2. Provide an un-redacted copy of OP&F's contract with Aon;
3. Provide detailed claims information;
4. That the Medicare part B reimbursements be expensed from the general pension fund;
5. That this litigation expenditure not be incurred from the HCSF; and
6. Suggested that OP&F join the partnership with AFLAC and OAPFF, for secondary health care coverage.

Gary Church, retired Columbus fire, asked if OP&F could contribute more to HCSF, now that we are under 30 years.

Chair Desmond responded that our actuarial valuation as of 1/1/2019 states that OP&F solvency is at 29 years, which is not enough to allocate additional funds into the HCSF.

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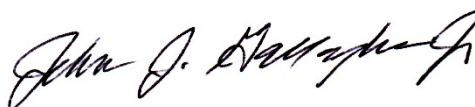
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**AGENDA ITEM 10:**

Adjournment

Chair Desmond announced that the next board meeting will be held on **Wednesday, December 4, 2019 around 1:00 pm**. The meeting adjourned at 1:40 pm.



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John J. Gallagher Jr.  
Executive Director

**Board materials provided:**

1. Disability Committee Materials.
  2. Benefit Committee Materials.
  3. Finance Committee Materials.
  4. Investment Committee/Board Materials.
  5. Health Care Committee/Board Materials.
  6. FYI Section: Pending and Pre-Approved Trustee Travel.
  7. Chart of Motion Practice: FYI.
  8. Administration Appendix Materials.
  9. Investment Appendix Materials.
  10. Member Service Appendix Materials.
  11. Executive Director Report Dated 10/23/2019.
  12. Disability Motions: Initial Determination Hearings; No Reconsiderations; Appeal Hearings; Death Benefit Fund Hearings and Reporting Waivers.
  13. Benefit Motions: Administrative Rules, Actuarial Valuation and Drop Interest.
  14. Finance Motion: 2020 Budget.
- Handouts:** October 2019 Talking Points: Disability Committee, Benefit Committee, Finance Committee, Investment Committee/Board and Health Care Committee/Board Talking Points. Monthly Portfolio Valuation Update for 09/30/19.