



February 21, 2019 HPRS Board Meeting Highlights

In an effort to provide more information to our membership and since board minutes can't be approved and posted until the next board meeting, below are highlights from the February 21, 2019, HPRS board meeting. These board notes were sent out via email and virtual roll call in December 2018 and February 2019 as well as posted to the confidential part of our website at www.ohprs.org. Beginning in April, these updates will only be posted to our website. Once you login, you will be able to access this information along with other tabs made only available to members. If you need assistance obtaining a login and password, please contact Susan at 614-431-0781.

Update on 2019 Major Goals

- Create a funding policy by which the board could make the best decisions possible on the annual setting of employee contribution, cost of living adjustment (of COLA), and health care contribution;
 - The Special Funding Committee made up of Captain Cory Davies, Staff Lieutenant Matt Them, and Retired Major Darryl Anderson, have met numerous times over the last six months. The policy is in final draft form and should be ready for presentation to the full board at the April 2019 meeting. The purpose of this policy is to establish guidelines and protocols for the board to follow when setting employee contribution, COLA, and health care contribution in a fair and consistent way each year. It will also provide members with a better understanding of how these rates are set.
- Update the strategic plan;
 - HPRS's last plan was initiated in late 2012. The 2019 – 2024 strategic plan has been updated, vetted by the Administration Committee, and approved by the board at the February 21st meeting. The document has been posted on HPRS's website at www.ohprs.org.
- Implement a membership communication plan;
 - Part of fulfilling this goal is disseminating this update. It communicates the high points of our most recent board meeting which occurred on February 21st.
 - Rather than to wait for two months for the board minutes to be approved and posted after the next board meeting, hopefully this update and subsequent updates will provide our membership, albeit a snapshot, with more timely information.

Actuarial Assumptions Review

Ohio Revised Code (ORC) 5505.121 requires HPRS to be able to amortize its unfunded actuarial accrued liabilities within a period of 30 years, and ORC 5505.12 requires an annual actuarial valuation of HPRS's pension assets, liabilities, and funding requirements. These statutes also require periodic reviews of the assumptions used in the annual valuations of our system.

Our actuary, GRS Retirement Consulting, presented a review and analysis of HPRS's actuarial assumptions. For only the second time in HPRS's history (the first time being three years ago), the board was compelled to lower its investment rate of return assumption from 7.75% to 7.25%. Due to declining capital market expectations, GRS can no longer support the 7.75% assumption rate HPRS uses in its actuarial valuations. Although 6.5% is the actuary's preferred rate, 7.25% is within its acceptable range. The board has a fiduciary responsibility to adopt recommendations provided by its actuary, which it did at the February 21st board meeting.

What does this mean for you? Although this does not change the level of our assets, it will increase our unfunded actuarial accrued liabilities. It will lower our funding ratio and increase the number of years required to amortize our liabilities. In order to stay compliant with Ohio law, in 2020, the board may have to increase employee contribution, reduce COLA, and reduce allocation to the health care fund...at least in the short term.

The board will have preliminary actuarial results in June, and decisions on 2020 employee contribution and COLA will be vetted by the board at that time. GRS's presentation is attached.

2018 Disability Report

Per Ohio Revised Code 5505.181, the HPRS 2018 Disability Experience report was submitted to the Ohio Retirement Study Council. A total of seven applications were approved for disability retirements in 2018 (three in-the-line-of-duty and four off-duty). One recipient was terminated.

Total Fund Update

One of the most important responsibilities of the board is making investment decisions. Investment returns are critical to the viability of our system. The board spends a considerable amount of time working with its investment consultant planning, researching, and discussing ways to enhance our portfolio.

The last quarter of 2018 was highly volatile resulting in year-end negative returns for HPRS. This was not isolated to HPRS as all other systems were negatively affected as well. During the first 1 ½ months of 2019, markets have rebounded resulting in an estimated gain of 6.8% through February 19th. HPRS assets stand at approximately \$863 million.

Below is a snapshot of HPRS's portfolio as of February 19, 2019:

HPRS PORTFOLIO SNAPSHOT: 2/19/2019

	1/31/2019		Market Adjust. Est. 2/19/19		Interim Target	New Strategic Targets	
	\$ MM	%	Change	\$1,000s		Target	Range
Domestic Equity	\$267.0	31.5%	3.6%	\$276.5	32.0%	30.0%	
Large/Mid Cap	\$226.5	26.7%	3.3%	\$234.0	27.1%	25.0%	
Small/Micro Cap	\$40.5	4.8%	5.0%	\$42.5	4.9%	5.0%	
International Equity	\$159.5	18.8%	1.7%	\$162.3	18.8%	18.0%	
Developed (incl Small Cap)	\$121.1	14.3%	2.3%	\$123.9	14.4%	14.0%	
Emerging Markets	\$38.4	4.5%	0.0%	\$38.4	4.5%	4.0%	
Alternatives Investments	\$208.4	24.6%	0.8%	\$210.1	24.4%	25.0%	
Absolute Return	\$81.5	9.6%	1.5%	\$82.7	9.6%	10.0%	7.0%
Private Equity	\$91.9	10.8%	0.0%	\$91.9	10.7%	10.0%	13.0%
Real Assets	\$35.0	4.1%	1.5%	\$35.5	4.1%	5.0%	5.0%
Real Estate	\$46.9	5.5%	0.0%	\$46.9	5.4%	7.0%	
Fixed Income	\$166.5	19.6%	0.3%	\$167.0	19.4%	20.0%	
Core Fixed Income	\$70.4	8.3%	0.3%	\$70.6	8.2%	10.0%	10.0%
Opportunistic	\$74.1	8.7%	0.4%	\$74.4	8.6%	8.0%	8.0%
Cash	\$22.0	2.6%	0.1%	\$22.0	2.6%	2.0%	2.0%
Total Pension	\$848.3	100.0%	1.7%	\$862.9	100.0%	100.0%	

Estimated Year-to-Date Return (including the above est.): **6.8%**



1100 Superior Avenue East - Suite 700 - Cleveland, Ohio 44114 - 216.621.1090 - clearstead.com

1

Retirement and Survivor Benefit Transactions since December 2018 Board Meeting

The HPRS board approved two active member retirement applications for age and service, six retirements from DROP, and no survivor benefits.

Upcoming Events

- **2019 Snowbird Reunion**
February 28 – March 2, 2019 at Lake Mary FL
- **Ham and Bean Luncheons**
Second Wednesday of each month 12:00 noon. RSVP Lori Pallante at 614-387-6081
- **165th Cadet Graduation**
April 26, 2019 at 1:00PM at the Academy
- **OSP Memorial**
May 3, 2019 at 1:00PM at the Academy
- **Retiree CCW Qualification**
May 6, 2019 at 1:00PM at the Academy
- **OSP Retiree Cookout and CCW Qualification**
June 14, 2019 at the Academy
- **Torch Run**
June 28, 2019 starting from the Academy

For a complete list of upcoming events and information, check the HPRS website at www.ohprs.org.

April Meeting Dates

The next scheduled committee meetings occur on April 17, 2019, beginning at 1:00PM and include; Administration; Health, Wellness, & Disability; Health Care Funding; and Special Funding.

The committee meetings for Audit and Investment are scheduled for April 18, 2019, beginning at 9:00AM.

Some committee meetings may be canceled from time to time. Check the HPRS website at www.ohprs.org for most current meeting dates and times.

The board meeting will follow the Investment Committee meeting on April 18, 2019.

If you have questions about HPRS, board meetings, or individual retirement questions, please contact Executive Director Mark Atkeson at 614-430-3557.