



## **2022 ORSC Health Care Report**

**(For period Jan. 1-Dec. 31, 2022)**

(Submitted to ORSC, June 30, 2023)

**TABLE OF CONTENTS**

Year in Review - 2022 .....3  
Financial Information.....4  
Summary of Health Care Fund Net Position 2017-2022 .....4  
Population of Recipients .....4  
Average Cost Per Member Paid by OP&F .....4  
Health Care Fund Balance .....4  
OP&F Health Care Program .....5  
Supplemental Drug List .....5  
Health Care Future - 2023.....6  
Statutory Authority for Health Care Benefits .....7  
Summary of OP&F Stipend Model.....8  
2022 Health Care Stipend Program Eligibility .....9  
Participants Eligible for Benefits .....10  
Accounting, Asset Valuation and Funding Methods .....10  
Plan Net Assets Available for Post-Employment Health Care Benefits.....12  
Statement of Changes in Plan Net Assets Available for Health Care Benefits .....13  
Schedule of Changes in Net Assets Available for Health Care Benefits.....14  
Description of Significant Changes .....14  
Medicare Part B Reimbursement .....14

## **Year in Review-2022**

The Ohio Police & Fire Pension Fund (OP&F) provides eligible benefit recipients with a stipend-based health care program and collaborates with the Alight Retiree Health Exchange to administer a Health Reimbursement Arrangement (HRA) that retirees may use to offset the cost of medical plan premiums and expenses. Medicare eligible retirees must enroll in either a medical or prescription drug plan through Alight to be eligible to receive the stipend. Alight provides these retirees with support and offers greater choice and affordability to make personalized buying decisions based on their current medical and prescription needs. They offer one-on-one phone and on-line support and numerous plan options that are available in this mature Marketplace.

Pre-Medicare eligible retirees can choose an individual or family major medical health care plan through Alight/eHealth, Healthcare.gov, COBRA, Tricare or any independent broker. If the retiree opts for a plan outside of eHealth it must be a major medical plan that includes the 10 essential benefits and prescription drug coverage. These major medical plans offer greater flexibility by offering levels of coverage that allow for lower premiums and higher out-of-pocket costs or higher premiums with lower out-of-pocket costs. OP&F retirees who enroll through Alight/eHealth are also provided with access to one-on-one phone and on-line support.

The most recent health care actuarial study conducted as of Jan. 1, 2022, found that the health care fund's solvency is 24 years, which is above the 15 year solvency goal. OP&F will continue to offer retirees this elective benefit while working with members and key stakeholders to address the longer-term solvency of the health care fund for the next generation of retirees.

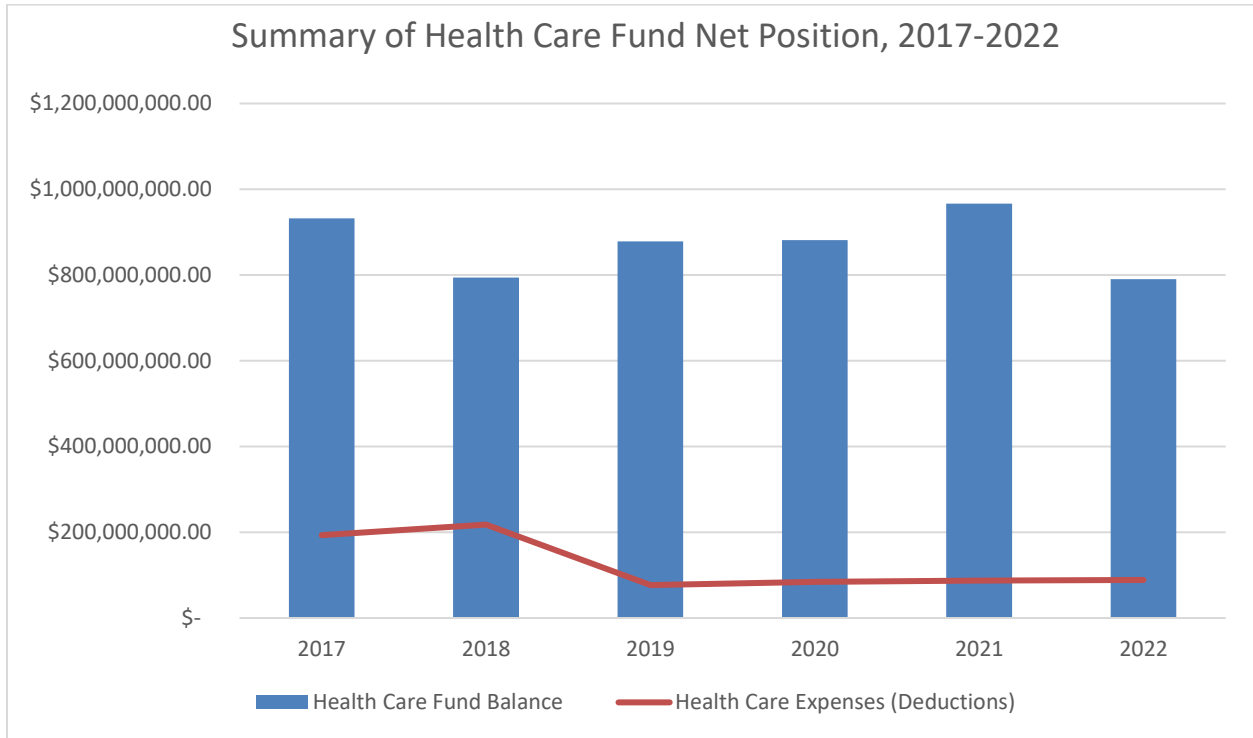
The HCSF balance was \$790,086,100 as of Dec. 31, 2022, a decrease of approximately 18.3 percent or \$176,616,499 from the previous year, primarily due to losses on investment allocations as well as payments for health care stipends for members. Employer contributions, expressed as a percentage of payroll, 0.5 percent from Jan. 1, 2022 to Dec. 31, 2022, provided additional funding of \$13,381,154. Investment losses allocated to the health care fund totaled \$101,384,750.

Ohio Police & Fire Pension Fund  
2022 ORSC Health Care Report

**Financial Information**

2022 Additions	2022 Deductions	2022 Fund Balance	Solvency Period	Employer Allocation
\$ 186,311	\$ (88,563,565)	\$ 790,086,100	2046	0.5%

*Solvency period based on each system's individual valuation and underlying assumptions.*



**Population of Recipients**

Age and Service	Disability	All Others (Survivors, Beneficiaries, etc.)	Total Recipients	Percent Medicare
11,573	3,255	3,188	18,016	76%

**Average Cost Per Member Paid by OP&F**

Non-Medicare Recipients	Medicare Recipients
\$9,895	\$2,243

**Health Care Fund Balance**

Year	Net Position	Expenses and Deductions	Income and Additions
2017	\$ 932,087,789	\$ 193,595,036	\$ 98,556,249
2018	\$ 793,785,996	\$ 217,862,957	\$ 96,603,030
2019	\$ 878,688,997	\$ 76,826,595	\$ 20,170,574
2020	\$ 881,584,417	\$ 84,249,181	\$ 563,964
2021	\$ 966,702,599	\$ 86,947,802	\$ 262,495
2022	\$ 790,086,100	\$ 88,563,565	\$ 186,311

### OP&F Health Care Program

In 2022, OP&F had an average of 13,758 Medicare enrolled members, which includes retirees and surviving spouses over the age of 65, and those eligible for early Medicare. Medicare participants are able to retain their existing plan each year (if offered) or select a new plan annually through Alight during the open enrollment period. Medicare participants may choose from more than 100 national and regional insurance carriers, which includes many Medicare Advantage, Medicare Supplement and prescription drug plans.

OP&F had an average of 4,258 Pre-Medicare enrolled members, which includes retirees and surviving spouses under the age of 65. Pre-Medicare retirees were able to select the best individual or family plan through the individual Marketplace that best fit their family’s needs, including the network of providers and level of coverage. Most of the health care plans in the Marketplace were HMO plans and included the ten essential benefits and prescription drug coverage.

The stipend provided to an eligible retiree is based on their Medicare status and the status of the eligible dependents enrolled. Because many retirees have a split family status between Medicare and Pre-Medicare, the average cost per participant, listed on Page 4, is based on the stipend status of the eligible retiree as of Jan. 1, 2022. Stipend levels were set in 2019 and have remained in place through 2022.



**2019 OP&F Retiree Health Care Plan Monthly Stipend Levels** (updated 8/8/2018)

	Medicare Status		Monthly Medical/Rx Stipend	Monthly Medicare Part B Reimbursement	Total OP&F Monthly Support for Health Care
	Retiree	Spouse			
<b>Retiree only:</b>	Medicare		\$143	\$107	<b>\$250</b>
	Non-Medicare		\$685	\$0	<b>\$685</b>
<b>Retiree + Spouse:</b>	Medicare	Medicare	\$239	\$107	<b>\$346</b>
	Medicare	Non-Medicare	\$525	\$107	<b>\$632</b>
	Non-Medicare	Medicare	\$788	\$0	<b>\$788</b>
	Non-Medicare	Non-Medicare	\$1,074	\$0	<b>\$1,074</b>
<b>Retiree + Dependent(s):</b>	Medicare		\$203	\$107	<b>\$310</b>
	Non-Medicare		\$865	\$0	<b>\$865</b>
<b>Retiree + Spouse + Dependent(s)</b>	Medicare	Either Medicare or Non-Medicare	\$525	\$107	<b>\$632</b>
	Non-Medicare	Either Medicare or Non-Medicare	\$1,074	\$0	<b>\$1,074</b>
<b>Surviving Spouse:</b>	Medicare		\$143	\$107	<b>\$250</b>
	Non-Medicare		\$685	\$0	<b>\$685</b>

*\*The OP&F Medicare Part B reimbursement is an ongoing benefit that has been in place for many years, but should be included in the support provided for health care coverage. The Med B reimbursement is added to a member's monthly pension benefit.*

### Supplemental Drug List (by request)

No requests for 2022.

### **Health Care Future - 2023**

In 2021, the Aon Retiree Health Exchange was acquired by Alight, as a single resource and market solution that better supports clients and individual retirees. Rebranding to Alight was completed by June 2022. The key contact phone numbers and internal resource teams remained the same. OP&F retirees received multiple communication pieces via mail, email, year round educational content and website redirects. In person seminars were presented in September 2022 in six cities throughout Ohio along with two webinars for our members who could not attend a seminar in person. OP&F plans to offer virtual retiree health care webinars for 2023 due to low volume attendance to the seminars in 2022.

The architecture of the HRA plan model and stipend amounts remained unchanged in 2022. Alight presented a market analysis to the Board in June 2022 indicating no change to the HRA amount was needed for 2023. The Board will continue to work with its actuary and key staff members, and future studies will be performed to determine any future impacts on the health care stabilization funding and solvency periods along with any potential impacts to OP&F's pension funding status.

OP&F will continue to search for ways to make the retiree health care plan the best it can be, while monitoring all impacts to the health care stabilization fund and stipend program eligibility. As a result of these important changes, the health care fund's solvency reserves are expected to last until 2046. OP&F will continue to offer retirees this elective benefit while working with members and key stakeholders to preserve the trust for as long as possible for current and future generations of public safety officers.

## Supplementary Statutory Requirements

### 1. Statutory Authority for Health Care Benefits

#### *§ 742.45. Deduction from benefit payment for group health insurance*

(A) The Board of Trustees of the Ohio police and fire pension fund may enter into an agreement with insurance companies, health insuring corporations, or government agencies authorized to do business in the state for issuance of a policy or contract of health, medical, hospital, or surgical benefits, or any combination thereof, for those individuals receiving service or disability pensions or survivor benefits subscribing to the plan. Notwithstanding any other provision of this chapter, the policy or contract may also include coverage for any eligible individual's spouse and dependent children and for any of the eligible individual's sponsored dependents as the Board considers appropriate.

If all or any portion of the policy or contract premium is to be paid by any individual receiving a service, disability, or survivor pension or benefit, the individual shall, by written authorization, instruct the Board to deduct from the individual's benefit the premium agreed to be paid by the individual to the company, corporation, or agency.

The Board may contract for coverage on the basis of part or all of the cost of the coverage to be paid from appropriate funds of the Ohio police and fire pension fund. The cost paid from the funds of the Ohio police and fire pension fund shall be included in the employer's contribution rates provided by sections 742.33 and 742.34 of the Revised Code.

The Board may provide for self-insurance of risk or level of risk as set forth in the contract with the companies, corporations, or agencies, and may provide through the self-insurance method specific benefits as authorized by the rules of the Board.

(B) Except as otherwise provided in this division, the Board shall, beginning the month following receipt of satisfactory evidence of the payment for coverage, pay monthly to each recipient of service, disability, or survivor benefits under the Ohio police and fire pension fund who is eligible for coverage under part B of the Medicare program established under Title XVIII of "The Social Security Amendments of 1965," 79 Stat. 301, 42 U.S.C.A. 1395j, as amended, an amount specified by the Board or determined pursuant to a formula established by the Board that is not less than ninety-six dollars and forty cents, for such coverage, except that the Board shall not pay an amount that exceeds the amount paid by the recipient for the coverage.

The Board shall pay not more than one monthly premium under this division to an eligible benefit recipient even if the recipient is receiving more than one monthly benefit from the fund. The Board shall not pay a monthly premium under this division to an eligible benefit recipient who is receiving reimbursement for the premium from any other source.

(C) The Board shall establish by rule requirements for the coordination of any coverage, payment, or benefit provided under this section with any similar coverage, payment, or benefit made available to the same individual by the public employees retirement system, state teachers retirement system, school employees retirement system, or state highway patrol retirement system.

(D) The Board shall make all other necessary rules pursuant to the purpose and intent of this section.

Ohio Police & Fire Pension Fund  
2022 ORSC Health Care Report

## 2. Summary of OP&F Stipend Model



### 2019 OP&F Retiree Health Care Plan Monthly Stipend levels (updated 8/8/2018)

	Medicare Status		Monthly Medical/Rx Stipend	Monthly Medicare Part B Reimbursement	Total OP&F Monthly Support for Health Care
	Retiree	Spouse			
Retiree only:	Medicare		\$143	\$107	<b>\$250</b>
	Non-Medicare		\$685	\$0	<b>\$685</b>
Retiree + Spouse:	Medicare	Medicare	\$239	\$107	<b>\$346</b>
	Medicare	Non-Medicare	\$525	\$107	<b>\$632</b>
	Non-Medicare	Medicare	\$788	\$0	<b>\$788</b>
	Non-Medicare	Non-Medicare	\$1,074	\$0	<b>\$1,074</b>
Retiree + Dependent(s):	Medicare		\$203	\$107	<b>\$310</b>
	Non-Medicare		\$865	\$0	<b>\$865</b>
Retiree + Spouse + Dependent(s)	Medicare	Either Medicare or Non-Medicare	\$525	\$107	<b>\$632</b>
	Non-Medicare	Either Medicare or Non-Medicare	\$1,074	\$0	<b>\$1,074</b>
Surviving Spouse:	Medicare		\$143	\$107	<b>\$250</b>
	Non-Medicare		\$685	\$0	<b>\$685</b>

*\*The OP&F Medicare Part B reimbursement is an ongoing benefit that has been in place for many years, but should be included in the support provided for health care coverage. The Med B reimbursement is added to a member's monthly pension benefit.*



### **3. 2022 Health Care Stipend Program Eligibility**

Retirees and survivors who receive a statutory survivor benefit may qualify to participate in the OP&F health care stipend program if they are eligible according to the terms of the health care guidelines.

#### *Benefit recipient eligibility guidelines*

Generally, a benefit recipient is defined as an OP&F retiree who is receiving a service retirement or disability benefit, a surviving spouse, or dependent parent who is receiving statutory survivor benefits from OP&F.

#### *Retiree*

An OP&F member who is receiving a service retirement or disability benefit from OP&F is eligible to participate in the health care stipend program unless they have access to another group health care plan. The retiree must become enrolled in a new plan within 60 days of involuntarily losing access to the employer's plan or group healthcare. Otherwise, a Qualifying Life Event, or QLE, must occur to establish eligibility.

#### *Surviving spouse*

Upon the effective date of the statutory survivor benefits, a surviving spouse who receives a statutory survivor benefit from OP&F is eligible to participate in the OP&F health care stipend program except when the following apply:

- The surviving spouse is participating in or waived health care coverage through another Ohio retirement system;
- The surviving spouse has access to another group health care plan;
- OP&F does not receive the Survivor Health Care Eligibility and Enrollment form within 60-days.
- The survivor does not become enrolled in a plan within 60-days of the QLE.

Once the required information is received for an eligible surviving spouse, he or she will continue to participate in OP&F's health care stipend program and will receive the balance of the retiree's HRA in the year of the retiree's death. The following year, a surviving spouse will have an individual HRA. If the surviving spouse remarries, the new spouse and any child born to the surviving spouse after the OP&F member's death are not eligible for coverage. The surviving spouse will not receive an increased stipend for a dependent even if the OP&F member was the child's parent.

#### *Dependent Eligibility Guidelines*

##### *Spouse*

A retired member may be eligible to receive additional stipend support for a spouse who is not eligible to enroll in an employer sponsored health plan and is not eligible for any type of health care coverage through another Ohio retirement system.

### *Child*

A retired member may be eligible to receive additional stipend support for a child if the child meets the following criteria:

- A child must be the retiree's natural child or have been legally adopted by the retiree;
- A child who is up to 26 years of age or younger;
- A child is not eligible to enroll in an employer-sponsored health plan.

### *Surviving child/orphan*

A child who is receiving a statutory survivor benefit from OP&F is not eligible for the OP&F stipend health care program.

### *Dependent parent*

A dependent parent as described in the Ohio Revised Code Section 742, may be eligible for the OP&F health care stipend program.

## **4. Participants Eligible for Benefits**

As of Dec. 31, 2022, OP&F had 29,549 benefit recipients (including retirees and survivors) whom were eligible for the health care stipend program. Of those, approximately 61 percent participated.

## **5. Accounting, Asset Valuation and Funding Methods**

### *1. Summary of Significant Accounting Policies*

The following are the significant accounting policies followed by OP&F.

#### *Basis of Accounting:*

OP&F's financial statements have been prepared using the accrual basis of accounting. Revenues are recognized when earned and expenses are recorded when a liability is incurred.

#### *Investments:*

Investment purchases and sales are recorded on a trade date basis. Dividend income is recognized on the dividend date, while interest and rental income is recognized when earned. Investments are reported at fair value. Securities traded on a national or international exchange, are valued at the last reported sales price at current exchange rates. Mortgages are valued on the basis of future principal payments discounted at prevailing interest rates for similar instruments. The fair value of real estate and timber are based on independent appraisals and internal valuations. Investments that do not have an established market are reported at estimated fair value. Private equity limited partnership interest is based on values established by each partnership's valuation committees.

Net appreciation is determined by calculating the change in the fair value of investments between the end of the year and the beginning of the year, less the cost of investments purchased, plus sales of investments at fair value. Investment expense consists of administrative expenses directly

related to OP&F's investment operations and a proportional amount of all other administrative expenses allocated based on the ratio of OP&F's investment staff to total OP&F staff. OP&F has no individual investment that exceeds five percent of net assets available for benefits.

*Federal Income Tax Status:*

OP&F was determined to be a trust under section 401(a) of the Internal Revenue Code that is exempt from federal income taxes under section 501(a) of the Internal Revenue Code. OP&F's DROP plan was also determined to be part of the 401(a) trust.

*Property and Equipment:*

Property and equipment are recorded at cost. Depreciation is computed using the straight-line method over the estimated useful lives of the related assets. The range of estimated useful lives is as follows:

Buildings and improvements	40 years
Furniture and equipment	3 to 10 years
Computer software and hardware	2 to 10 years

*Contributions and Benefits:*

Employer and Member contributions are recognized when due or in the period the related member salaries are earned. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

*2. Asset Valuation Method*

The difference between actual market value and expected market value is recognized over five years (20 percent per year). The actuarial value is the market value adjusted by the total unrecognized gains or losses incurred during the five-year period.

*3. Funding Method*

Health care benefits are funded on a pay-as-you-go basis. This fund is credited with a portion of employer contributions equal to 0.5 percent of active member payroll from Jan. 1, 2022 to Dec. 31, 2022 and portion of investment income. The HCSF is charged with all health care expenses and administrative costs. As of Dec. 31, 2022, the balance in the HCSF was \$790,086,100.

## 6. Plan Net Assets Available for Post-Employment Health Care Benefits

as of Dec. 31, 2022 (unaudited)

<b>Assets:</b>	
Cash and Short-term Investments	\$ 64,790,594
<b>Receivables:</b>	
Employers' Contributions	1,206,697
Accrued Investment Income	2,022,585
Investment Sales Proceeds	9,298,767
<b>TOTAL RECEIVABLES</b>	<b>12,528,049</b>
<b>Investments, at fair value:</b>	
Bonds-Domestic	137,781,605
Bonds-International	1,448
Mortgage and Asset-Backed Securities	38,655,367
Stocks-Domestic	191,998,689
Stocks-International	104,752,001
Real Estate	91,351,289
Private Debt	20,078,939
Private Equity	68,289,460
Real Assets	43,791,145
Master Limited Partnerships	22,266,898
Derivatives-Domestic	(8,628)
Derivatives-International	50,261
<b>TOTAL INVESTMENTS</b>	<b>719,008,474</b>
Collateral on Loaned Securities	24,457,154
<b>TOTAL ASSETS</b>	<b>820,784,271</b>
<b>Liabilities:</b>	
Investment Commitments Payable	6,241,017
Obligations Under Securities Lending	24,457,154
<b>TOTAL LIABILITIES</b>	<b>30,698,171</b>
<b>NET ASSETS HELD IN TRUST FOR POST- EMPLOYMENT HEALTH CARE BENEFITS</b>	<b>\$ 790,086,100</b>

## 7. Statement of Changes in Plan Net Assets Available for Post-Employment Health Care Benefits

as of Dec. 31, 2022 (unaudited)

<b>Additions:</b>	
From Contributions:	
Employers'	13,381,154
<b>TOTAL CONTRIBUTIONS</b>	<b>13,381,154</b>
<b>From Investment Income:</b>	
Net Appreciation (Depreciation)	
Value of Investments	(127,046,753)
Bond Interest	6,024,183
Dividends	4,414,480
Alternative Investment Income	14,695,809
Master Limited Partnerships Income	1,895,806
Other Investment Income (Loss)	1,285,056
Less Investment Expenses	(2,787,019)
<b>NET INVESTMENT INCOME</b>	<b>(101,518,438)</b>
<b>From Securities Lending Activities:</b>	
Securities Lending Income	133,688
Securities Lending Expense	-
<b>NET INCOME FROM SECURITIES LENDING</b>	<b>133,688</b>
Other Income	186,311
<b>TOTAL ADDITIONS</b>	<b>(87,817,285)</b>
<b>Deductions:</b>	
Health Care Benefits	88,563,565
Administrative Expenses	235,649
<b>TOTAL DEDUCTIONS</b>	<b>88,799,214</b>
<b>NET INCREASE (DECREASE)</b>	<b>(176,616,499)</b>
<b>FIDUCIARY NET POSITION - BEG OF YEAR</b>	966,702,599
<b>FIDUCIARY NET POSITION - END OF YEAR</b>	<b>\$ 790,086,100</b>

## 8. Schedule of Changes in Net Assets Available for Post-Employment Health Care Benefits, 2018-2022

	December 2022	December 2021	December 2020	December 2019	December 2018
<b>BEGINNING BALANCE</b>	<b>\$ 966,702,599</b>	<b>\$ 881,584,417</b>	<b>\$ 878,688,997</b>	<b>\$ 793,785,996</b>	<b>\$ 932,087,789</b>
<b>COSTS</b>					
Utilization Costs	(48,076)	45,279	298,306	4,487,795	(185,806,369)
Administrative Fees	-	-	-	(768,132)	(4,845,076)
Health Care Stipend	(67,734,270)	(66,416,654)	(64,518,906)	(60,793,408)	(7,480,000)
Medicare Part B	(20,781,219)	(20,576,427)	(20,028,581)	(19,752,850)	(19,731,512)
<b>HEALTH CARE COSTS</b>	<b>(88,563,565)</b>	<b>(86,947,802)</b>	<b>(84,249,181)</b>	<b>(76,826,595)</b>	<b>(217,862,957)</b>
Member Contributions	-	-	-	523,461	73,156,768
Recoveries and Rebates	186,311	262,495	563,964	19,647,113	23,446,262
<b>HEALTH CARE CONTRIBUTIONS</b>	<b>186,311</b>	<b>262,495</b>	<b>563,964</b>	<b>20,170,574</b>	<b>96,603,030</b>
<b>NET HEALTH CARE</b>	<b>\$ (88,377,254)</b>	<b>\$ (86,685,307)</b>	<b>\$ (83,685,217)</b>	<b>\$ (56,656,021)</b>	<b>\$ (121,259,927)</b>
<b>ALLOCATION</b>					
Employer Contribution Allocation	13,381,154	12,758,046	12,166,558	11,973,144	11,337,852
Investment Return Allocation	(101,384,750)	159,291,105	74,728,819	129,948,485	(27,637,766)
Administrative Expense Allocation	(235,649)	(245,662)	(314,740)	(362,607)	(741,952)
<b>NET ALLOCATION</b>	<b>\$ (88,239,245)</b>	<b>\$ 171,803,489</b>	<b>\$ 86,580,637</b>	<b>\$ 141,559,022</b>	<b>\$ (17,041,866)</b>
<b>ENDING BALANCE</b>	<b>\$ 790,086,100</b>	<b>\$ 966,702,599</b>	<b>\$ 881,584,417</b>	<b>\$ 878,688,997</b>	<b>\$ 793,785,996</b>

## 9. Description of Significant Changes Affecting the Comparability of the Report Required Under this division

This report is required to be submitted for reporting year 2022, and there are no significant changes in comparison to the requirements.

## 10. Medicare Part B Reimbursement

Upon enrollment in Medicare Part B, benefit recipients are eligible for reimbursement of a portion of their Medicare Part B premium through OP&F, as required by ORC Section 742.45 (B), if they are not receiving reimbursement from another source. In 2022, OP&F paid more than \$20.7 million in Medicare B reimbursements; approximately 16,185 participants received \$107 per month, included in the recipient's benefit payment.