

Last year, the Ohio State Legislature passed SB340 which made reforms to the Ohio Police and Fire Pension System(OP&F). Some were unpopular but the longevity of the entire system was potentially in peril without these changes. The Ohio Senate introduced the bill in a bipartisan manner and the entire legislature passed the measure with that same spirit of cooperation. SB340 when fully enacted will secure our defined benefit and disability plan well into the future.

Recently, some in the legislature have continued the attacks on the OP&F. The continued drum beat that the plan does not meet the 30 year funding model. Our detractors conveniently leave out the fact that the law does not become effective until July of 2013. Give SB340 a chance to work.

The plan had performed better than most during the downward spiral of the market. Now, it is recovering well as the market returns grow. This performance is reflected in a recent semi-annual study of Ohio's six public pension plans. The study has revealed some positive news.

Milliman Inc. reported that: on a three year basis, our pension fund was one of the best relative performers, "with the OP&F leading its benchmark by 100 basis points." And for the last five years "OP&F outperforming its benchmark by 70 basis points." This is very good news and makes the Police and Fire fund one of the best performing funds in Ohio against its benchmarks.

Over the last ten years, our pension fund has performed better than some in the legislature would like the public to believe as well. In fact, the OP&F returned 8.9% compared to the anticipated actuarial rate of 8.25% over the same period.

The future appears to be brighter as well. Even though the recent gains have been positive, the OP&F figures still include two poor performing investment years – 2008 and 2009. It is current industry standard to measure performance over a 5 year window. The OP&F actuarially uses this five year "smoothing" to develop a long term projection. We are hopeful this model will show marked increases in solvency over the next two years.

But, unfortunately, unfunded liabilities have continued to grow over this same time period, which have necessitated changes such as those in SB340. As we lose the poor performing investment periods coupled with enactment of SB340, the funding level should continue to grow to fall within the 30 year level.

What does all of this mean? Essentially it means the OP&F continues to provide for our pensions and is stronger than predicted and has met or exceed many of the established benchmarks. The report went on to conclude that allocations of the OP&F (and all of Ohio's public pension funds) were significantly above the national median in comparison. The OP&F is ranked in the 6th percentile of all public pension plans.

Despite those who want our plan to fail, our plan is healthy! Our elected OP&F Trustees have worked diligently in this down economy to maintain a secure and solid pension and disability plan. They have worked against the economy and against some strong criticism from some elected officials but have never waived from their resolve to continue our defined benefit program.

With the upturn in the economy and the enactment of SB340, it is our belief that the OP&F is poised to continue to provide for a dignified retirement for Ohio's police officers and fire fighters well into the future.