



June 20, 2019 HPRS Board Meeting Highlights

In an effort to provide more timely information to our membership and since board minutes can't be approved and posted until the next board meeting, below are highlights from the June 20, 2019, HPRS board meeting.

Trustee Elections

There are two trustee positions up for election:

On July 31, 2019, the term of Lieutenant Andre Swinerton as an employee-member trustee of the retirement board will end. Candidacy information was posted on virtual roll call, and ballots were mailed on June 12th. Ballots must be received by HPRS by Friday, July 19th. If you did not receive a ballot, you must request a replacement ballot by July 5th. Ballots will be counted on July 26th.

A special election is being held for the unexpired term of retired board member Captain (ret.) Lester Reel. His term of office expires July 31, 2021. Candidacy information and ballots were mailed on June 12th. Ballots must be received by HPRS by Friday, July 19th. If you did not receive a ballot, you must request a replacement ballot by July 5th. Ballots will be counted on July 26th.

Actuarial Update

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.

In February, 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 increases our unfunded actuarial accrued liabilities. It lowers our funding ratio and increases the number of years required to amortize our liabilities. In the last board meeting highlights, you read that depending on the results of the preliminary actuarial report and in order to stay compliant with Ohio law, the board may have to increase employee contribution, reduce COLA, and reduce allocation to the health care fund...at least in the short term.

On June 20th, GRS presented its preliminary actuarial report for December 31, 2018. As a result of that report and to remain in compliance with Ohio law and the board's recently approved funding policy, the board determined it must make the following changes for 2020:

- Increase employee contribution to 14%;
- Reduce COLA to 0%;
- Reduce contribution to the health care fund to 0%.

This is not the action the board wanted to take nor is it the option it expects to maintain in the long term. But it ensures the proper funding of the pension fund and it fulfills the primary fiduciary responsibility of the board. The board will officially approve this action at its October meeting. The GRS preliminary report is attached.

Health Care Funding Committee Update

As a result of the actuarial assumption changes in February, additional strain has been placed on the health care fund. For the first time in more than 25 years, no additional employer contribution was able to be added to the health care fund. Without adequate employer contribution, the health care fund risks being depleted in the long-term. The Health Care Funding Committee continues to research a number of options in an attempt to ease that strain and to keep the fund viable well into the future.

Willis Towers Watson gave a presentation on the health care marketplace for Medicare-eligible beneficiaries. This presentation showed a potential for savings to HPRS while providing similar or better health care options for 99% of our membership. The board is evaluating this and other solutions. Other presentations will be given to the committee in subsequent meetings. You are encouraged to attend these meetings to gain a better understanding of the dilemma the board faces with providing health care benefits and possible solutions.

2020 premiums were approved and can be seen under the > Members > Health Care tab on the home page of the website - <https://www.ohprs.org/ohprs/healthBenefits.jsp>.

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 5 ½ months of 2019, markets have rebounded resulting in an estimated gain of 10% through June 19th. HPRS assets stand at approximately \$880 million.

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

HPRS PORTFOLIO SNAPSHOT: 6/19/2019

	4/30/2019		Market Adjust. Est. 6/19/19			Interim Target	New Strategic Targets	
	\$ MM	%	Change	\$1,000s	%		Target	
Domestic Equity	\$273.8	31.1%	-0.7%	\$271.9	31.0%	30.0%		30.0%
Large/Mid Cap	\$231.2	26.3%	-0.4%	\$230.3	26.3%	25.0%		25.0%
Small/Micro Cap	\$42.6	4.8%	-2.2%	\$41.7	4.8%	5.0%		5.0%
International Equity	\$162.3	18.4%	-2.1%	\$158.9	18.1%	18.0%		18.0%
Developed	\$124.3	14.1%	-1.4%	\$122.6	14.0%	14.0%		14.0%
Emerging Markets	\$38.0	4.3%	-4.6%	\$36.2	4.1%	4.0%		4.0%
Alternatives Investments	\$234.8	26.7%	-0.4%	\$234.0	26.7%	25.0%		25.0%
Absolute Return	\$105.2	11.9%	-0.8%	\$104.4	11.9%	10.0%		7.0%
Private Equity	\$85.9	9.8%	0.0%	\$85.9	9.8%	10.0%		13.0%
Real Assets	\$43.7	5.0%	0.0%	\$43.7	5.0%	5.0%		5.0%
Real Estate	\$65.4	7.4%	0.0%	\$65.4	7.5%	7.0%		7.0%
Fixed Income	\$144.1	16.4%	1.4%	\$146.2	16.7%	20.0%		20.0%
Core Fixed Income	\$71.6	8.1%	2.4%	\$73.3	8.4%	10.0%		10.0%
Opportunistic	\$65.8	7.5%	0.5%	\$66.1	7.5%	8.0%		8.0%
Cash	\$6.7	0.8%	0.2%	\$6.7	0.8%	2.0%		2.0%
Total Pension	\$880.4	100.0%	-0.5%	\$876.3	100.0%	100.0%		100.0%

Estimated Year-to-Date Return (including the above est.): **9.9%**

Audit Committee Update

On June 20, 2019, Schneider Downs & Company presented a clean audit of HPRS's 2018 financial records resulting in an unqualified and unmodified opinion. Its audit report is included in the HPRS Comprehensive Annual Financial Report which will be posted to the website by the first of July.

Retirement and Survivor Benefit Transactions since April 2019 Board Meeting

The HPRS board approved one active member retirement application for age and service, five retirements from DROP, and one survivor benefit.

Executive Director Announcement

Executive Director Mark Atkeson announced that he would be leaving his position in 2020. After serving more than 8 years, Director Atkeson will be relocating to Tennessee. He voiced his sadness over his decision to depart and expressed his honor and privilege to serve in the capacity of executive director. The board will initiate a search process for his replacement. Director Atkeson will remain until a viable replacement is selected.

Upcoming Events

- **Ham and Bean Luncheons**
Second Wednesday of each month 12:00 noon. RSVP Lori Pallante at 614-387-6081
- **Torch Run**
June 28, 2019, starting from the Academy
- **2019 North Coast Sunbird Reunion**
August 10, 2019 at 11:00AM at the Ohio Veterans Home Pavilion in Sandusky, Ohio
- **Retiree CCW Qualification**
August 14, 2019, at 1:00PM at the Academy
- **Retirees' Association Annual Dinner and Meeting**
October 12, 2019, 5:00PM at the Embassy Suites at 2700 Corporate Exchange Dr. Columbus, Ohio
- **Retiree CCW Qualification**
November 6, 2019, at 1:00PM at the Academy
- **2020 33rd Annual Retirees' Association Snowbird Reunion**
March 5-7, 2020, at the Marriott Hotel in Lake Mary, FL. Details forthcoming.

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

August Meeting Dates

The next scheduled board meeting occurs on August 15, 2019, beginning at 9:00AM. This is part of a two-day retreat concluding at noon on August 16th. Committee meetings will be part of the retreat but they will be conducted as meetings of the full board.

Check the HPRS website at www.ohprs.org for most current meeting dates and times.

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