

THE ECONOMIC IMPACT OF THE OHIO POLICE & FIRE PENSION FUND ON OHIO IN 2006

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& DRISCOLL & FLEETER FOR

ohio
Police
&
Fire pension
fund

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ECONOMIC IMPACT

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Executive Summary

Executive Summary



EXECUTIVE SUMMARY

The contributions made by Ohio's public pension systems to the state's economy are often poorly understood. It is easy to take the state's public pension funds for granted, assuming they will always be there, fully funded and responsive to their members' changing needs. The truth is that no public pension fund runs on automatic pilot. The long-term health of any fund rests on wise decisions by those who manage the funds, those who administer the organization and by the Ohio General Assembly, which makes the laws prescribing how pensions are funded and governed.

Also poorly understood are the secondary benefits that Ohio's pension funds provide to the state and to local communities. This report, for the first time in Ohio, offers a comprehensive look at the contributions of one such pension fund, the Ohio Police & Fire Pension Fund.

This study clearly shows that the benefits paid to retirees, their survivors and their dependents ripple through the entire economy, leading to greater purchases of goods and services and more jobs. The total value of these payments is ultimately several times the nominal payout amount.

Major Findings

The study resulted in findings that will prove important to policy-makers. Among them are these:

- **OP&F has compiled an enviable record in growing its total investment portfolio, with \$12.8 billion under management in July 2007.**
- **Since 1967, the largest area of revenue growth—both proportionally and in pure dollar amounts—has come in the investment and securities lending area.** While investments in 1967 made up 60 percent of OP&F's total revenue, investments constituted 72 percent of revenues in 2006.
- **Member healthcare contributions are now more than 24 times what they were just 15 years ago.**
- **Since 1987, benefit payments have exceeded cash contributions.** This trend places additional importance on investment income as a primary source of benefit funding.

- **In 2006, OP&F's total economic impact on individual Ohio House districts ranged from \$1.7 million to \$20.5 million.**
- **In 2006, OP&F's total economic impact on individual Ohio Senate districts ranged from \$9.2 million to \$55.5 million.**
- **In 2006, OP&F activity resulted in more than \$1.1 billion in economic output and 11,059 jobs across the State of Ohio.**

How the Study Was Conducted

The study was conducted by the Columbus-based firm of Driscoll & Fleeter, a leading independent economic analysis team, in partnership with Cochran Group Inc. The study took place over eight months and included analysis of raw data provided by OP&F. Driscoll & Fleeter then applied economic multipliers to the direct benefits documented to measure the full extent of OP&F's impact across the state and by legislative district.

Economic multipliers measure the impact of an external change, such as retirement payment to retirees, healthcare expenditures or payroll contributions. Multipliers are commonly expressed in terms of the value of economic output, earnings by workers and numbers of jobs created.

The impact of an entity on the economy includes direct and indirect impacts. Direct impacts are the activities or changes in production levels of the entity itself. Indirect impacts occur in the local business sector as a result of those direct impacts. For example, the increased production and sale of hard hats may be one of the indirect results of increased mining activity.

The indirect impact of OP&F in 2006 was estimated using the RIMS II Multiplier Model developed by the U.S. Department of Commerce Bureau of Economic Analysis. This model is based on national and regional economic data that is continually updated by the Bureau of Economic Analysis.

How This Report Is Organized

The report begins with this **Executive Summary**, followed by an **Introduction** section to set the context for the findings. The information that follows these preliminary sections are summarized as follows:

Growth and Performance of the OP&F Pension Fund.

This section documents the growth of OP&F from 1967, the year it was created, through 2006. The section documents growth in members receiving benefits, annual revenues by source, growth in annual healthcare contributions and annual expenditures by category and growth of benefits paid by type.

2006 OP&F Membership by Type and Location in Ohio.

This section considers four groups of OP&F members: active members who are still working in Ohio or who are not yet eligible to receive retirement benefits, retirees who received benefits for all or part of the 2006 calendar year, survivors of deceased OP&F retirees and participants in the Deferred Retirement Option Plan (DROP). DROP allows OP&F members who are eligible to retire under normal service guidelines to continue working while accumulating pension payments in a special account. The section also maps membership, by type, to Ohio's House and Senate districts.

Direct Economic Impact of the OP&F Pension Fund in 2006. This section reports benefits paid, healthcare contributions, prescription contributions and DROP withdrawals. It also considers administrative expenditures, arriving at total retiree and survivor benefits for Ohio overall and for each state Senate and House district.

Total Economic Impact of OP&F in 2006. This section applies a multiplier to the direct impacts to arrive at a statewide economic impact and total overall impacts by state Senate and House district.

Summary of Findings and Conclusion. This section recaps the study and describes how it might be used to inform policy-makers.

Summary Data for Individual Legislative District.

A summary page has been prepared for each state senator and representative to show OP&F's economic impact on his or her home district.



Introduction

Introduction

Ohio
Police
& Fire Pension
Fund

INTRODUCTION

The importance of police officers and firefighters to the State of Ohio has never been in doubt: Our first responders put their lives on the line every day to keep all of us safe—a fact understood by even the youngest school child.

The State of Ohio created the Ohio Police & Fire Pension Fund to provide for these brave men and women after they have fulfilled their years of service. The fund offers pension, disability and survivor benefits to members around the state. Additionally, OP&F offers a sponsored healthcare plan for eligible members, although these benefits are not mandated by law.

In 2006 the fund paid out nearly \$1 billion in services and benefits, \$377 million of which were paid in service retirement benefits; \$183.5 million in disability benefits; and \$178.9 million for post-employment healthcare coverage.

A high percentage of retirees and their survivors (more than 84 percent) remain Ohio residents after retirement, meaning they spend their benefits in Ohio and in their home communities.

While the importance of OP&F to active and retired members is clear, the benefits that extend to the entire state have been less well understood. The fact is that a high percentage of retirees and their survivors (more than 84 percent) remain Ohio residents after retirement, meaning they spend their benefits in Ohio and in their home communities. This report, for the first time, examines the local and statewide impact of OP&F not just on police officers and firefighters, but on the entire state.

Study Purpose and Overview

The importance and impact of retirement funds on local and state economies has only recently been a subject of discussion. OP&F faces significant challenges. How Ohio responds to these challenges

is the responsibility of both OP&F leadership and the Ohio General Assembly, which writes the laws governing contribution rates, governance and other crucial aspects of fund solvency.

This study is designed to provide policy-makers and legislators with a comprehensive assessment of OP&F's statewide economic impact. Cochran Group and Driscoll & Fleeter have prepared a report that assesses and explains the impact on the state as a whole as well as on each of the legislative districts of the Ohio General Assembly: 99 Ohio House districts and 33 Ohio Senate districts.

For each district, the report details the number of OP&F retirees who receive benefits, the aggregate dollar amount of retirement benefits and healthcare coverage and other economic variables that could be accurately measured.

This report also includes aggregate statewide totals, along with complete explanations and descriptions. Illustrative charts and graphs are used throughout to provide a simple and visual reflection of the results.

Overview of the OP&F Pension Fund

OP&F is designed to provide an adequate retirement income to participants and their beneficiaries when they need it most—when they stop working, become disabled or in the event of death.

The Ohio General Assembly created OP&F in 1965, replacing 454 separate local police and firefighters relief and pension funds. The statewide fund began operating Jan. 1, 1967, when the local pension funds transferred their assets and liabilities to OP&F. Assets transferred to OP&F were about \$75 million, with accrued liabilities at just under \$500 million.

OP&F has grown to become the 111th largest pension plan in the United States with \$12.8 billion in assets under management in July 2007.

Since then, OP&F has grown to become the 111th largest pension plan in the United States, with \$12.8 billion in assets under management.

OP&F covers 905 police and fire employers in Ohio cities, villages and townships. Total membership is more than 52,000 individuals, including both active employees and OP&F pensioners and their survivors.

Revenues

OP&F generally relies on three sources of revenue for funding pension benefits: employee contributions, employer contributions and investment earnings. The Ohio General Assembly guarantees the defined pension benefits that are paid to participants and determines the maximum rate for contributions by participants and their employers.

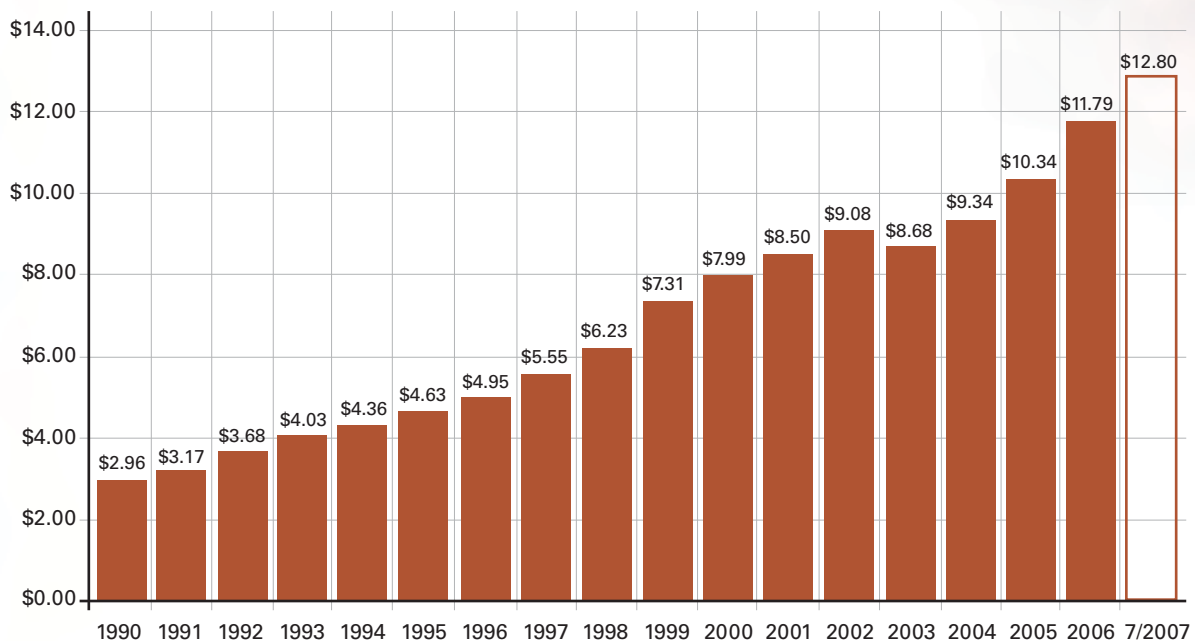
Investment performance

OP&F outperformed its policy benchmark return for the six-month, one-year, three-year, five-year and 10-year periods ending June 30, 2006. The fund ended 2006 at just under \$11.8 billion, a gain of about \$1.4 billion for the year. After factoring in benefit payments for the year and contributions to the fund, the year's return on investment was almost 16 percent. In July 2007, the total value of the fund rose to \$12.8 billion.

OP&F's success is the result of a relatively aggressive asset mix, along with strong performance by its U.S. equity, fixed income, real estate and private equity managers, pushing it into the top 11 percent of its peer group.

Figure 1 shows the growth in OP&F's total portfolio since 1990.

FIGURE 1: OP&F PORTFOLIO GROWTH SINCE 1990 (IN BILLIONS OF DOLLARS)



Plan participants contribute 10 percent of their earnings to the plan, while their employers contribute a percent of payroll. In 2006, police employers paid 19.5 percent and fire employers contributed 24 percent. These contributions are in addition to the more than \$20 million annual employer contributions for past service liability (accrued prior to 1967).

Money deducted from participants' earnings is placed into separate accounts much like a savings bank. Each month, as the employers' reports of employee contributions arrive, participants' contributions are posted to their respective accounts.

Recent legislative enactments have resulted in improved benefits, including a Deferred Retirement Option Plan (DROP). This optional benefit allows eligible police officers and firefighters to continue working while accumulating a lump sum for retirement.

Challenges

Clearly, the economic impacts of OP&F are vast, whether viewed from a statewide perspective or from the perspective of individual communities. Yet, OP&F faces significant challenges, as do Ohio's other public pension systems.

An independent fiduciary audit commissioned by the Ohio Retirement Study Council (ORSC) confirmed OP&F's investment strategies in 2006. The study found the total fund outperformed its policy index for all five years studied.

While OP&F's investment performance has generally outpaced its peers, losses experienced during the market downturn of 2000 to 2002 are expected to have a negative impact over the next several years, dampening future gains that might occur. These losses are likely to put pressure on policy-makers to increase contribution rates or funding periods for paying off unfunded liabilities.

Unfunded liabilities

An actuarial report prepared by Milliman USA for the ORSC in 2003 and updated in 2004 concluded that both OP&F and the State Teachers Retirement System lagged behind a state-mandated 30-year liability funding requirement. The requirement demands that

public pension funds must achieve a net income that, sustained over 30 years, will meet all expected payouts.

While OP&F is fully able to meet all of its obligations for the foreseeable future, income from all sources is not currently adequate to meet the 30-year rule. The Milliman report noted that correcting this situation would require increased contribution limits, reductions in pension benefits, state subsidies, or reallocation of contributions from discretionary healthcare contributions to mandated pension benefits.

OP&F has proposed to the ORSC that the Ohio General Assembly authorize an increase in police employers' contributions to 24 percent, matching that of fire employers. OP&F has also proposed that members' contributions be raised from the current 10 percent to 12 percent over a five-year period and has proposed capping reimbursements made to retirees for Medicare Part B coverage. OP&F has also scaled back the healthcare options offered to participants. OP&F has made all the changes it is authorized to make without action by the General Assembly.

Table 1 shows current and proposed OP&F contribution rates.

TABLE 1: OP&F CURRENT AND PROPOSED CONTRIBUTION RATE

	Current Rate	Proposed Rate
Police Employee Rate	10.0%	12.0%
Police Employer Rate	19.5%	24.0%
Fire Employee Rate	10.0%	12.0%
Fire Employer Rate	24.0%	24.0%

Healthcare

The cost of funding healthcare continues to be a significant challenge. Causes for the skyrocketing increases in healthcare costs include the advent of "baby boomer" retirements, longer life expectancy, higher utilization of drugs and advanced medical technology, direct consumer advertising (notably, for prescription drugs) and the general declining ratio of active members to retirees.

While OP&F has never guaranteed members that it will provide a healthcare option, OP&F has historically made it available to retirees who desire it. However, the costs of providing that coverage have risen to where significant changes were necessary. In April 2006, the Board approved changes to the OP&F-sponsored healthcare plan that includes:

- Offering one plan and two network carriers for 2007 and the elimination of OP&F's health maintenance organization options.
- The establishment of a lifetime maximum coverage amount of \$2.5 million per person.
- A single healthcare benefit plan and prescription drug plan design with new deductibles and co-pays.
- Adjusted subsidies for dependents.
- A requirement that spouses must enroll in their employers' healthcare plan, if available, or pay the full premium to enroll in an OP&F-sponsored plan.

Despite these changes, double-digit increases in healthcare costs are expected to be the norm for the foreseeable future, especially in the area of prescription drugs.

Other challenges

Along with these challenges is the growth in public sentiment against investments in countries deemed to support terrorism or egregious human rights practices. In 2007, the General Assembly debated various proposals to restrict investment with companies not domiciled in the United States that are doing any form of business in or with Iran or Sudan.

OP&F publicly supported the philosophy behind these proposals. However, the actual implementation of such policies involves complicated investment decisions. Institutions like OP&F invest in sophisticated financial instruments. An investment in one company can affect its partnership associations with dozens of other companies. If just one of those associated companies becomes tainted by pro-terrorism or anti-human rights activities, proposed legislation would force OP&F to sell off the investment in the entire entity.

As a result, maintaining its investment program could become more costly and more complicated. The need to identify connections to objectionable companies before investments occur constrains OP&F's ability to respond quickly to market developments. To the extent that timing plays a role in the markets, this constraint can limit the profitability of OP&F funds.

Thus, the State has advanced a policy that prioritizes the denial of any financial support for objectionable businesses over the maximization of the State's investment income. OP&F does not question the spirit of this policy, but notes such policies do have consequences. State officials cannot expect pension funds both to implement positive investment decisions and maximize returns to the levels of other market participants that are not bound by such constraints.



Growth & Performance

Growth & Performance of the OP&F Pension Fund

Ohio
Police
& Fire pension
Fund

GROWTH AND PERFORMANCE OF THE OP&F PENSION FUND

The OP&F Pension Fund has experienced steady growth over the past 40 years, more than tripling in membership since 1967. The largest increase has come in police and fire disability membership, which rose 460 percent and 345 percent, respectively.

Table 2 shows the number of police and fire beneficiaries from 1967 through 2006.

TABLE 2: NUMBER OF OP&F BENEFICIARIES, 1967-2006

Year	Police Service and Disability	Police Survivors	Fire Service and Disability	Fire Survivors	OP&F Total
1967	2,165	1,626	2,155	1,539	7,485
1968	2,258	1,718	2,236	1,593	7,805
1969	2,341	2,318	2,252	1,954	8,865
1970	2,379	2,352	2,267	2,000	8,998
1971	2,444	2,417	2,294	2,021	9,176
1972	2,525	2,549	2,392	2,157	9,623
1973	2,564	2,628	2,450	2,161	9,803
1974	2,656	2,687	2,569	2,161	10,073
1975	2,854	2,483	2,744	2,106	10,187
1976	3,153	2,697	2,917	2,285	11,052
1977	3,453	2,755	3,108	2,323	11,639
1978	3,696	2,682	3,291	2,201	11,870
1979	3,889	2,563	3,476	2,144	12,072
1980	4,094	2,700	3,695	2,256	12,745
1981	4,305	2,762	3,984	2,248	13,299
1982	4,471	2,677	4,191	2,192	13,531
1983	4,619	2,786	4,444	2,235	14,084
1984	4,815	2,812	4,622	2,233	14,482
1985	5,052	2,894	4,822	2,265	15,033
1986	5,173	2,958	4,886	2,297	15,314
1987	5,221	2,949	4,919	2,289	15,378
1988	5,525	3,046	5,182	2,321	16,074
1989	5,913	2,856	5,435	2,182	16,386
1990	6,243	2,547	5,593	2,038	16,421
1991	6,657	2,698	5,852	2,159	17,366
1992	6,926	2,743	6,008	2,199	17,876
1993	7,192	2,756	6,166	2,203	18,317
1994	7,460	2,788	6,287	2,223	18,758
1995	7,804	2,847	6,458	2,257	19,366
1996	8,085	2,885	6,588	2,286	19,844
1997	8,341	2,898	6,719	2,306	20,264
1998	8,320	3,104	6,795	2,391	20,610
1999	8,809	3,162	6,949	2,472	21,392
2000	9,151	3,211	7,146	2,451	21,959
2001	9,358	3,244	7,237	2,550	22,389
2002	9,376	3,798	7,243	2,996	23,413
2003	9,611	3,916	7,390	3,006	23,923
2004	9,750	3,912	7,473	3,001	24,136
2005	9,881	3,931	7,465	3,063	24,340
2006	9,940	3,982	7,448	3,089	24,459

Figures 2 and 3 provide a more detailed breakdown of the number of police and fire benefit recipients from 1967 to 2006, showing the number of service beneficiaries, disability beneficiaries and survivors in graphic format.

FIGURE 2: OP&F NUMBER OF POLICE BENEFIT RECIPIENTS BY TYPE OF PAYMENT: 1967-2006

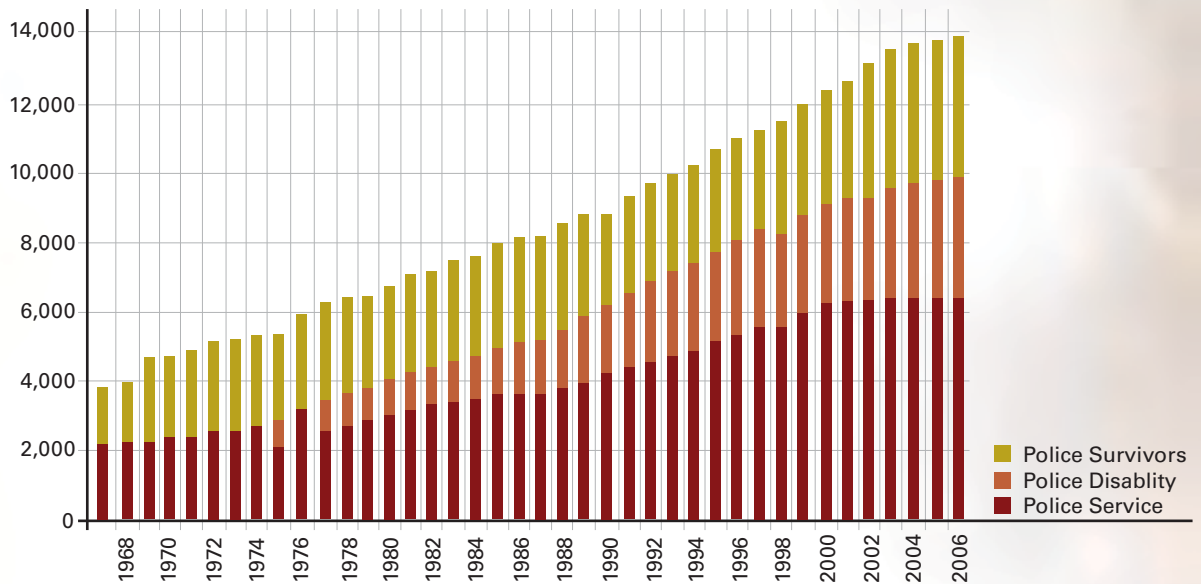
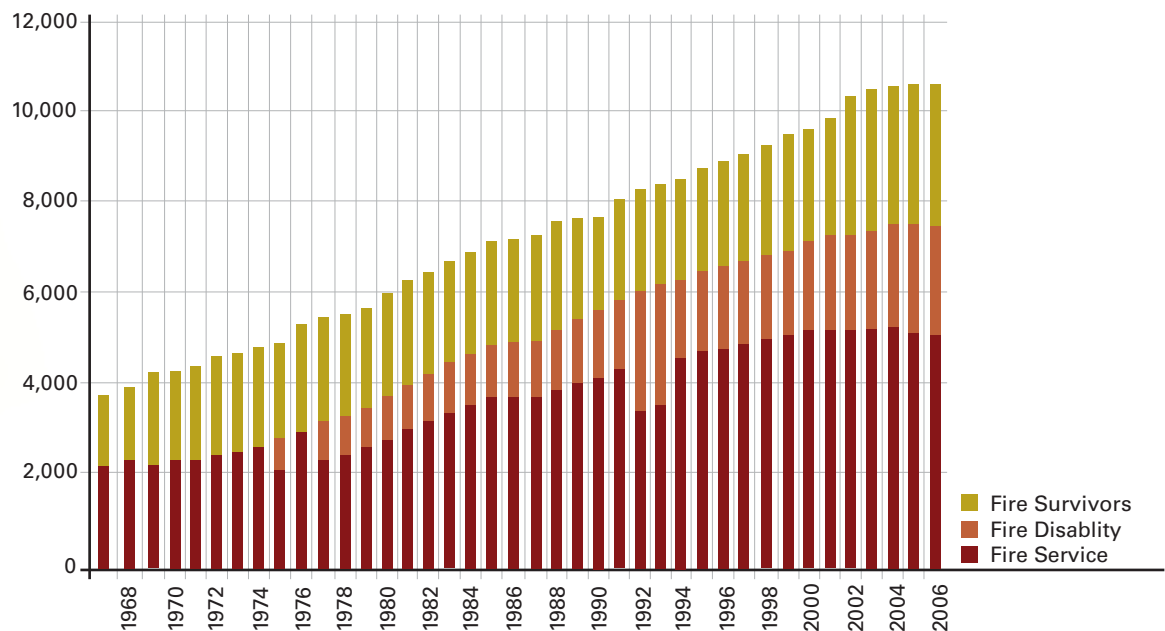


FIGURE 3: OP&F NUMBER OF FIRE BENEFIT RECIPIENTS BY TYPE OF PAYMENT: 1967-2006



OP&F Revenues, 1967-2006

Table 3 provides a summary of the growth in OP&F revenues, by source, over the past 40 years.

TABLE 3: OP&F ANNUAL REVENUES BY SOURCE, 1967-2006

Year	Member Contributions and Purchases	Employer Contributions	Investment and Securities Lending Income	Member Healthcare Contributions	Other Revenues*	Total Revenues
1967	\$7,470,178	\$12,813,509	\$45,194,955	\$0	\$9,254,055	\$74,732,697
1968	\$10,570,705	\$20,980,299	\$10,325,523	\$0	\$1,887,635	\$43,764,162
1969	\$12,223,645	\$24,200,918	\$9,686,224	\$0	\$10,046,838	\$56,157,625
1970	\$13,715,291	\$27,390,339	\$15,393,906	\$0	\$15,686,048	\$72,185,584
1971	\$14,832,689	\$28,434,840	\$24,126,827	\$0	\$17,621,513	\$85,015,869
1972	\$16,105,365	\$29,671,784	\$16,182,861	\$0	\$21,961,688	\$83,921,698
1973	\$17,759,919	\$32,758,131	\$19,791,817	\$0	\$28,522,402	\$98,832,269
1974	\$20,659,735	\$37,624,833	\$23,423,576	\$0	\$29,229,670	\$110,937,814
1975	\$22,023,978	\$39,586,147	\$27,680,983	\$0	\$28,523,435	\$117,814,543
1976	\$23,130,469	\$44,803,432	\$31,879,215	\$0	\$30,945,804	\$130,758,920
1977	\$25,353,399	\$52,688,575	\$36,397,926	\$0	\$30,349,643	\$144,789,543
1978	\$26,891,801	\$66,949,368	\$40,649,663	\$0	\$30,139,316	\$164,630,148
1979	\$28,781,212	\$74,796,474	\$45,701,543	\$0	\$337,509	\$149,616,738
1980	\$40,644,834	\$80,919,872	\$61,726,085	\$0	\$143,722	\$183,434,513
1981	\$41,455,835	\$83,362,974	\$79,530,675	\$0	\$243,649	\$204,593,133
1982	\$45,060,474	\$96,899,403	\$97,830,576	\$0	\$312,219	\$240,102,672
1983	\$46,261,767	\$103,330,679	\$99,834,810	\$0	\$357,192	\$249,784,448
1984	\$49,202,608	\$121,422,906	\$102,961,755	\$0	\$299,806	\$273,887,075
1985	\$52,592,700	\$128,531,626	\$116,299,670	\$0	\$236,843	\$297,660,839
1986	\$57,475,708	\$136,668,444	\$127,412,987	\$0	\$6,813,000	\$328,370,139
1987	\$63,363,415	\$139,543,550	\$174,772,550	\$0	\$6,635,000	\$384,314,515
1988	\$70,671,103	\$149,640,020	\$207,473,616	\$0	\$6,470,000	\$434,254,739
1989	\$77,657,290	\$159,472,669	\$299,006,174	\$0	\$5,857,000	\$541,993,133
1990	\$82,529,663	\$168,224,004	\$215,178,390	\$0	\$5,674,000	\$471,606,057
1991	\$87,786,090	\$178,858,413	\$368,882,582	\$0	\$5,429,000	\$640,956,085
1992	\$91,957,848	\$189,566,606	\$403,209,178	\$2,400,094	\$4,927,194	\$692,060,920
1993	\$97,158,960	\$200,703,066	\$422,969,125	\$5,048,847	\$4,645,952	\$730,525,950
1994	\$103,553,001	\$213,918,612	\$254,446,930	\$4,897,139	\$4,405,120	\$581,220,802
1995	\$109,000,755	\$223,206,380	\$405,458,383	\$4,965,059	\$14,093,784	\$756,724,361
1996	\$115,314,953	\$236,214,576	\$457,910,608	\$5,119,628	\$14,810,444	\$829,370,209
1997	\$121,104,430	\$248,145,383	\$1,118,944,933	\$5,251,898	\$14,156,906	\$1,507,603,550
1998	\$128,673,433	\$261,618,507	\$913,733,524	\$5,331,515	\$13,951,425	\$1,323,308,404
1999	\$135,814,320	\$279,474,521	\$1,101,763,658	\$5,518,098	\$13,311,669	\$1,535,882,266
2000	\$144,967,340	\$304,889,375	(\$165,140,849)	\$5,657,431	\$10,847,211	\$301,220,508
2001	\$150,531,967	\$312,085,249	(\$443,461,307)	\$6,874,699	\$9,902,147	\$35,932,755
2002	\$167,137,216	\$321,672,124	(\$870,447,801)	\$12,623,875	\$18,492,245	(\$350,522,341)
2003	\$164,475,228	\$337,241,531	\$1,745,178,931	\$17,207,506	\$21,233,729	\$2,285,336,925
2004	\$165,948,955	\$349,430,418	\$1,152,391,365	\$55,665,341	\$18,766,602	\$1,742,202,681
2005	\$167,822,150	\$357,025,009	\$847,358,826	\$55,271,881	\$11,411,116	\$1,438,888,982
2006	\$167,400,000	\$373,900,000	\$1,629,800,000	\$58,500,000	\$25,100,000	\$2,254,700,000

* "Other Revenues" reflect funds received for members who have transferred from another retirement system, recoveries and rebates from prescription programs and healthcare providers and miscellaneous pre-employment penalties received from employers for late reporting.

Table 3 shows that since 1967, the largest area of revenue growth, both proportionally and in pure dollar amounts, has come in the investment and securities lending area. While total revenues are 30 times what they were in 1967, investment income is 36 times what it was that year. In 1967, investments made up 60 percent of OP&F's total revenues; in 2006, investments constituted 72 percent of revenues. Figure 4 shows these revenues proportionally for 2006.

Figure 4 illustrates, proportionally, OP&F's revenues for 2006.

Figure 5 presents the same data found in Table 3 in graphic format. The graph shows each category of revenue in millions of dollars.

Note that the downturn of the investment market at the beginning of this decade resulted in negative investment income for OP&F during 2000, 2001 and 2002. The investment income loss in 2002 was sufficiently large that overall fund revenues were negative for that year. OP&F as well as other state pension funds still feel the effects of this downturn.

FIGURE 4: OP&F ANNUAL REVENUES BY SOURCE, 2006

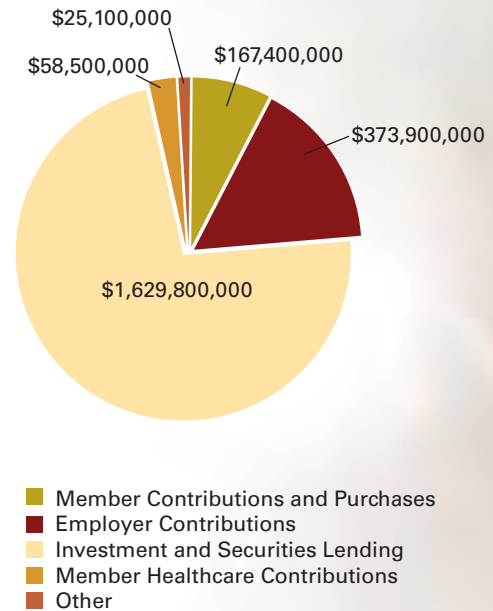
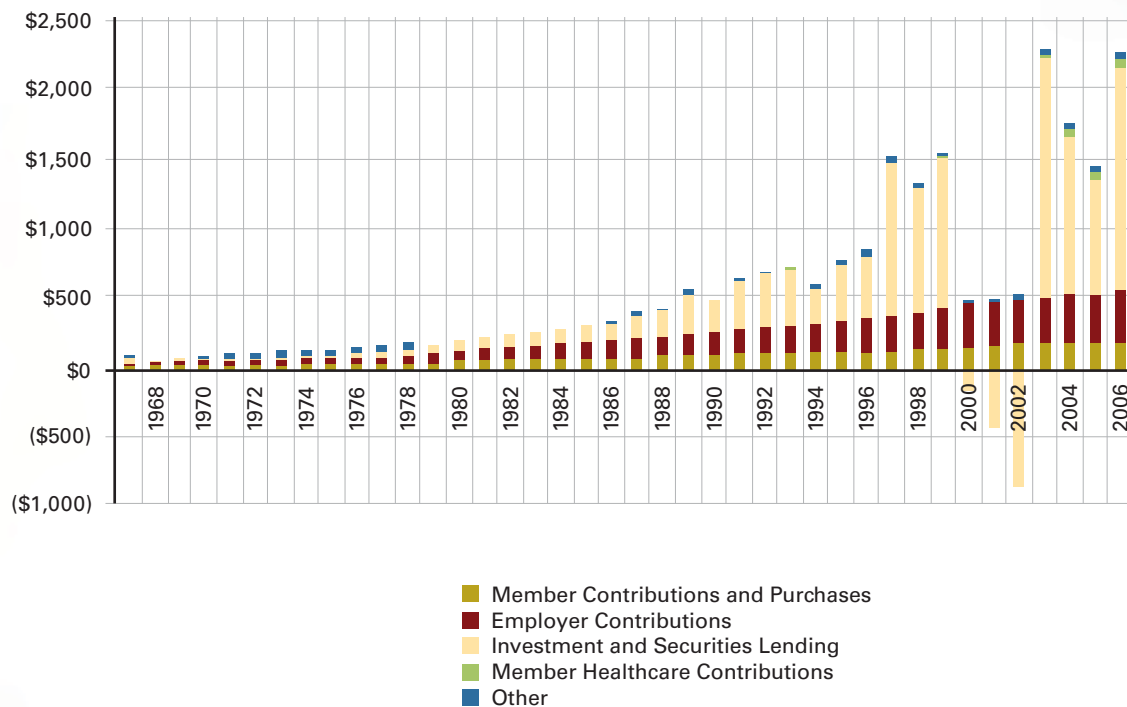


FIGURE 5: OP&F ANNUAL REVENUES BY SOURCE OF REVENUE: 1967-2006

(IN MILLIONS OF DOLLARS)

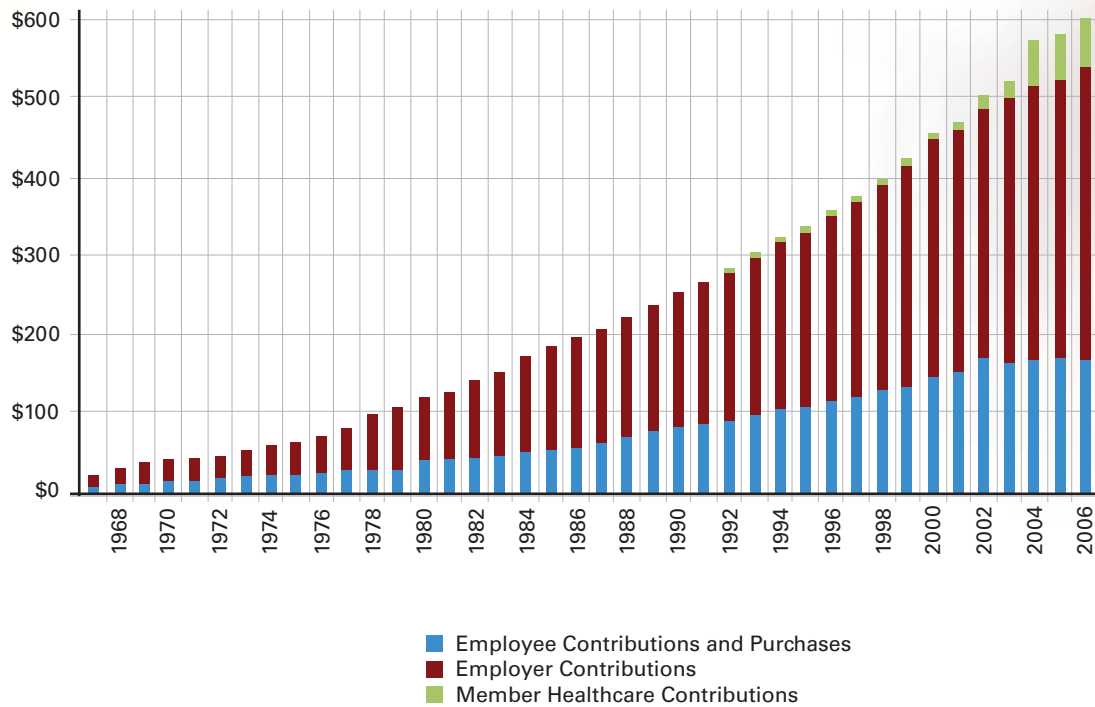


OP&F Contributions, 1967-2006

Figure 6 charts the growth in annual employee contribution, employer contribution and member healthcare contribution revenues from 1967 to 2006. The data in Table 3 and Figure 6 show that employee contributions, employer contributions and member healthcare contributions have each increased every year since 1967. Employer contributions in 2006

were 29 times what they were in 1967. Member healthcare contributions are easily outpacing other revenue categories, rising to more than 24 times what they were just 15 years ago. Note that OP&F members were not required to contribute toward the cost of healthcare and prescription coverage before 1992.

FIGURE 6: OP&F ANNUAL EMPLOYER, EMPLOYEE, AND MEMBER HEALTHCARE CONTRIBUTIONS: 1967-2006 (IN MILLIONS OF DOLLARS)



OP&F Subsidies Received from the State, 1967-2006

Figure 7 charts state subsidies to OP&F from 1967 through 2006. The "State Subsidy" figures represent specified statutory benefits and Cost-of-Living Adjustments (COLAs) for certain older retiree groups approved and funded by the legislature. Figure 7 clearly shows that the direct state subsidy to OP&F has declined each year since 1980.

OP&F expenditures, 1967-2006

Table 4 on the following page shows the growth in the main categories of OP&F expenditures over the past 40 years. Today, OP&F is spending nearly 57 times what it paid in benefits 39 years ago. Administrative expenses have risen only modestly by comparison, and were even less in 2006 than they were in 1997. Additionally, it is important to note that OP&F has underspent its annual administrative budget since 2000. Figure 8 compares administrative expenses with the annual budgeted amount.

FIGURE 7: STATE SUBSIDIES TO OP&F, 1967-2006 (IN MILLIONS OF DOLLARS)

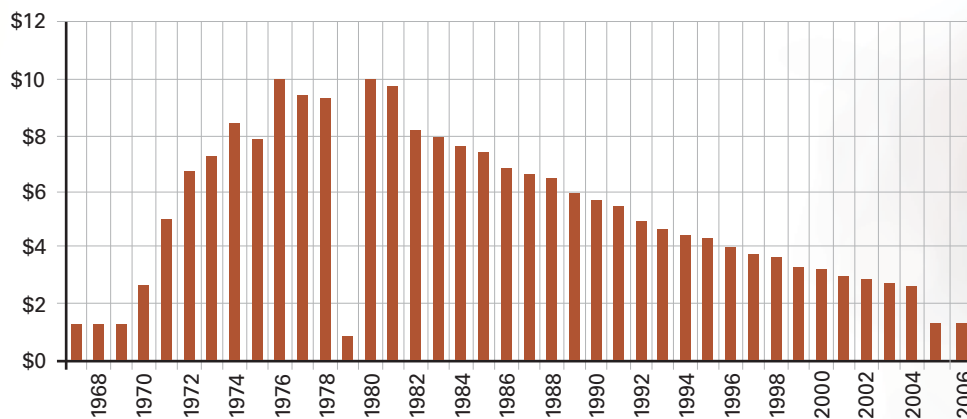


FIGURE 8: OP&F ACTUAL ADMINISTRATIVE SPENDING VS. BUDGETED DOLLARS (IN MILLIONS OF DOLLARS)

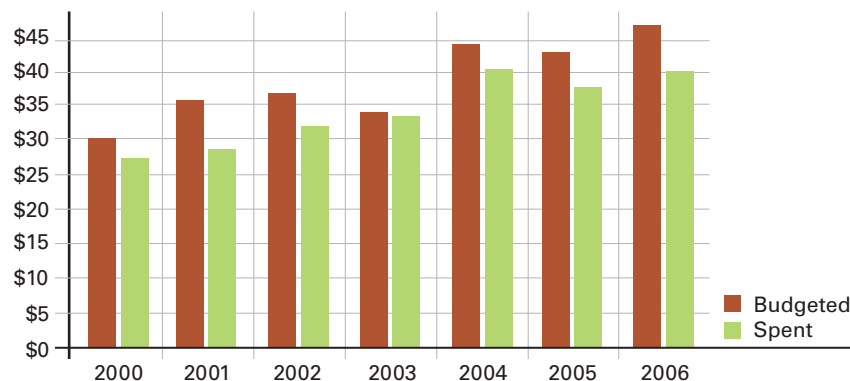


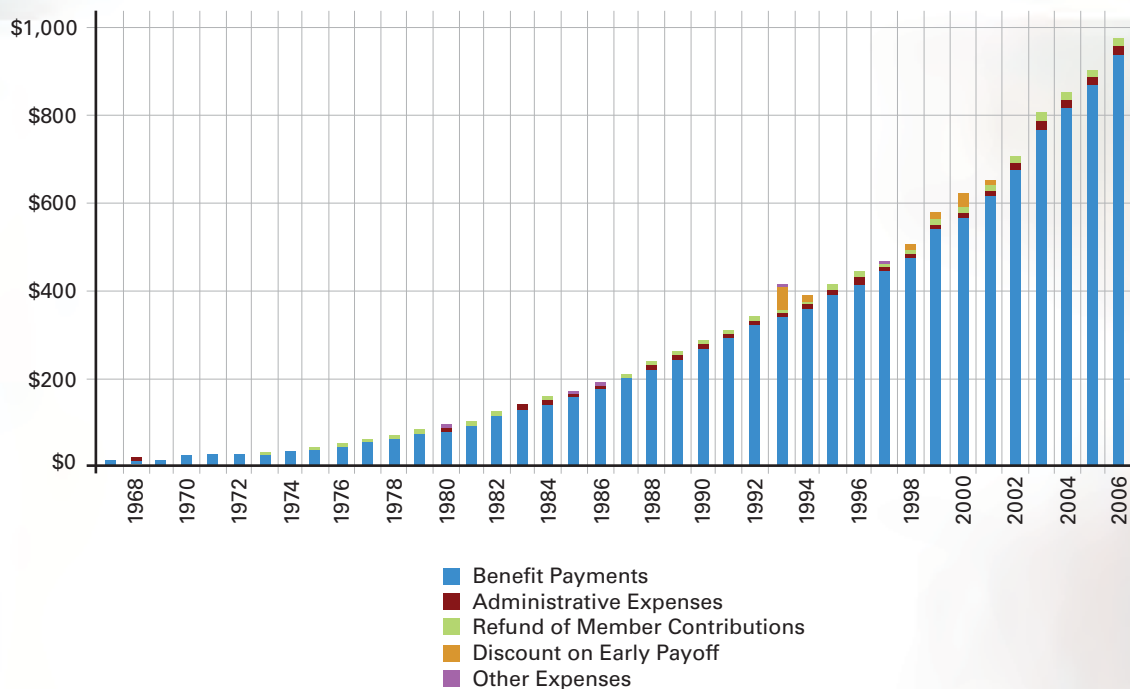
TABLE 4: OP&F ANNUAL EXPENDITURES BY CATEGORY, 1967-2006

Year	Benefit Payments	Administrative Expenses	Refund of Contributions	Discount on Early Payoff	Other Expenses*	Total Expenses
1967	\$16,665,657	\$330,580	\$387,806	\$0	\$37,761	\$17,421,804
1968	\$17,657,921	\$199,747	\$620,879	\$0	\$5,217	\$18,483,764
1969	\$18,699,599	\$1,982,520	\$737,168	\$0	\$3,304	\$21,422,591
1970	\$22,037,361	\$237,862	\$699,287	\$0	\$15,825	\$22,990,335
1971	\$23,527,839	\$255,199	\$734,112	\$0	\$31,981	\$24,549,131
1972	\$26,763,536	\$322,029	\$955,271	\$0	\$3,852	\$28,044,688
1973	\$28,805,974	\$344,464	\$1,240,351	\$0	\$1,210	\$30,391,999
1974	\$35,169,999	\$517,107	\$1,341,517	\$0	\$13,327	\$37,041,950
1975	\$41,053,885	\$479,073	\$1,090,070	\$0	\$20,692	\$42,643,720
1976	\$49,162,015	\$561,086	\$1,449,227	\$0	\$102,889	\$51,275,217
1977	\$60,590,207	\$808,841	\$2,176,489	\$0	\$124,917	\$63,700,454
1978	\$69,815,093	\$786,927	\$2,775,243	\$0	\$55,896	\$73,433,159
1979	\$78,395,366	\$849,723	\$3,143,081	\$0	\$108,067	\$82,496,237
1980	\$87,733,036	\$1,080,170	\$2,643,267	\$0	\$857,426	\$92,313,899
1981	\$98,038,580	\$1,329,517	\$2,776,852	\$0	\$397,531	\$102,542,480
1982	\$121,668,956	\$1,448,166	\$2,336,090	\$0	\$156,884	\$125,610,096
1983	\$136,657,210	\$1,715,696	\$2,329,264	\$0	\$174,762	\$140,876,932
1984	\$148,686,130	\$2,423,594	\$3,174,704	\$0	\$419,296	\$154,703,724
1985	\$164,319,589	\$2,572,055	\$3,654,760	\$0	\$192,936	\$170,739,340
1986	\$184,795,009	\$2,974,357	\$3,121,542	\$0	\$430,866	\$191,321,774
1987	\$203,832,376	\$3,903,646	\$2,915,311	\$0	\$592,220	\$211,243,553
1988	\$224,279,151	\$5,341,465	\$3,528,968	\$0	\$529,537	\$233,679,121
1989	\$248,521,679	\$6,601,071	\$3,906,362	\$0	\$431,049	\$259,460,161
1990	\$272,748,360	\$7,602,060	\$3,768,579	\$0	\$355,696	\$284,474,695
1991	\$301,212,843	\$8,200,798	\$2,540,360	\$0	\$771,421	\$312,725,422
1992	\$328,181,618	\$8,475,243	\$3,723,998	\$0	\$1,088,276	\$341,469,135
1993	\$344,553,642	\$9,063,687	\$5,007,473	\$51,696,625	\$1,545,134	\$411,866,561
1994	\$365,210,529	\$10,442,185	\$3,831,328	\$11,455,963	\$930,434	\$391,870,439
1995	\$395,058,132	\$14,066,160	\$5,553,638	\$167,105	\$392,317	\$415,237,352
1996	\$420,382,559	\$17,778,992	\$5,602,382	\$0	\$312,441	\$444,076,374
1997	\$449,956,880	\$8,245,224	\$5,655,445	\$0	\$381,672	\$464,239,221
1998	\$482,070,798	\$10,899,807	\$5,685,196	\$8,864,703	\$591,938	\$508,112,442
1999	\$542,653,929	\$11,548,719	\$11,389,439	\$12,470,563	\$887,352	\$578,950,002
2000	\$573,783,703	\$13,224,510	\$11,069,721	\$22,321,629	\$713,134	\$621,112,697
2001	\$621,572,113	\$13,122,347	\$10,438,362	\$3,721,025	\$1,050,563	\$649,904,410
2002	\$677,585,955	\$14,887,089	\$16,838,054	\$0	\$1,014,783	\$710,325,881
2003	\$773,939,207	\$16,671,884	\$16,802,458	\$0	\$1,182,081	\$808,595,630
2004	\$820,839,063	\$15,850,224	\$15,306,505	\$0	\$210,409	\$852,206,201
2005	\$876,697,096	\$15,929,645	\$16,470,725	\$0	\$157,540	\$909,255,006
2006	\$945,400,000	\$16,800,000	\$18,000,000	\$0	(\$400,000)	\$979,800,000

* "Other expenses" reflect employer refunds and money owed to members following the recalculation of service credit purchases.

Figure 9 on the next page provides a graphic depiction of the data shown in Table 4. This data clearly shows that benefits paid to OP&F members is by far the largest category of expense, and one that has grown every year since 1967.

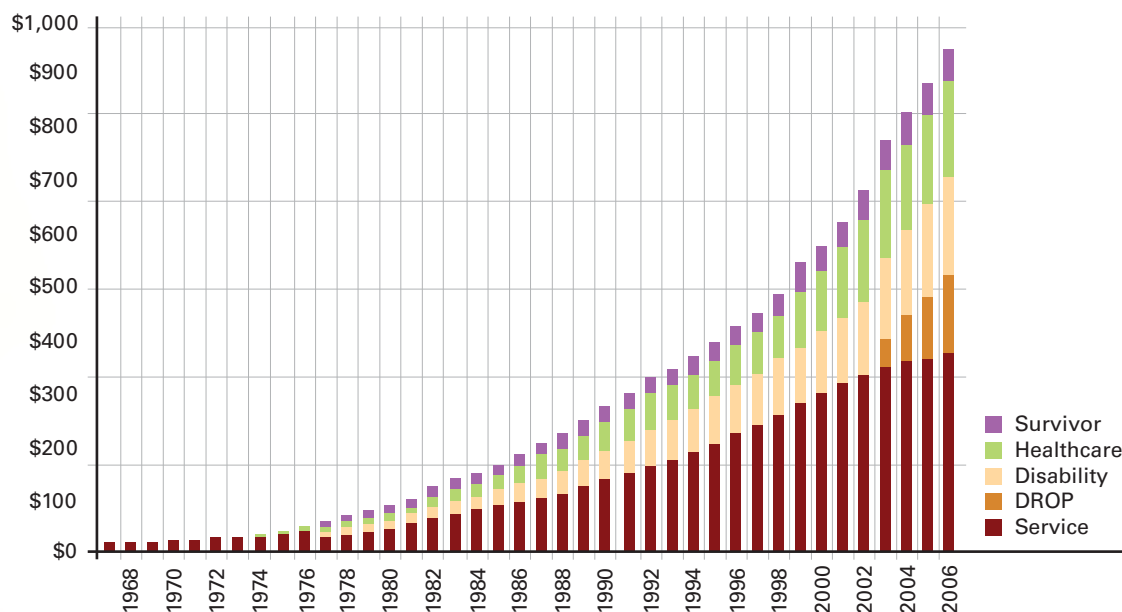
FIGURE 9: OP&F EXPENDITURES BY TYPE, 1967-2006 (IN MILLIONS OF DOLLARS)



OP&F Benefit Payments, 1967-2006

Figure 10 provides a more detailed breakdown of OP&F benefit payments from 1967 to 2006. This graph shows that benefit payments to service retirees, disability retirees, survivors and DROP participants have all increased over time. In addition, healthcare coverage costs have also increased steadily over time. The DROP contribution figures represent the annual increase in participants' DROP accounts each year. As this program matures and more participants begin withdrawing their account balances, the economic impact will increase markedly.

FIGURE 10: OP&F BENEFITS PAID BY TYPE, 1967-2006 (IN MILLIONS OF DOLLARS)



Comparison of OP&F Revenues and Expenses

Figures 11 and 12 provide a comparison of OP&F revenues and expenses over the past 40 years. Figure 11 compares total OP&F annual revenues against total OP&F annual expenses from 1967 through 2006. This chart shows that with the exception of the three-year period from 2000 to 2002, total annual revenues have always exceeded total annual expenses.

Figure 12 on the next page tells a very different story from Figure 11, however. Figure 12 compares annual OP&F member contributions (employee and employer contributions and healthcare and prescription plan premiums) with annual OP&F benefit payments (cash benefits to service and disability retirees, survivors and DROP participants, along with healthcare and prescription plan costs). This graph shows that in each year from 1967 to 1986, member contributions exceeded benefit payments. However, from 1987 onward, benefit payments have exceeded cash contributions. This means that, unless the General Assembly drastically changes the contribution structure, reduces pension benefits, changes the state's subsidy structure or reallocates contributions

from discretionary healthcare to mandated pension benefits, OP&F's long-term solvency depends on adequate investment.

Figure 13 on the next page shows the average monthly gross pension amount for OP&F retirees receiving both normal service retirement and disability retirement pensions. The data in Figure 13 show that average monthly service and disability pension amounts have both increased steadily over time. From 1985 through 2006 the average gross monthly pension amount for both service and disability retirees has nearly doubled.

Each year from 1967 to 1986, member contributions exceeded benefit payments. However, from 1987 onward, benefit payments have exceeded cash contributions.

FIGURE 11: OP&F ANNUAL TOTAL REVENUES AND EXPENDITURES, 1967-2006
(IN MILLIONS OF DOLLARS)

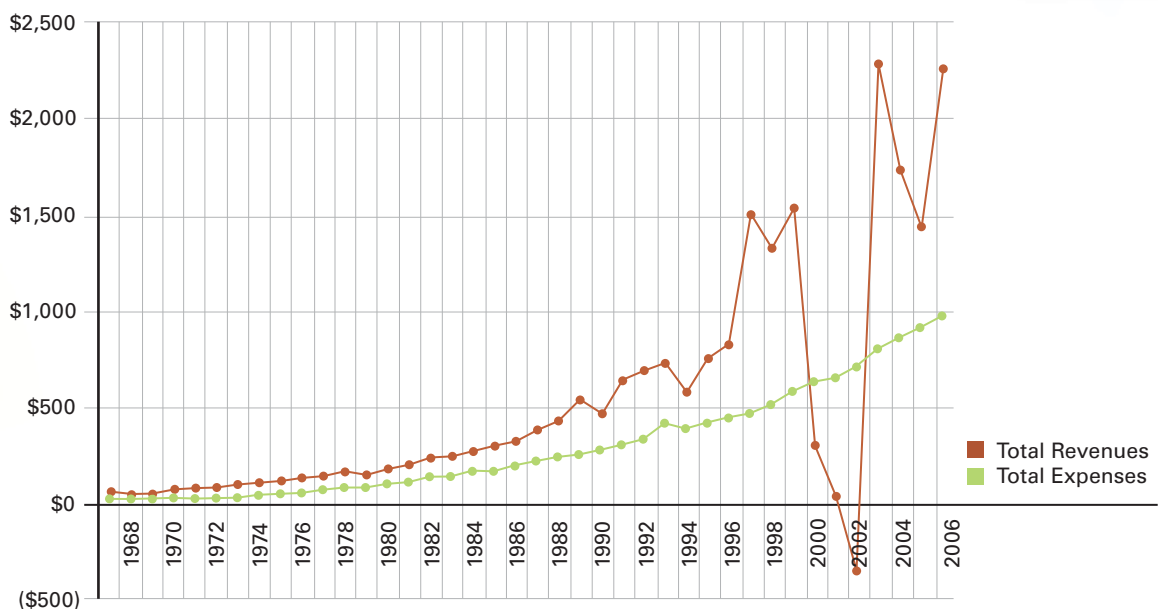


FIGURE 12: OP&F ANNUAL BENEFITS AND CONTRIBUTIONS, 1967-2006
(IN MILLIONS OF DOLLARS)

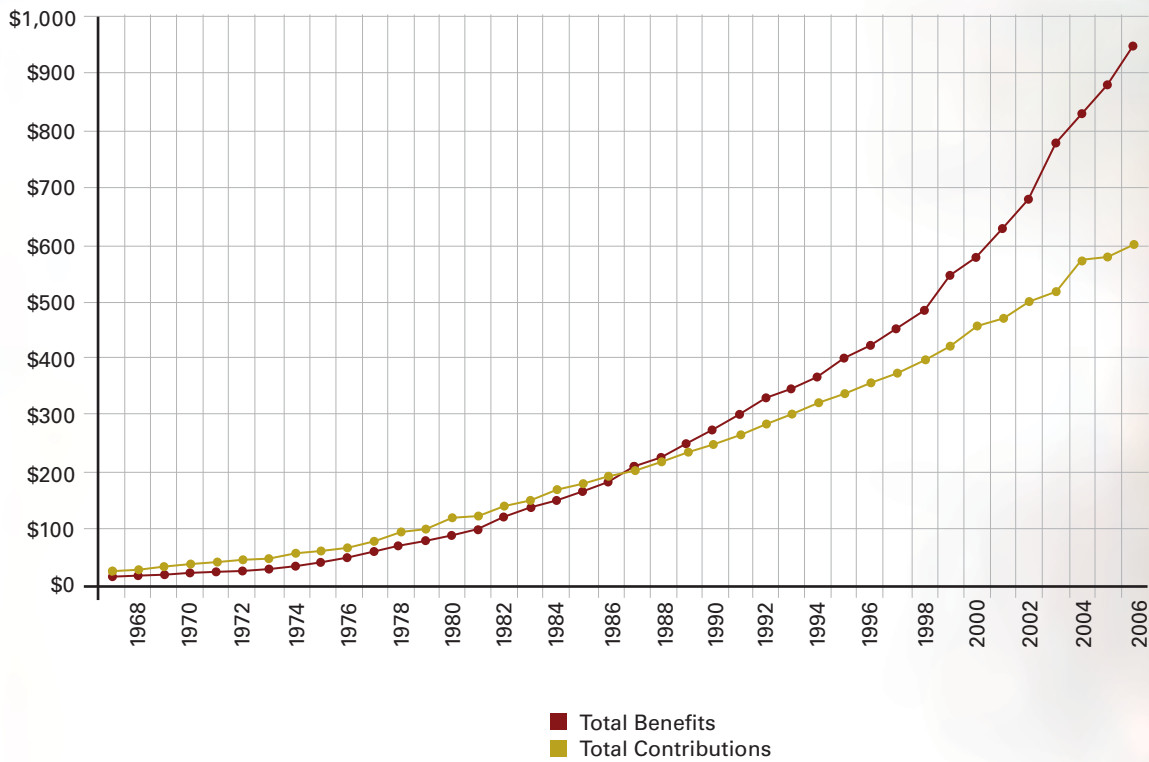


FIGURE 13: OP&F GROSS MONTHLY PENSION BENEFITS, 1985-2006
(IN THOUSANDS OF DOLLARS)





2006 OP&F Membership by Type and Location in Ohio

Memberships

Ohio
Police
& Fire pension
Fund

2006 OP&F MEMBERSHIP BY TYPE AND LOCATION IN OHIO

The primary economic impact of the OP&F Pension Fund derives from the direct pension benefit paid to retirees and survivors and the impact of medical and prescription insurance programs for retirees and survivors.

For this study, OP&F members are grouped into four categories:

- 1) Active members who are still working in Ohio or who are not yet eligible to receive retirement benefits.
- 2) Retirees who received benefits for all or part of the 2006 calendar year. Retirees qualify for benefits according to years of service, age combined with years of service or disability. Eligibility for normal service retirement occurs at age 48 with 25 years of service. Most OP&F members receive pensions under these terms. It is also possible to qualify for an OP&F pension with at least 15 years of service along with meeting other criteria. Disability pensions can be received for permanent and total disability, partial disability and off-duty disability.
- 3) Survivors of deceased OP&F retirees. "Survivors" in this context include only those who are continuing to receive benefits after the OP&F member has died.

- 4) Participants in the DROP program. The DROP program allows OP&F members who are eligible to retire under normal service guidelines (48 years old and 25 years of service) to continue working. Upon entering DROP, the member begins to receive a pension payment based on years of service up to the date of entry into DROP. However, the payment does not go to the member but into his or her DROP account. In addition, a cost-of-living adjustment, 5 percent interest and a portion of the member's OP&F contribution from wages is also deposited into the DROP account. All payments into the account occur on a tax deferred basis. DROP participants can remain in the program for a maximum of eight years. Upon final departure from employment, the member can receive the accumulated balance in his or her DROP account as a lump sum or as a stream of periodic payments.

Because the DROP program only began a few years ago, distributions from DROP accounts have a relatively small impact, but this impact will become more significant as the DROP plan matures and as more members begin to withdraw accumulated balances from their accounts.

Statewide OP&F Membership and Retirees in 2006

Table 5 provides an overview of the 2006 OP&F membership data.

TABLE 5: 2006 OP&F MEMBERSHIP

OP&F Category	Total # of Persons	# of Ohio Residents	# of Non-Residents	% of Non-Residents
Active Members	25,196	25,061	135	0.5%
Retirees	18,040	15,304	2,736	15.2%
Survivors	6,338	5,250	1,088	17.2%
DROP Participants	3,344	3,305	39	1.2%
Total	52,918	48,920	3,998	7.6%

The data in Table 5 shows that more than 84 percent of retirees and survivors remain Ohio residents. Using OP&F address records, this study assigned the vast majority of in-state residents to one of the 99 Ohio House and 33 Ohio Senate legislative districts. Tables 6 and 7 summarize the degree to which this assignment process was successful for each of the four OP&F membership categories.

The data in Table 6 shows that more than 94 percent of OP&F members were assigned to an Ohio House district. Table 7 shows that nearly 95 percent of OP&F members were assigned to an Ohio Senate district (because Senate districts are geographically larger, there were fewer instances of non-matching than with the smaller House districts). The high success rate of matching OP&F members to legislative districts allows for the analysis of the economic impact of OP&F by legislative district found in Sections V and VI of this report.

TABLE 6: 2006 OP&F MEMBERSHIP BY OHIO HOUSE DISTRICT

OP&F Category	# of Ohio Residents	House Match	No House Match	% House Match
Active Members	25,061	23,318	1,743	93.0%
Retirees	15,304	14,511	793	94.8%
Survivors	5,250	5,030	220	95.8%
DROP Participants	3,305	3,116	189	94.3%
Total	48,920	45,975	2,945	94.0%

TABLE 7: 2006 OP&F MEMBERSHIP BY OHIO SENATE DISTRICT

OP&F Category	# of Ohio Residents	Senate Match	No Senate Match	% Senate Match
Active Members	25,061	23,578	1,483	94.1%
Retirees	15,304	14,639	665	95.7%
Survivors	5,250	5,076	174	96.7%
DROP Participants	3,305	3,147	158	95.2%
Total	48,920	46,440	2,480	94.9%

2006 OP&F Membership and Retiree Data Mapped By Ohio Senate District

Figures 14 through 18 on the following pages map the distribution of OP&F members throughout the 33 Ohio Senate districts. Figure 14 depicts the location of active OP&F members in 2006. Figure 15 shows retirees, Figure 16 shows survivors, and Figure 17 shows DROP participants. Figure 18 combines Figures 14-17.

Not surprisingly, the largest concentrations of members occur near the largest cities: Cleveland, Akron/Canton and Youngstown in the northeast, Columbus in the central region, Toledo in the northwest, and Cincinnati and Dayton in the southwest portion of the state.

Note that the points shown on the maps do NOT denote a certain number of people. Instead, the mapping program places a very small dot for each individual. The aggregation of individual dots appear as the visible patterns in the maps that follow.

FIGURE 14: 2006 OP&F ACTIVE MEMBERS MAPPED BY OHIO SENATE DISTRICT



FIGURE 15: 2006 OP&F RETIREES MAPPED BY OHIO SENATE DISTRICT

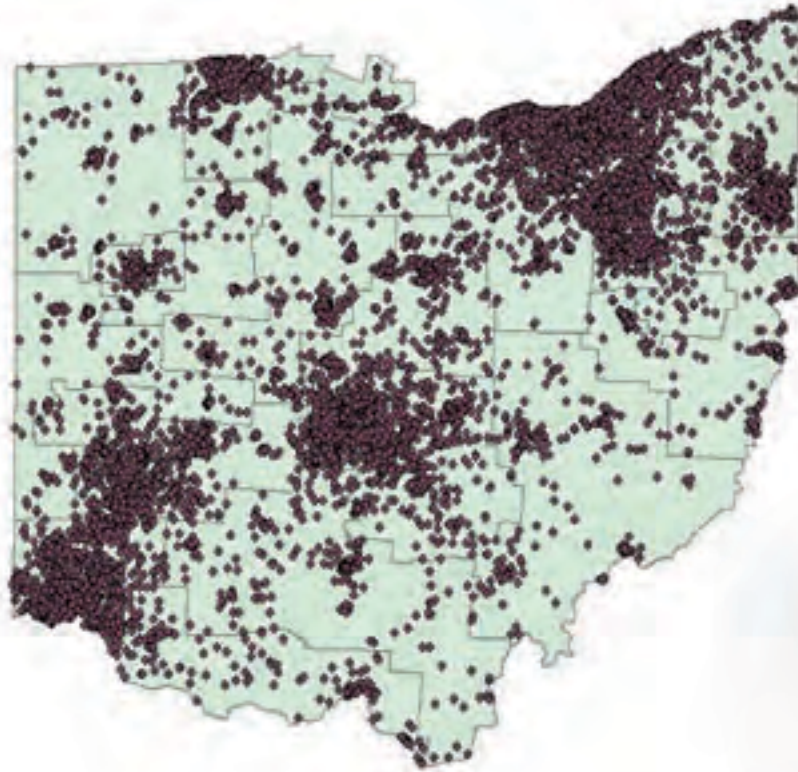


FIGURE 16: 2006 OP&F SURVIVORS MAPPED BY OHIO SENATE DISTRICT

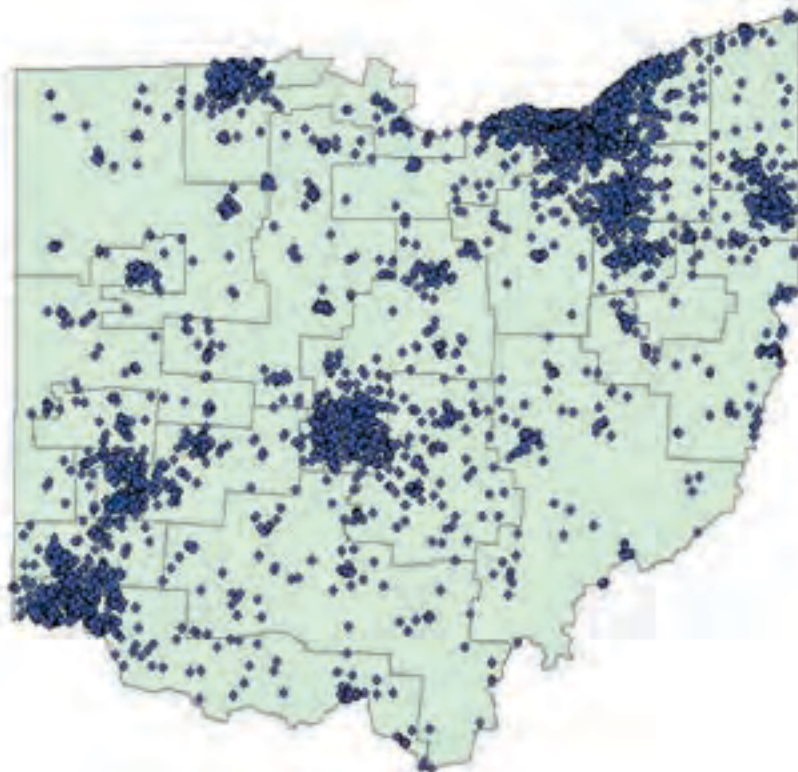


FIGURE 17: 2006 OP&F DROP PROGRAM PARTICIPANTS MAPPED BY OHIO SENATE DISTRICT

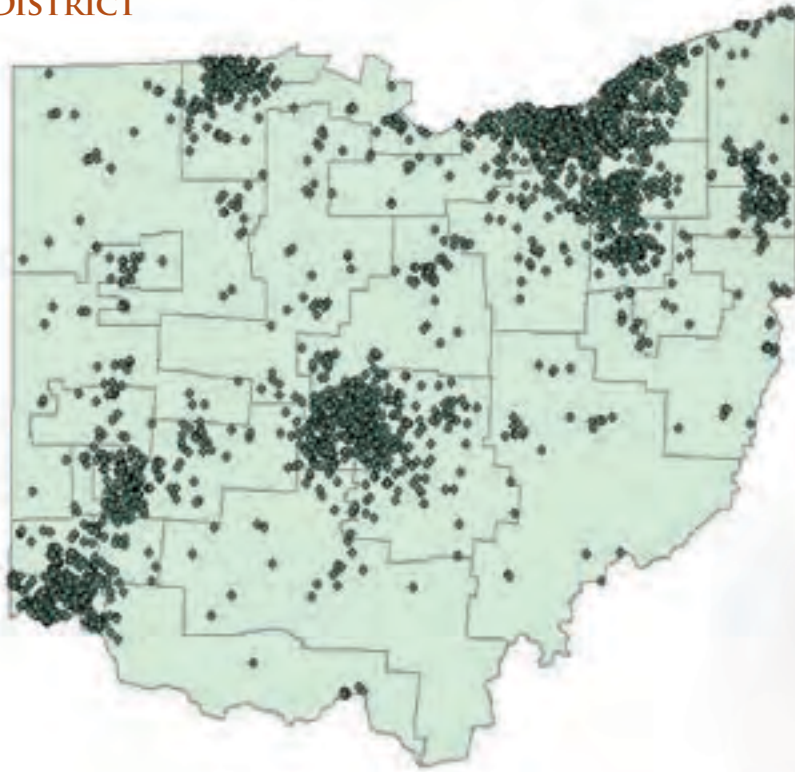
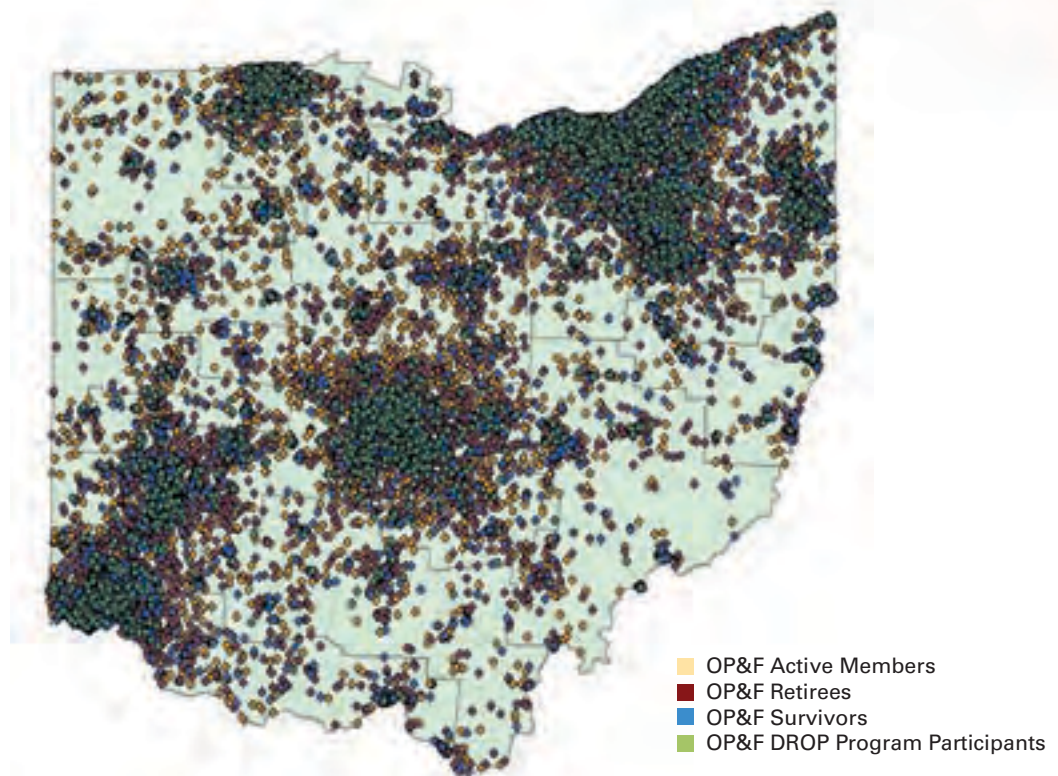


FIGURE 18: ALL 2006 OP&F MEMBERS, RETIREES, SURVIVORS AND DROP PROGRAM PARTICIPANTS MAPPED BY OHIO SENATE DISTRICT



2006 OP&F Membership and Retiree Data Mapped By Ohio House District

Figures 19 through 23 on the following pages show the distribution of OP&F members throughout the 99 Ohio House districts. As with the Senate districts, Figure 19 first depicts the location of active OP&F members in 2006. Figure 20 shows retirees, Figure 21 shows survivors, and Figure 22 shows DROP participants. Figure 23 combines figures 19-22 and shows the geographic distribution of all 45,975 OP&F members whose addresses could be matched with an Ohio House district.

FIGURE 19: 2006 OP&F ACTIVE MEMBERS MAPPED BY OHIO HOUSE DISTRICT



FIGURE 20: 2006 OP&F RETIREES MAPPED BY OHIO HOUSE DISTRICT

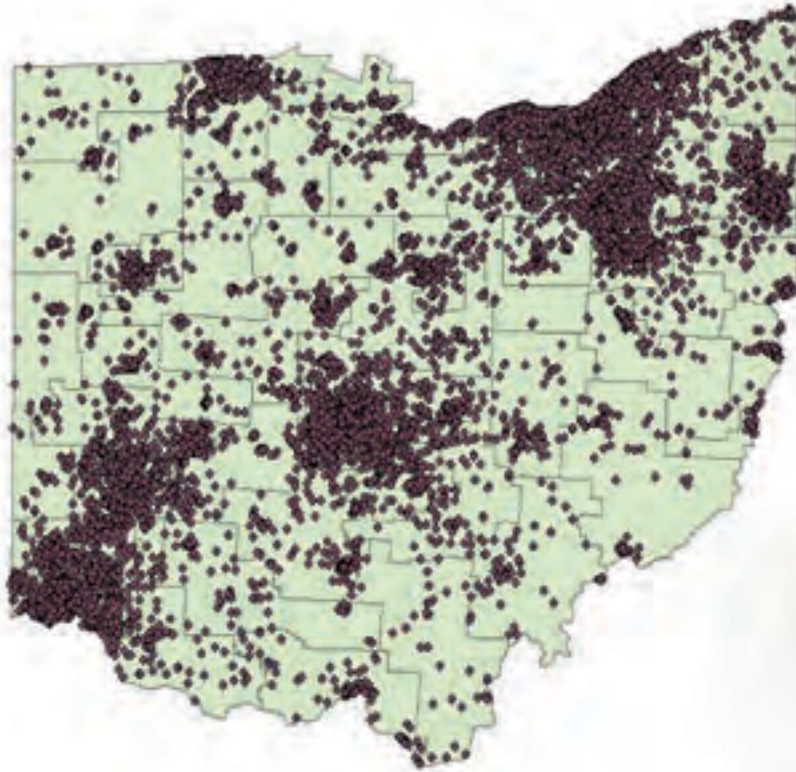


FIGURE 21: 2006 OP&F SURVIVORS MAPPED BY OHIO HOUSE DISTRICT

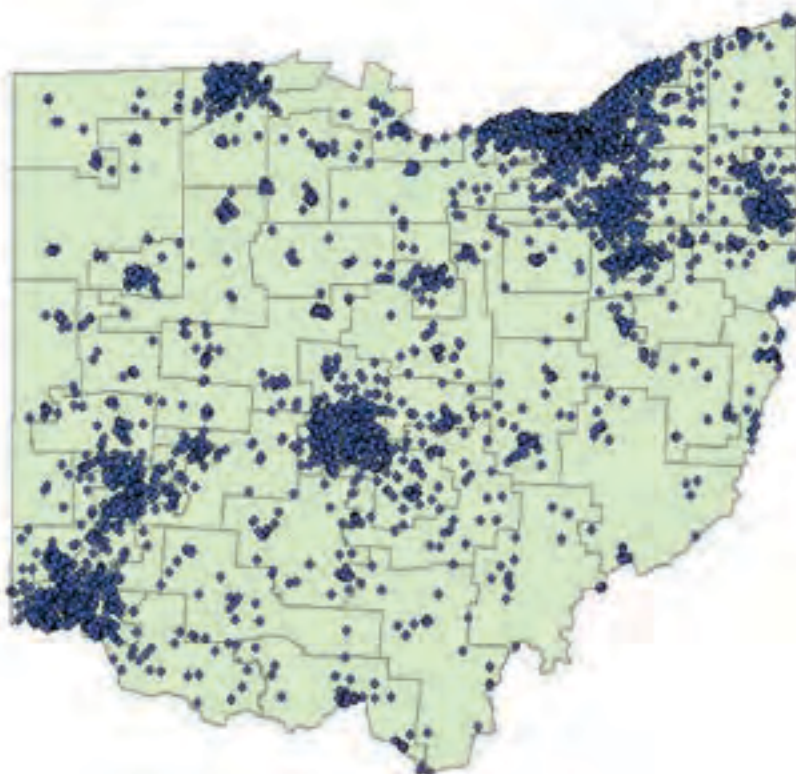


FIGURE 22: 2006 OP&F DROP PROGRAM PARTICIPANTS MAPPED BY OHIO HOUSE DISTRICT

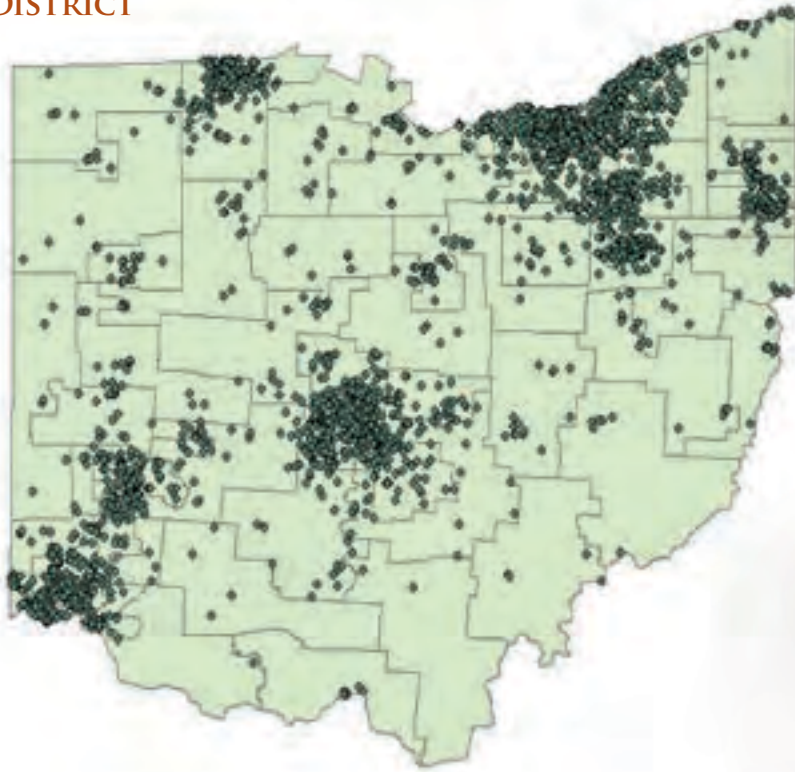
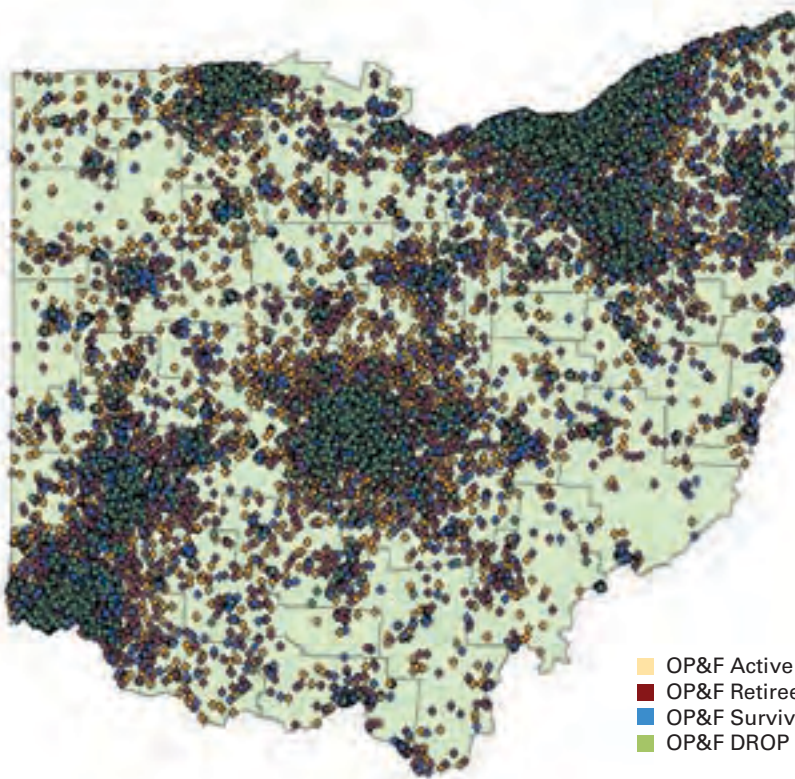


FIGURE 23: ALL 2006 OP&F MEMBERS, RETIREES, SURVIVORS AND DROP PROGRAM PARTICIPANTS MAPPED BY OHIO HOUSE DISTRICT



- OP&F Active Members
- OP&F Retirees
- OP&F Survivors
- OP&F DROP Program Participants



Direct Impact

Direct Economic Impact of the OP&F Pension Fund in 2006

Ohio
Police
& Fire pension
Fund

DIRECT ECONOMIC IMPACT OF THE OP&F PENSION FUND IN 2006

The direct economic impact of OP&F's activities in 2006 derives from four sources:

- 1) Direct payments to OP&F retirees and survivors.
- 2) Withdrawals from DROP accounts.
- 3) Provision of healthcare and medical prescription insurance to retirees and survivors.
- 4) The payment of salaries to OP&F employees and the purchase of goods and services that are needed to carry out the day-to-day operations and management of the pension fund.

This section of the report first details the statewide direct economic impact deriving from these four sources. Next, the report details the direct economic impact of OP&F benefit payments according to each of the 33 Ohio Senate districts and for each of the 99 Ohio House districts. Section VI applies economic multipliers to compute the aggregate economic impact of OP&F in 2006 at both the statewide and legislative district levels.

Statewide Economic Impact

The largest source of OP&F economic impact derives from the benefit payments that OP&F makes to retirees and survivors. Because OP&F retirees and survivors are now required to contribute toward the cost of their healthcare and prescription coverage, this lowers the amount that can be spent on other consumption items. Consequently, it is appropriate to reduce gross OP&F benefit payments by the amount of these healthcare and prescription plan contributions in order to arrive at a "net benefit" figure.

Note that this net benefit figure is different from that calculated by OP&F, which computes the net benefit to the individual. Since some of the deductions that OP&F makes from gross benefits (such as alimony or child support) is spent in Ohio (just not by the OP&F member), it is still appropriate to include these amounts in the statewide total.

In addition, since slightly more than 15 percent of OP&F retirees and survivors live outside the state of Ohio, benefit payments to these non-residents must also be subtracted in order to reach a statewide total of direct OP&F net benefit payments. Table 8 shows these totals for 2006.

TABLE 8: GROSS AND NET OP&F BENEFIT PAYMENTS TO RETIREES AND SURVIVORS, 2006 STATEWIDE TOTALS

	Gross Benefits Paid	Healthcare Contributions	Prescription Contributions	Net Benefits Received
Non-Ohio Retirees	\$82,364,240	\$5,586,203	\$3,382,762	\$73,395,275
Ohio Retirees	\$484,285,003	\$28,897,011	\$16,576,897	\$438,811,095
All Retirees	\$566,649,243	\$34,483,214	\$19,959,659	\$512,206,370
Non-Ohio Survivors	\$13,336,050	\$723,368	\$574,051	\$12,038,631
Ohio Survivors	\$63,122,997	\$3,400,373	\$2,609,912	\$57,112,712
All Survivors	\$76,459,047	\$4,123,741	\$3,183,963	\$69,151,343
Ohio Retiree + Survivor Totals	\$547,408,000	\$32,297,384	\$19,186,809	\$495,923,807

The second largest source of OP&F direct economic impact derives from annual expenditures on healthcare and prescription medicine coverage for retirees and survivors. In 2006 OP&F spent \$178,906,571 on health insurance for members. This amount includes the \$32.3 million contribution by retirees and survivors for health insurance and the \$19.2 million paid for prescription coverage (both of these figures are reported in Table 8).

Because roughly 16 percent of OP&F retirees and survivors live outside of Ohio, the \$178.9 million in health insurance expenditures must be adjusted to reflect only those expenditures related to medical care provided in Ohio.

The data in Table 8 can be used to compute that 83.37 percent of OP&F healthcare and prescription contributions are made by Ohio residents. This percentage can then be applied to the \$178.9 million total health insurance cost to reach an estimate of \$149.2 million in OP&F healthcare and prescription coverage expenditures occurring in Ohio. By dividing total healthcare and prescription expenditures (\$149.2 million) by total healthcare and prescription contributions (\$51.5 million), the ratio of OP&F healthcare expenditures to contributions in 2006 is calculated as 2.897.

This ratio is used to estimate the healthcare expenditures in each legislative district. Table 9 details these calculations.

In 2006, OP&F spent \$178.9 million on health insurance for members.

Withdrawals from DROP accounts have an economic impact similar to that of monthly benefit payments to retirees and survivors. One difference is that DROP participants are allowed to make withdrawals from their accounts and roll these sums over into a different retirement account of their choosing. According to data provided by OP&F, roughly 40 percent of DROP payments issued as of May 31, 2007 were rolled over into another qualified retirement account. Based on this information, this analysis conservatively assumes that 50 percent of DROP withdrawals are reinvested while 50 percent are withdrawn as cash to spend.

Table 10 provides a summary of 2006 OP&F DROP withdrawals.

TABLE 9: EXPENDITURES ON HEALTH INSURANCE AND PRESCRIPTION COVERAGE FOR OP&F RETIREES AND SURVIVORS, 2006 STATEWIDE TOTALS

	Total	Ohio Residents	Percentage in Ohio
Retiree Healthcare Contributions	\$34,483,214	\$28,897,011	83.8%
Survivor Healthcare Contributions	\$4,123,741	\$3,400,373	82.5%
Total Healthcare Contributions	\$38,606,955	\$32,297,384	83.7%
Retiree Prescription Plan Contributions	\$19,959,659	\$16,576,897	83.1%
Survivor Prescription Plan Contributions	\$3,183,963	\$2,609,912	82.0%
Total Prescription Plan Contributions	\$23,143,622	\$19,186,809	82.9%
Total Healthcare and Prescription Contributions	\$61,750,577	\$51,484,193	83.37%
Total Healthcare and Prescription Expenditures	\$178,906,571	\$149,162,338	83.37%
Healthcare Expenditures to Contributions Ratio	2.897	2.897	—

TABLE 10: OP&F DROP PROGRAM WITHDRAWALS, 2006 STATE TOTALS

Total DROP Withdrawals	Out-of-State DROP Withdrawals	Ohio DROP Withdrawals	"Adjusted" Ohio DROP Withdrawals*
\$10,228,331	\$532,800	\$9,695,531	\$4,847,766

* Assumes that half of DROP withdrawals are reinvested rather than spent.

Finally, OP&F also contributes to Ohio's economy by paying employees, purchasing services, and incurring other administrative expenditures related to the day-to-day management and operation of the pension fund. According to the 2006 OP&F Comprehensive Annual Financial Report, OP&F administrative expenses, excluding investment management fees (which are largely out-of-state), were \$16.8 million in 2006. Assuming that 90 percent of these expenses were incurred in Ohio, the direct economic impact of these expenditures in Ohio is \$15.1 million. Wages and salaries paid to OP&F's 166 employees in 2006 comprise \$8.8 million of this figure.

Table 11 provides a summary of the four components of OP&F's direct impact on Ohio's economy. The grand total direct economic impact in 2006 is more than \$665 million.

TABLE 11: SUMMARY OF 2006 OP&F DIRECT IMPACT ON OHIO'S ECONOMY

Category	Dollar Amount
Benefit Payments to Retirees and Survivors	\$495,923,807
OP&F Health Insurance Expenditures	\$149,162,338
DROP Withdrawals	\$4,847,766
OP&F Administrative Expenditures	\$15,120,000
Grand Total OP&F Direct Economic Impact	\$665,053,911

In 2006, the direct economic impact of OP&F on Ohio's economy was \$665 million.

Economic Impact by Individual Ohio Senate District

This study also provides estimates of the economic impact in each of Ohio's Senate and House districts. Because it was not possible to source OP&F administrative expenditures to specific legislative districts, the direct economic impact in each legislative district is based on three components:

- Net benefit payments to retirees and survivors
- DROP withdrawals
- OP&F health insurance expenditures

Each of these three components is computed in the same manner as in the statewide analysis. Net benefit payments consist of gross benefit payments to retirees and survivors, less the medical and prescription insurance contributions paid by OP&F retirees. DROP withdrawals are again reduced by half to reflect the estimated total available for spending rather than for reinvestment. Estimated OP&F health insurance expenditures in each legislative district were computed by multiplying retiree and survivor medical and prescription insurance contributions by the 2.897 ratio shown in Table 9 on page 24.

The magnitude of direct economic impact in individual Senate districts ranges from a low of \$8.3 million in Senate District 1, to a high of \$48.9 million in Senate District 24.

Table 12 shows the direct economic impact deriving from OP&F benefit payments and medical coverage provided to retirees and survivors in 2006 for each of Ohio's 33 Senate districts.

The data in Table 12 show that \$621.4 million in direct economic impact can be identified with an Ohio Senate district.

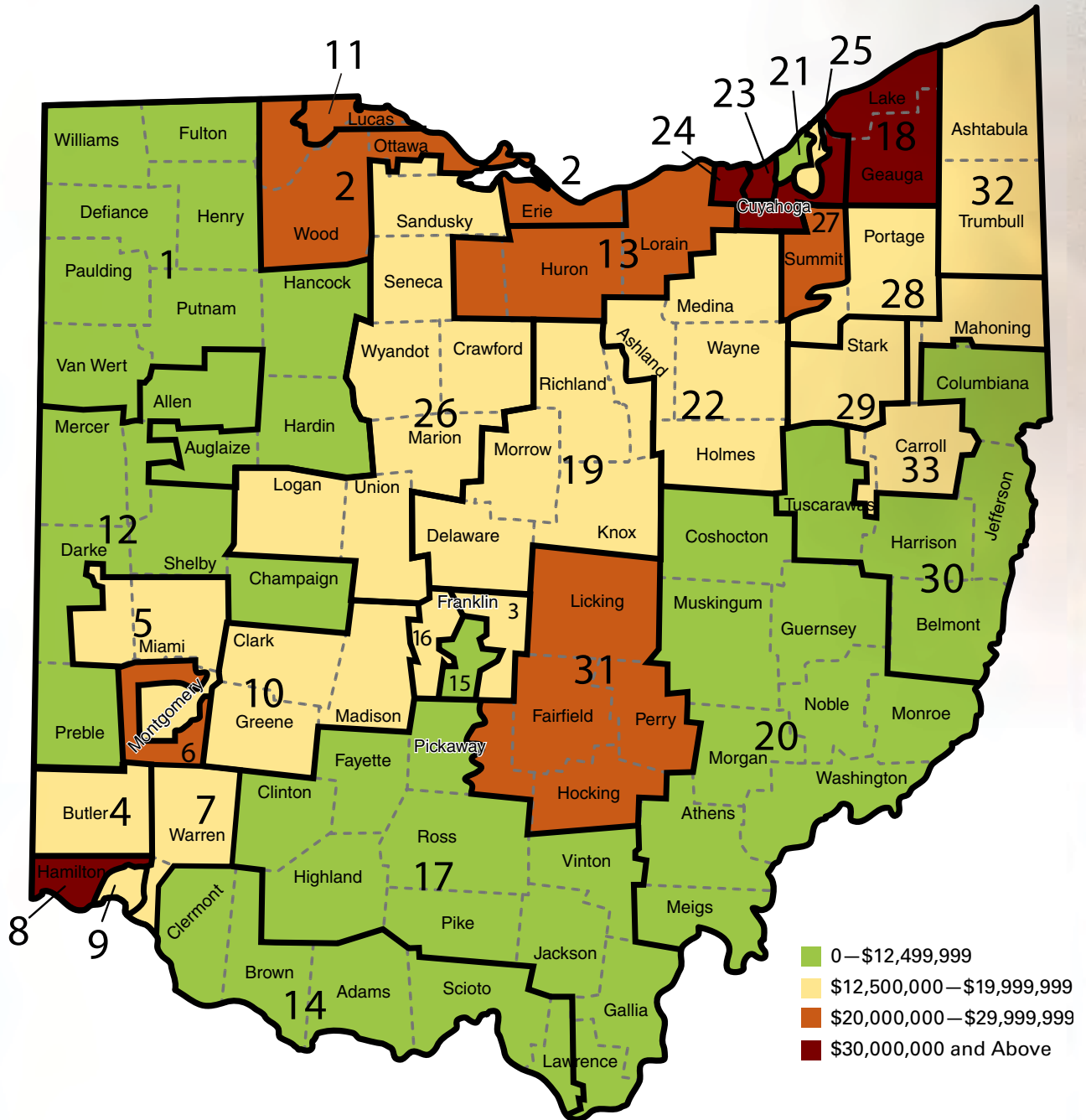
The magnitude of direct economic impact in individual Senate districts ranges from a low of \$8.3 million in Senate District 1, to a high of \$48.9 million in Senate District 24.

TABLE 12: 2006 OP&F DIRECT ECONOMIC IMPACT BY OHIO SENATE DISTRICT

Senate District	Retiree and Survivor Net Pension Benefits	DROP Withdrawals	Total Cash Benefits	Estimated Health Insurance Expenditures	Retiree and Survivor Total Benefits
1	\$6,109,445	\$70,122	\$6,179,567	\$2,129,507	\$8,309,074
2	\$16,067,343	\$329,208	\$16,396,551	\$4,375,177	\$20,771,728
3	\$14,732,274	\$92,250	\$14,824,524	\$3,729,821	\$18,554,345
4	\$13,467,572	\$228,810	\$13,696,382	\$3,855,677	\$17,552,059
5	\$11,287,411	\$6,000	\$11,293,411	\$2,691,767	\$13,985,178
6	\$18,777,825	\$0	\$18,777,825	\$4,670,484	\$23,448,309
7	\$14,362,487	\$7,500	\$14,369,987	\$3,703,010	\$18,072,997
8	\$23,528,323	\$150,712	\$23,679,035	\$6,934,641	\$30,613,676
9	\$11,555,806	\$70,400	\$11,626,206	\$3,418,793	\$15,044,999
10	\$15,063,061	\$154,180	\$15,217,241	\$4,136,606	\$19,353,846
11	\$18,117,957	\$299,390	\$18,417,347	\$4,964,282	\$23,381,629
12	\$9,311,729	\$74,105	\$9,385,834	\$2,753,067	\$12,138,900
13	\$18,950,614	\$180,126	\$19,130,740	\$5,645,161	\$24,775,900
14	\$8,043,610	\$0	\$8,043,610	\$2,732,363	\$10,775,973
15	\$6,926,518	\$82,174	\$7,008,692	\$1,957,573	\$8,966,265
16	\$13,608,551	\$433,210	\$14,041,761	\$3,648,006	\$17,689,766
17	\$7,345,877	\$31,600	\$7,377,477	\$2,399,139	\$9,776,616
18	\$27,296,912	\$574,140	\$27,871,052	\$8,415,762	\$36,286,814
19	\$13,721,782	\$169,813	\$13,891,595	\$4,007,171	\$17,898,766
20	\$6,811,141	\$54,877	\$6,866,018	\$2,323,431	\$9,189,449
21	\$7,470,533	\$0	\$7,470,533	\$2,104,779	\$9,575,312
22	\$13,312,256	\$185,037	\$13,497,293	\$4,188,661	\$17,685,954
23	\$23,333,160	\$85,727	\$23,418,887	\$7,737,253	\$31,156,140
24	\$37,113,018	\$161,198	\$37,274,216	\$11,706,569	\$48,980,785
25	\$13,772,946	\$96,985	\$13,869,931	\$4,379,772	\$18,249,702
26	\$10,647,261	\$48,526	\$10,695,787	\$3,555,468	\$14,251,255
27	\$18,873,224	\$217,317	\$19,090,541	\$5,868,979	\$24,959,520
28	\$13,725,023	\$110,406	\$13,835,429	\$4,048,912	\$17,884,341
29	\$12,292,572	\$31,574	\$12,324,146	\$4,047,466	\$16,371,612
30	\$7,080,878	\$55,371	\$7,136,249	\$2,863,536	\$9,999,784
31	\$18,670,501	\$186,800	\$18,857,301	\$5,687,608	\$24,544,909
32	\$9,887,646	\$402,023	\$10,289,669	\$3,482,564	\$13,772,233
33	\$12,505,196	\$146,693	\$12,651,889	\$4,713,783	\$17,365,672
Senate Total	\$473,770,452	\$4,736,269	\$478,506,721	\$142,876,787	\$621,383,508
Non-Senate Total	\$22,153,355	\$111,498	\$22,264,853	\$6,285,551	\$28,550,403
State Total	\$495,923,807	\$4,847,766	\$500,771,573	\$149,162,338	\$649,933,911

Figure 24 shows the economic impact reported in Table 12 for each of Ohio's 33 Senate districts.

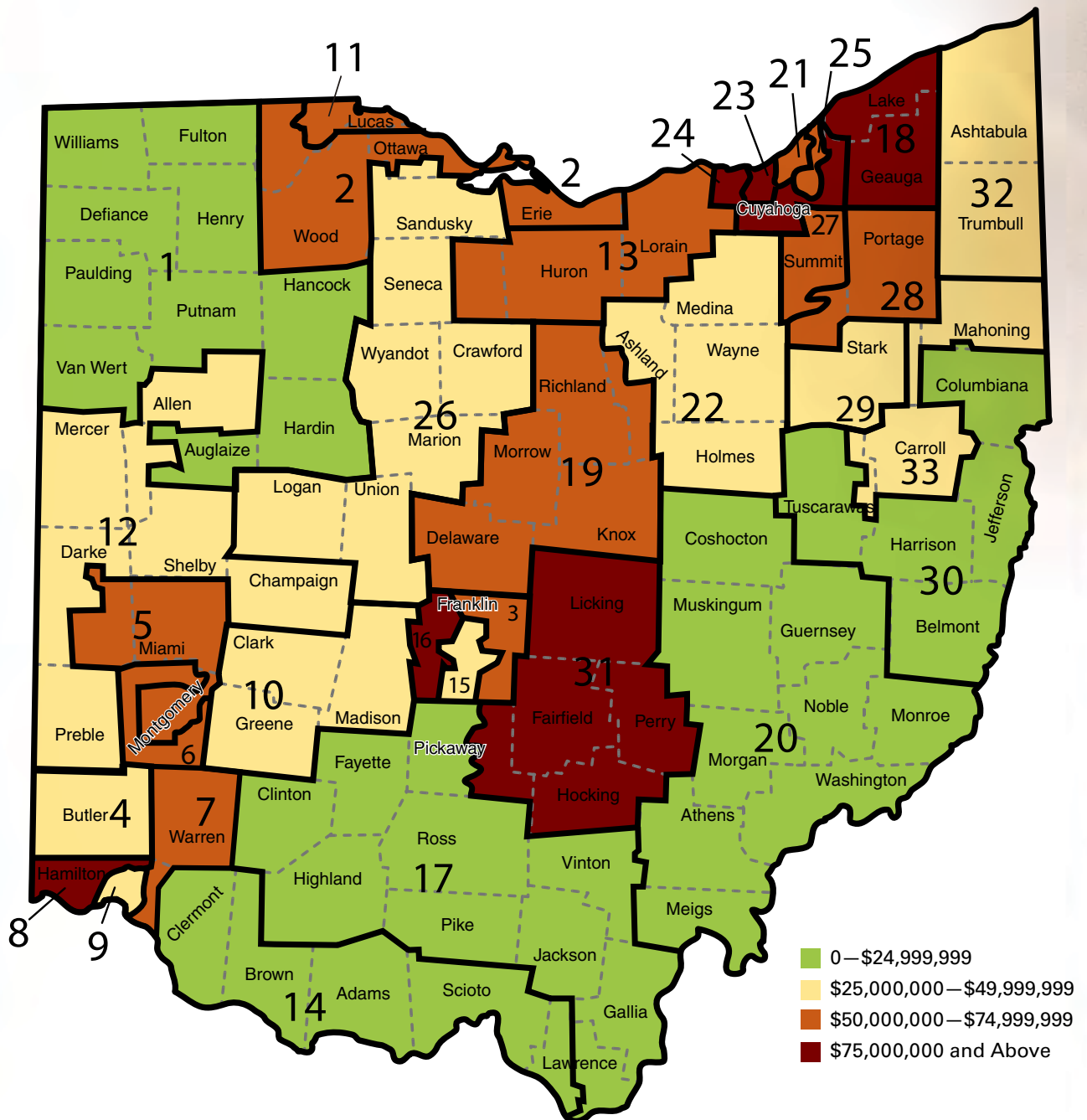
FIGURE 24: 2006 OP&F DIRECT ECONOMIC IMPACT BY OHIO SENATE DISTRICT



Direct Economic Impact of the OP&F Pension Fund in 2006

Figure 25 shows the total (employee + employer) benefit contributions in each of Ohio's 33 Senate districts made by active OP&F members in 2006. Assuming that police and firefighters tend to retire in the same geographic area in which they work, Figure 25 provides a glimpse of the regional pattern of *future* OP&F pension benefits. While there are many similarities between Figures 24 and 25, the total contributions by active OP&F members shown in Figure 25 tend to be more heavily concentrated in urban areas than are the pension benefits received by OP&F retirees and survivors in 2006.

FIGURE 25: 2006 OP&F BENEFIT CONTRIBUTIONS OF THE ACTIVE MEMBERS BY SENATE DISTRICT



Economic Impact by Individual Ohio House District

Table 13 shows the same data for the 99 Ohio House districts that was shown in Table 12 for the 33 Ohio Senate districts. Because House districts are smaller, it was more difficult to match member addresses than it was for Senate districts.

Consequently, the total direct economic impact shown for the 99 House districts of \$616 million is slightly less than the total shown for Ohio's 33 Senate districts. The

magnitude of direct economic impact in individual House districts ranges from a low of \$1.5 million in House District 27 to a high of \$17.9 million in House District 16.

The magnitude of direct economic impact in individual House districts ranges from a low of \$1.5 million in House District 27, to a high of \$17.9 million in House District 16.

TABLE 13: 2006 OP&F DIRECT ECONOMIC IMPACT BY OHIO HOUSE DISTRICT—DISTRICTS 1–29

House District	Retiree and Survivor Net Pension Benefits	DROP Withdrawals	Total Cash Benefits	Estimated Health Insurance Expenditures	Retiree and Survivor Total Benefits
1	\$2,290,072	\$0	\$2,290,072	\$967,915	\$3,257,987
2	\$6,189,047	\$167,813	\$6,356,860	\$1,513,112	\$7,869,972
3	\$2,987,465	\$2,250	\$2,989,715	\$930,694	\$3,920,409
4	\$3,650,740	\$74,105	\$3,724,845	\$1,064,709	\$4,789,553
5	\$8,965,978	\$5,000	\$8,970,978	\$2,784,737	\$11,755,715
6	\$4,003,692	\$0	\$4,003,692	\$1,084,610	\$5,088,302
7	\$5,289,967	\$96,985	\$5,386,952	\$1,673,391	\$7,060,342
8	\$3,227,691	\$0	\$3,227,691	\$972,626	\$4,200,317
9	\$1,971,404	\$0	\$1,971,404	\$580,075	\$2,551,479
10	\$2,034,808	\$0	\$2,034,808	\$536,805	\$2,571,613
11	\$3,464,321	\$0	\$3,464,321	\$987,900	\$4,452,221
12	\$5,255,288	\$0	\$5,255,288	\$1,733,755	\$6,989,043
13	\$2,860,190	\$6,200	\$2,866,390	\$731,766	\$3,598,156
14	\$8,702,598	\$77,277	\$8,779,875	\$2,902,718	\$11,682,593
15	\$11,770,372	\$2,250	\$11,772,622	\$4,102,769	\$15,875,391
16	\$13,774,343	\$0	\$13,774,343	\$4,206,067	\$17,980,410
17	\$11,945,528	\$0	\$11,945,528	\$3,830,523	\$15,776,051
18	\$11,393,147	\$161,198	\$11,554,345	\$3,669,978	\$15,224,323
19	\$6,765,538	\$0	\$6,765,538	\$1,904,516	\$8,670,054
20	\$4,910,157	\$92,250	\$5,002,407	\$991,000	\$5,993,407
21	\$3,056,579	\$0	\$3,056,579	\$834,305	\$3,890,884
22	\$3,722,825	\$81,000	\$3,803,825	\$1,036,420	\$4,840,245
23	\$7,224,355	\$141,310	\$7,365,665	\$2,090,415	\$9,456,080
24	\$2,611,073	\$210,900	\$2,821,973	\$506,308	\$3,328,281
25	\$3,928,509	\$0	\$3,928,509	\$1,195,438	\$5,123,947
26	\$1,809,426	\$82,174	\$1,891,600	\$495,177	\$2,386,777
27	\$1,188,583	\$0	\$1,188,583	\$266,958	\$1,455,541
28	\$4,468,352	\$0	\$4,468,352	\$1,187,054	\$5,655,406
29	\$6,160,643	\$39,250	\$6,199,893	\$1,914,010	\$8,113,903

TABLE 13: 2006 OP&F DIRECT ECONOMIC IMPACT BY OHIO HOUSE DISTRICT—DISTRICTS 30-73

House District	Retiree and Survivor Net Pension Benefits	DROP Withdrawals	Total Cash Benefits	Estimated Health Insurance Expenditures	Retiree and Survivor Total Benefits
30	\$12,850,442	\$111,462	\$12,961,904	\$3,814,145	\$16,776,049
31	\$5,324,713	\$53,900	\$5,378,613	\$1,539,729	\$6,918,342
32	\$1,970,560	\$0	\$1,970,560	\$566,811	\$2,537,371
33	\$4,260,533	\$16,500	\$4,277,033	\$1,312,252	\$5,589,285
34	\$7,114,047	\$0	\$7,114,047	\$1,895,572	\$9,009,619
35	\$3,317,227	\$7,500	\$3,324,727	\$847,957	\$4,172,684
36	\$6,432,031	\$0	\$6,432,031	\$1,630,321	\$8,062,352
37	\$6,133,325	\$0	\$6,133,325	\$1,339,058	\$7,472,383
38	\$6,107,954	\$0	\$6,107,954	\$1,680,704	\$7,788,658
39	\$2,806,241	\$0	\$2,806,241	\$578,777	\$3,385,018
40	\$4,394,653	\$0	\$4,394,653	\$1,014,836	\$5,409,489
41	\$7,672,447	\$139,250	\$7,811,697	\$2,329,388	\$10,141,085
42	\$5,544,009	\$68,792	\$5,612,801	\$1,590,425	\$7,203,226
43	\$7,356,957	\$78,906	\$7,435,863	\$2,150,176	\$9,586,039
44	\$2,658,322	\$28,500	\$2,686,822	\$713,736	\$3,400,558
45	\$5,656,768	\$9,275	\$5,666,043	\$1,949,165	\$7,615,208
46	\$6,414,146	\$329,208	\$6,743,354	\$1,494,599	\$8,237,953
47	\$6,403,934	\$146,538	\$6,550,472	\$1,705,182	\$8,255,654
48	\$2,927,593	\$0	\$2,927,593	\$806,248	\$3,733,841
49	\$8,722,691	\$152,853	\$8,875,544	\$2,452,851	\$11,328,395
50	\$4,331,431	\$31,574	\$4,363,005	\$1,534,471	\$5,897,476
51	\$4,711,235	\$0	\$4,711,235	\$1,417,637	\$6,128,872
52	\$2,936,366	\$0	\$2,936,366	\$965,003	\$3,901,369
53	\$4,870,682	\$100,444	\$4,971,126	\$1,454,716	\$6,425,842
54	\$5,650,587	\$46,500	\$5,697,087	\$1,636,813	\$7,333,900
55	\$2,786,315	\$81,866	\$2,868,181	\$713,994	\$3,582,175
56	\$5,263,622	\$48,050	\$5,311,672	\$1,647,145	\$6,958,817
57	\$9,062,689	\$36,000	\$9,098,689	\$2,640,781	\$11,739,470
58	\$4,186,880	\$96,076	\$4,282,956	\$1,236,197	\$5,519,152
59	\$3,998,826	\$0	\$3,998,826	\$1,570,382	\$5,569,208
60	\$5,289,225	\$146,693	\$5,435,918	\$1,922,922	\$7,358,840
61	\$2,957,164	\$0	\$2,957,164	\$1,099,476	\$4,056,640
62	\$10,700,596	\$380,205	\$11,080,801	\$3,327,339	\$14,408,140
63	\$8,337,100	\$139,555	\$8,476,655	\$2,460,801	\$10,937,456
64	\$3,002,099	\$0	\$3,002,099	\$939,084	\$3,941,183
65	\$3,274,922	\$262,062	\$3,536,984	\$1,208,592	\$4,745,575
66	\$2,583,125	\$0	\$2,583,125	\$859,207	\$3,442,332
67	\$3,617,431	\$0	\$3,617,431	\$915,304	\$4,532,735
68	\$3,596,556	\$3,000	\$3,599,556	\$1,147,741	\$4,747,297
69	\$7,308,915	\$180,287	\$7,489,202	\$2,323,686	\$9,812,888
70	\$5,087,819	\$64,121	\$5,151,940	\$1,298,815	\$6,450,755
71	\$4,907,277	\$64,309	\$4,971,586	\$1,438,375	\$6,409,961
72	\$4,516,788	\$6,250	\$4,523,038	\$1,287,379	\$5,810,417
73	\$3,864,324	\$0	\$3,864,324	\$1,372,923	\$5,237,247

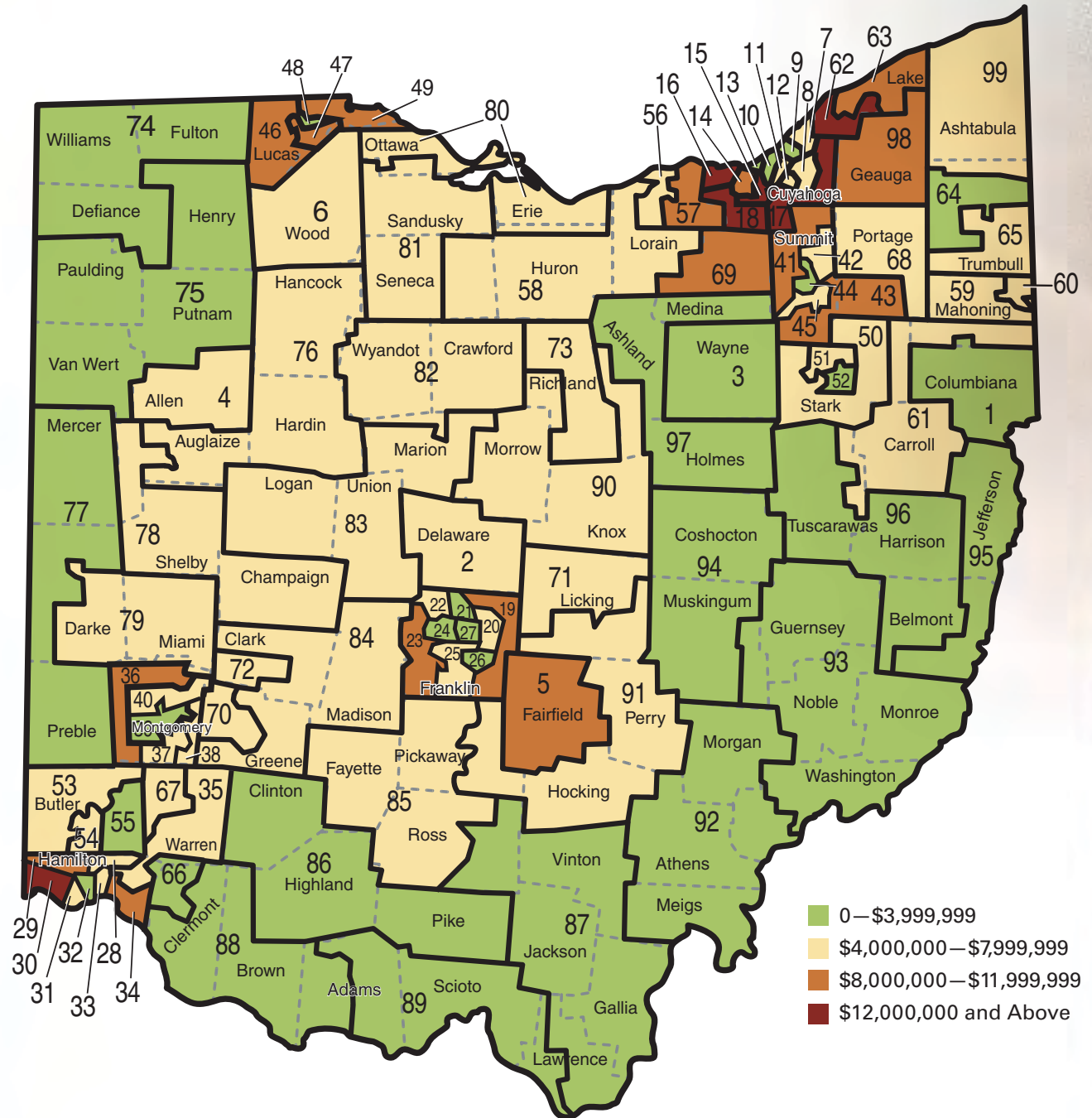
TABLE 13: 2006 OP&F DIRECT ECONOMIC IMPACT BY OHIO HOUSE DISTRICT—DISTRICTS 74-99

House District	Retiree and Survivor Net Pension Benefits	DROP Withdrawals	Total Cash Benefits	Estimated Health Insurance Expenditures	Retiree and Survivor Total Benefits
74	\$1,621,007	\$0	\$1,621,007	\$516,892	\$2,137,899
75	\$1,269,075	\$0	\$1,269,075	\$503,101	\$1,772,176
76	\$2,925,590	\$60,122	\$2,985,712	\$1,055,603	\$4,041,314
77	\$2,528,637	\$0	\$2,528,637	\$764,018	\$3,292,655
78	\$3,132,352	\$0	\$3,132,352	\$924,340	\$4,056,692
79	\$4,067,510	\$6,000	\$4,073,510	\$1,092,913	\$5,166,423
80	\$5,522,870	\$0	\$5,522,870	\$1,771,080	\$7,293,950
81	\$3,503,086	\$48,526	\$3,551,612	\$1,077,952	\$4,629,564
82	\$3,041,606	\$0	\$3,041,606	\$1,247,507	\$4,289,113
83	\$4,096,883	\$0	\$4,096,883	\$1,223,785	\$5,320,668
84	\$5,271,317	\$83,809	\$5,355,126	\$1,524,307	\$6,879,433
85	\$3,980,832	\$31,600	\$4,012,432	\$1,255,854	\$5,268,286
86	\$1,963,992	\$0	\$1,963,992	\$800,842	\$2,764,834
87	\$1,363,666	\$0	\$1,363,666	\$342,443	\$1,706,109
88	\$2,593,874	\$0	\$2,593,874	\$700,111	\$3,293,985
89	\$2,678,416	\$0	\$2,678,416	\$1,112,496	\$3,790,912
90	\$3,450,458	\$2,000	\$3,452,458	\$1,057,778	\$4,510,236
91	\$4,227,056	\$33,979	\$4,261,035	\$1,228,586	\$5,489,621
92	\$1,603,276	\$0	\$1,603,276	\$521,913	\$2,125,189
93	\$2,811,803	\$54,877	\$2,866,680	\$1,048,667	\$3,915,347
94	\$2,352,228	\$0	\$2,352,228	\$721,495	\$3,073,723
95	\$2,624,976	\$0	\$2,624,976	\$908,796	\$3,533,772
96	\$2,135,751	\$55,371	\$2,191,122	\$973,883	\$3,165,004
97	\$2,848,884	\$2,500	\$2,851,384	\$845,790	\$3,697,174
98	\$8,117,588	\$54,380	\$8,171,968	\$2,597,430	\$10,769,398
99	\$3,455,254	\$139,961	\$3,595,215	\$1,285,050	\$4,880,265
House Total	\$469,721,245	\$4,642,757	\$474,364,002	\$141,629,097	\$615,993,099
Non-House Total	\$26,202,562	\$205,010	\$26,407,572	\$7,533,241	\$33,940,812
State Total	\$495,923,807	\$4,847,766	\$500,771,573	\$149,162,338	\$649,933,911

Direct Economic Impact of the OP&F Pension Fund in 2006

Figure 26 shows the economic impact reported in Table 13 for each of Ohio's 99 House districts.

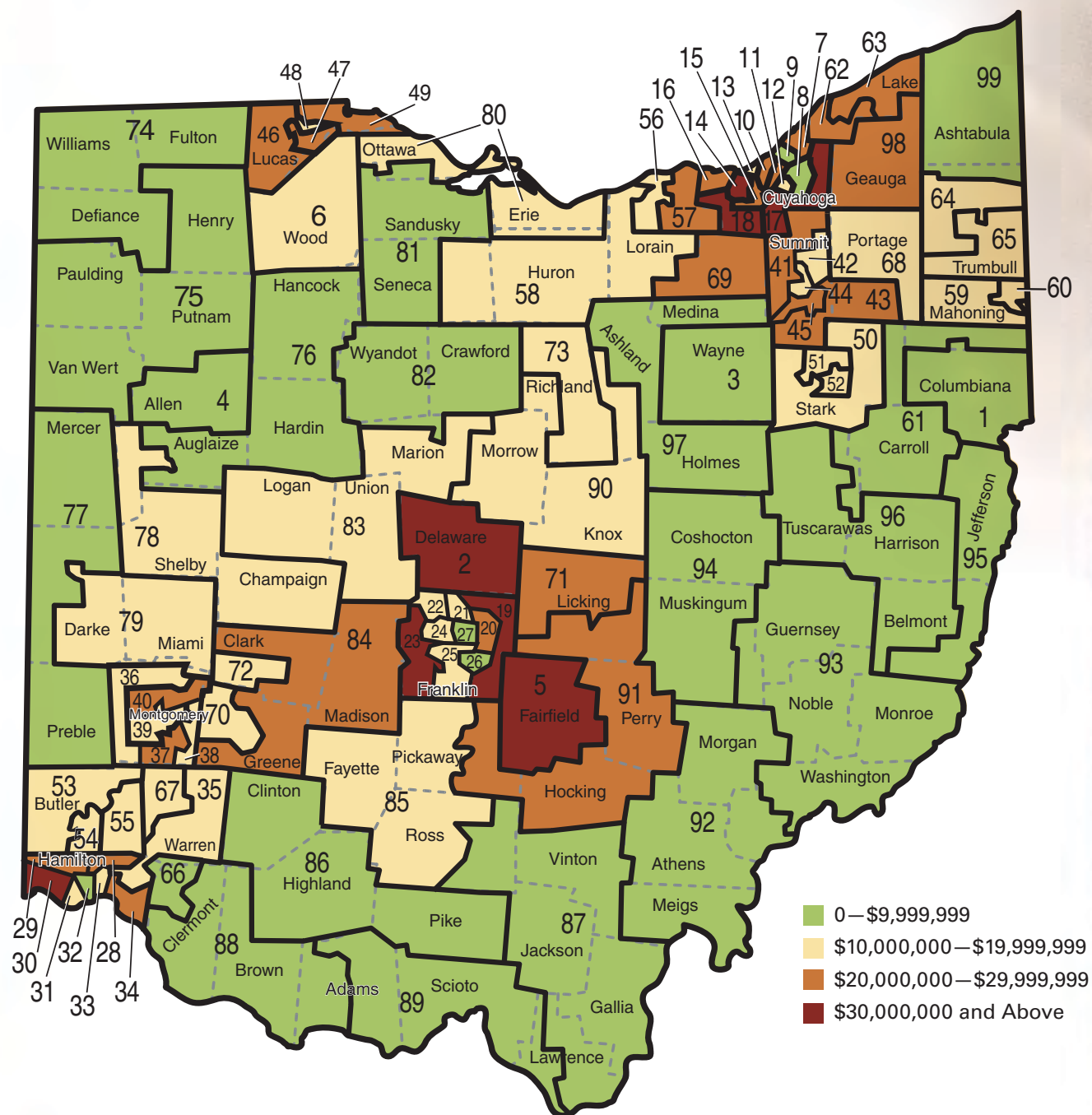
FIGURE 26: 2006 OP&F DIRECT ECONOMIC IMPACT BY OHIO HOUSE DISTRICT



Direct Economic Impact of the OP&F Pension Fund in 2006

Figure 27 shows the total (employee + employer) benefit contributions in each of Ohio's 99 House districts made by active OP&F members in 2006. Assuming that police and firefighters tend to retire in the same geographic area in which they work, Figure 27 provides a glimpse of the regional pattern of **future** OP&F pension benefits. While there are many similarities between Figures 26 and 27, the total contributions by active OP&F members shown in Figure 27 tend to be more heavily concentrated in urban areas than are the pension benefits received by OP&F retirees and survivors in 2006.

FIGURE 27: 2006 OP&F BENEFIT CONTRIBUTIONS OF THE ACTIVE MEMBERS BY HOUSE DISTRICT





Total Impact

Total Economic Impact of OP&F in 2006

Ohio
Police
& Fire pension
Fund

TOTAL ECONOMIC IMPACT OF OP&F IN 2006

All economic activity has direct effects (dollars spent in the given industry) as well as indirect effects on related industries and through increases in personal income of employees.

When OP&F makes direct payments to retirees and survivors, this income is spent and re-spent on goods and services produced in the local and regional economy where the beneficiaries reside.

This spending (often termed “induced” impact by economists) in turn creates additional jobs in the sectors where the beneficiaries spend their benefit payments.

OP&F creates additional economic impact by providing healthcare and medical prescription insurance to retirees and survivors. Again, the consumption of healthcare by OP&F beneficiaries leads to ripple effects throughout the local and regional economy as a result of the increased demand for these services. Finally, OP&F contributes to Ohio’s economy by paying salaries to OP&F employees and purchasing goods and services that are needed to carry out the day-to-day operations and management of the pension fund.

These economic effects are often referred to as “multiplier” effects. In other words, any new dollar that is spent will have multiple economic effects throughout the local and regional economy as it leads to new jobs, which through typical economic inter-relationships then lead to other jobs. To provide a comprehensive estimate of the total economic impact of OP&F, both the direct and indirect effects of OP&F expenditures must be captured.

The indirect impact of OP&F in 2006 has been estimated by using the RIMS II Multiplier Model developed by the U.S. Department of Commerce Bureau of Economic Analysis. This model is based on national and regional economic data, which is continually updated by BEA. Multipliers for specified geographic regions (consisting of counties or groups of counties) are prepared upon request to the BEA. The BEA multipliers allow researchers to compute the indirect and total economic impact resulting from a particular economic initiative.

Any new dollar that is spent will have multiple economic effects throughout the local and regional economy as it leads to new jobs, which through typical economic inter-relationships then lead to other jobs.

Economic multipliers are commonly expressed in terms of the value of economic output, earnings by workers and numbers of jobs created. This section of the report will first compute the aggregate (direct + indirect) economic impact at the statewide level for each of these three measures. The estimated aggregate economic impact for each of the three measures in each legislative district will then be addressed.

Statewide Economic Impact

The aggregate statewide economic impact of OP&F in Ohio in 2006 is computed based on the direct economic impact data shown in Table 11 on page 25. Because the economic impact of OP&F in Ohio takes a variety of forms, four different sets of multipliers are used here:

- The impact of OP&F benefit payments and DROP withdrawals is calculated by using the “**Household Consumption**” set of multipliers.
- The impact of OP&F administrative expenditures is calculated by using the “**Funds, Trusts and Other Financial Vehicles**” set of multipliers.
- The impact of claims costs relating to OP&F medical and prescription medicine coverage is calculated by using the “**Physicians, Dentists, and Other Health Practitioners**” set of multipliers.

Because the OP&F medical claims data was not broken down by type of service consumed, it was not possible to utilize other healthcare related multipliers (such as hospitals and ambulatory healthcare services). The chosen multiplier is the lowest, however, and therefore represents a conservative approach to estimating the economic impact resulting from OP&F medical care coverage.

- The impact of OP&F health insurance premium costs and related administrative expenditures is calculated by using the “Insurance Carriers” set of multipliers.

Table 14 below summarizes the direct and indirect impact on earnings in Ohio resulting from OP&F activity in 2006.

TABLE 14: TOTAL 2006 OP&F DIRECT AND INDIRECT IMPACT ON EARNINGS IN OHIO’S ECONOMY

Category	Direct Impact on Earnings	Indirect Impact on Earnings	Total Impact on Earnings in Ohio
Net Benefit Payments to Retirees and Survivors	\$495,923,807	\$203,824,685	\$699,748,492
DROP Withdrawals	\$4,847,766	\$1,992,432	\$6,840,198
Total Direct Cash Impact	\$500,771,573	\$205,817,117	\$706,588,690
OP&F Administrative Expenditures	\$8,763,800	\$30,105,406	\$38,865,206
OP&F Health Insurance Expenditures	N.A.	\$122,090,156	\$122,090,156
Earnings Grand Total	\$509,535,373	\$358,012,678	\$867,543,051

Table 14 shows that OP&F **direct benefit payments to retirees and survivors (net of healthcare contributions) and DROP withdrawals amount to \$500.8 million in 2006**. The indirect economic impact resulting from the spending of these benefit payments rippling throughout the Ohio economy results in an additional \$205.8 million in increased earnings for a **total earnings impact of \$706.6 million**.

In addition, the economic effect of \$15.1 million in OP&F administrative expenditures is an \$8.8 million direct increase in Ohio income from OP&F wages and salaries and a \$30.1 million increase in earnings in other sectors of the state economy for a **total earnings impact of \$38.9 million**.

Similarly, the expenditure of \$149.2 million on health insurance coverage within the state **results in a \$122.1 million increase in earnings in other sectors of the Ohio economy**.

The aggregate result is that OP&F activities contributed \$867.5 million in earnings to the Ohio economy in 2006.

OP&F activities contributed \$867.5 million in earnings to the Ohio economy in 2006.

Table 15 shows the impact on economic output and employment resulting from OP&F in 2006. "Economic output" refers to the sum total value of all goods and services produced in Ohio as a result of the activities of the Ohio Police & Fire Pension Fund in 2006.

Cash payments to retirees and survivors and DROP withdrawals led to an increase in economic output in the state of \$745.8 million in 2006 and the creation of 7,229 jobs.

OP&F administrative and health insurance expenditures led to an additional \$362.5 million in economic output and another 3,831 jobs in 2006.

"Economic output" refers to the sum total value of all goods and services produced in Ohio as a result of the activities of the Ohio Police & Fire Pension Fund in 2006.

Overall, OP&F activity resulted in over \$1.1 billion in economic output in Ohio in 2006 and 11,059 jobs.

Economic Impact by Individual Ohio Senate District

Table 16 summarizes the economic impact of OP&F in 2006 for each of Ohio's 33 Senate districts. The economic impact calculations reflect only the impact

deriving from net benefit payments (gross pension benefits paid to retirees and survivors less health insurance contributions) and DROP withdrawals. Economic impact is shown for earnings, economic output and employment.

Research has shown that the consumption of medical care frequently crosses county boundaries for individuals who live in rural and outlying areas. For this reason, it would be inappropriate to compute economic multiplier effects related to OP&F health insurance expenditures at the legislative district level.

Similarly, there was insufficient detail regarding how to apportion the \$15.1 million in OP&F administrative expenditures across specific legislative districts to compute the economic impact by legislative district.

The magnitude of economic impact shown in Table 16 on the following page ranges from a low of \$8.7 million in additional earnings, \$9.2 million in additional output and 89 jobs created in Senate District 1 to a high of \$52.6 million in additional earnings, \$55.5 million in additional output and 538 jobs created in Senate District 24.

TABLE 15: TOTAL 2006 OP&F DIRECT AND INDIRECT IMPACT ON ECONOMIC OUTPUT AND EMPLOYMENT IN OHIO'S ECONOMY

Category	Direct Economic Impact in Ohio	Impact on Economic Output in Ohio	Impact on Employment in Ohio
Net Benefit Payments to Retirees and Survivors	\$495,923,807	\$738,628,918	7,159
DROP Withdrawals	\$4,847,766	\$7,220,263	70
Total Direct Cash Impact	\$500,771,573	\$745,849,181	7,229
OP&F Administrative Expenditures	\$15,120,000	\$32,343,192	841
OP&F Health Insurance Expenditures	\$149,162,337	\$330,155,792	2,990
Grand Total	\$665,053,910	\$1,108,348,165	11,059

TABLE 16: TOTAL 2006 OP&F DIRECT AND INDIRECT IMPACT ON EARNINGS, ECONOMIC OUTPUT, AND EMPLOYMENT IN OHIO'S ECONOMY, BY SENATE DISTRICT

Senate District	Total Net Cash Benefits*	Indirect Impact on Earnings	Total Impact on Earnings	Total Output Impact	Total Employment Impact
1	\$6,179,567	\$2,539,802	\$8,719,368	\$9,203,846	89
2	\$16,396,551	\$6,738,982	\$23,135,533	\$24,421,023	237
3	\$14,824,524	\$6,092,879	\$20,917,403	\$22,079,646	214
4	\$13,696,382	\$5,629,213	\$19,325,595	\$20,399,391	198
5	\$11,293,411	\$4,641,592	\$15,935,003	\$16,820,406	163
6	\$18,777,825	\$7,717,686	\$26,495,511	\$27,967,693	271
7	\$14,369,987	\$5,906,065	\$20,276,052	\$21,402,659	207
8	\$23,679,035	\$9,732,083	\$33,411,118	\$35,267,555	342
9	\$11,626,206	\$4,778,371	\$16,404,577	\$17,316,071	168
10	\$15,217,241	\$6,254,286	\$21,471,526	\$22,664,558	220
11	\$18,417,347	\$7,569,530	\$25,986,877	\$27,430,797	266
12	\$9,385,834	\$3,857,578	\$13,243,411	\$13,979,260	135
13	\$19,130,740	\$7,862,734	\$26,993,473	\$28,493,323	276
14	\$8,043,610	\$3,305,924	\$11,349,534	\$11,980,153	116
15	\$7,008,692	\$2,880,572	\$9,889,264	\$10,438,746	101
16	\$14,041,761	\$5,771,164	\$19,812,924	\$20,913,798	203
17	\$7,377,477	\$3,032,143	\$10,409,620	\$10,988,014	106
18	\$27,871,052	\$11,455,002	\$39,326,054	\$41,511,145	402
19	\$13,891,595	\$5,709,445	\$19,601,040	\$20,690,141	201
20	\$6,866,018	\$2,821,933	\$9,687,951	\$10,226,247	99
21	\$7,470,533	\$3,070,389	\$10,540,922	\$11,126,612	108
22	\$13,497,293	\$5,547,387	\$19,044,680	\$20,102,868	195
23	\$23,418,887	\$9,625,162	\$33,044,049	\$34,880,090	338
24	\$37,274,216	\$15,319,703	\$52,593,919	\$55,516,217	538
25	\$13,869,931	\$5,700,541	\$19,570,472	\$20,657,874	200
26	\$10,695,787	\$4,395,968	\$15,091,755	\$15,930,305	154
27	\$19,090,541	\$7,846,212	\$26,936,753	\$28,433,452	276
28	\$13,835,429	\$5,686,361	\$19,521,790	\$20,606,488	200
29	\$12,324,146	\$5,065,224	\$17,389,370	\$18,355,583	178
30	\$7,136,249	\$2,932,998	\$10,069,247	\$10,628,729	103
31	\$18,857,301	\$7,750,351	\$26,607,652	\$28,086,064	272
32	\$10,289,669	\$4,229,054	\$14,518,722	\$15,325,432	149
33	\$12,651,889	\$5,199,926	\$17,851,815	\$18,843,723	183
Senate District Total	\$478,506,721	\$196,666,262	\$675,172,983	\$712,687,910	6,907
Non-Senate District Total	\$22,264,853	\$9,150,855	\$31,415,707	\$33,161,271	322
State Total	\$500,771,573	\$205,817,117	\$706,588,690	\$745,849,181	7,229

* "Net Cash Benefits" includes pension payments to OP&F retirees and survivors as well as DROP withdrawals.

Economic Impact by Individual Ohio House District

Table 17 summarizes the economic impact of OP&F in 2006 for each of Ohio's 99 House districts. As with Table 16 showing individual Senate districts, economic impact is shown for earnings, economic output and employment and is based only on total net pension benefits and DROP withdrawals received.

The magnitude of economic impact shown in Table 17 ranges from a low of \$1.7 million in additional earnings, \$1.8 million in additional output and 17 jobs created in House District 27 to a high of \$19.4 million in additional earnings, \$20.5 million in additional output and 199 jobs created in House District 16.

TABLE 17: TOTAL 2006 OP&F DIRECT AND INDIRECT IMPACT ON EARNINGS, ECONOMIC OUTPUT AND EMPLOYMENT IN OHIO'S ECONOMY, BY HOUSE DISTRICT—DISTRICTS 1–33

House District	Total Net Cash Benefits*	Indirect Impact on Earnings	Total Impact on Earnings	Total Output Impact	Total Employment Impact
1	\$2,290,072	\$941,220	\$3,231,292	\$3,410,833	33
2	\$6,356,860	\$2,612,669	\$8,969,529	\$9,467,907	92
3	\$2,989,715	\$1,228,773	\$4,218,488	\$4,452,882	43
4	\$3,724,845	\$1,530,911	\$5,255,756	\$5,547,783	54
5	\$8,970,978	\$3,687,072	\$12,658,050	\$13,361,375	129
6	\$4,003,692	\$1,645,517	\$5,649,209	\$5,963,099	58
7	\$5,386,952	\$2,214,037	\$7,600,989	\$8,023,326	78
8	\$3,227,691	\$1,326,581	\$4,554,272	\$4,807,323	47
9	\$1,971,404	\$810,247	\$2,781,651	\$2,936,209	28
10	\$2,034,808	\$836,306	\$2,871,114	\$3,030,643	29
11	\$3,464,321	\$1,423,836	\$4,888,157	\$5,159,760	50
12	\$5,255,288	\$2,159,923	\$7,415,211	\$7,827,226	76
13	\$2,866,390	\$1,178,086	\$4,044,476	\$4,269,201	41
14	\$8,779,875	\$3,608,528	\$12,388,403	\$13,076,745	127
15	\$11,772,622	\$4,838,548	\$16,611,170	\$17,534,143	170
16	\$13,774,343	\$5,661,255	\$19,435,598	\$20,515,506	199
17	\$11,945,528	\$4,909,612	\$16,855,140	\$17,791,669	172
18	\$11,554,345	\$4,748,836	\$16,303,181	\$17,209,041	167
19	\$6,765,538	\$2,780,636	\$9,546,174	\$10,076,592	98
20	\$5,002,407	\$2,055,989	\$7,058,396	\$7,450,585	72
21	\$3,056,579	\$1,256,254	\$4,312,833	\$4,552,469	44
22	\$3,803,825	\$1,563,372	\$5,367,197	\$5,665,417	55
23	\$7,365,665	\$3,027,288	\$10,392,953	\$10,970,421	106
24	\$2,821,973	\$1,159,831	\$3,981,803	\$4,203,046	41
25	\$3,928,509	\$1,614,617	\$5,543,126	\$5,851,121	57
26	\$1,891,600	\$777,448	\$2,669,048	\$2,817,349	27
27	\$1,188,583	\$488,508	\$1,677,091	\$1,770,276	17
28	\$4,468,352	\$1,836,493	\$6,304,845	\$6,655,163	65
29	\$6,199,893	\$2,548,156	\$8,748,049	\$9,234,121	89
30	\$12,961,904	\$5,327,343	\$18,289,247	\$19,305,460	187
31	\$5,378,613	\$2,210,610	\$7,589,223	\$8,010,906	78
32	\$1,970,560	\$809,900	\$2,780,460	\$2,934,952	28
33	\$4,277,033	\$1,757,861	\$6,034,894	\$6,370,213	62

TABLE 17: TOTAL 2006 OP&F DIRECT AND INDIRECT IMPACT ON EARNINGS, ECONOMIC OUTPUT AND EMPLOYMENT IN OHIO'S ECONOMY, BY HOUSE DISTRICT—DISTRICTS 34-75

House District	Total Net Cash Benefits*	Indirect Impact on Earnings	Total Impact on Earnings	Total Output Impact	Total Employment Impact
34	\$7,114,047	\$2,923,873	\$10,037,920	\$10,595,662	103
35	\$3,324,727	\$1,366,463	\$4,691,190	\$4,951,848	48
36	\$6,432,031	\$2,643,565	\$9,075,596	\$9,579,867	93
37	\$6,133,325	\$2,520,797	\$8,654,122	\$9,134,974	89
38	\$6,107,954	\$2,510,369	\$8,618,323	\$9,097,187	88
39	\$2,806,241	\$1,153,365	\$3,959,606	\$4,179,615	41
40	\$4,394,653	\$1,806,202	\$6,200,855	\$6,545,396	63
41	\$7,811,697	\$3,210,607	\$11,022,304	\$11,634,742	113
42	\$5,612,801	\$2,306,861	\$7,919,662	\$8,359,706	81
43	\$7,435,863	\$3,056,140	\$10,492,003	\$11,074,974	107
44	\$2,686,822	\$1,104,284	\$3,791,106	\$4,001,753	39
45	\$5,666,043	\$2,328,744	\$7,994,787	\$8,439,004	82
46	\$6,743,354	\$2,771,518	\$9,514,872	\$10,043,551	97
47	\$6,550,472	\$2,692,244	\$9,242,715	\$9,756,272	95
48	\$2,927,593	\$1,203,241	\$4,130,834	\$4,360,357	42
49	\$8,875,544	\$3,647,848	\$12,523,392	\$13,219,234	128
50	\$4,363,005	\$1,793,195	\$6,156,200	\$6,498,260	63
51	\$4,711,235	\$1,936,318	\$6,647,553	\$7,016,913	68
52	\$2,936,366	\$1,206,846	\$4,143,212	\$4,373,424	42
53	\$4,971,126	\$2,043,133	\$7,014,259	\$7,403,995	72
54	\$5,697,087	\$2,341,503	\$8,038,590	\$8,485,241	82
55	\$2,868,181	\$1,178,822	\$4,047,003	\$4,271,869	41
56	\$5,311,672	\$2,183,097	\$7,494,769	\$7,911,204	77
57	\$9,098,689	\$3,739,561	\$12,838,250	\$13,551,587	131
58	\$4,282,956	\$1,760,295	\$6,043,250	\$6,379,034	62
59	\$3,998,826	\$1,643,517	\$5,642,343	\$5,955,851	58
60	\$5,435,918	\$2,234,162	\$7,670,080	\$8,096,256	78
61	\$2,957,164	\$1,215,394	\$4,172,558	\$4,404,400	43
62	\$11,080,801	\$4,554,209	\$15,635,010	\$16,503,745	160
63	\$8,476,655	\$3,483,905	\$11,960,560	\$12,625,130	122
64	\$3,002,099	\$1,233,863	\$4,235,962	\$4,471,326	43
65	\$3,536,984	\$1,453,700	\$4,990,684	\$5,267,983	51
66	\$2,583,125	\$1,061,664	\$3,644,789	\$3,847,306	37
67	\$3,617,431	\$1,486,764	\$5,104,195	\$5,387,802	52
68	\$3,599,556	\$1,479,418	\$5,078,974	\$5,361,179	52
69	\$7,489,202	\$3,078,062	\$10,567,264	\$11,154,417	108
70	\$5,151,940	\$2,117,447	\$7,269,387	\$7,673,299	74
71	\$4,971,586	\$2,043,322	\$7,014,908	\$7,404,680	72
72	\$4,523,038	\$1,858,969	\$6,382,007	\$6,736,613	65
73	\$3,864,324	\$1,588,237	\$5,452,561	\$5,755,524	56
74	\$1,621,007	\$666,234	\$2,287,241	\$2,414,328	23
75	\$1,269,075	\$521,590	\$1,790,665	\$1,890,160	18

Total Economic Impact of OP&F in 2006

TABLE 17: TOTAL 2006 OP&F DIRECT AND INDIRECT IMPACT ON EARNINGS, ECONOMIC OUTPUT AND EMPLOYMENT IN OHIO'S ECONOMY, BY HOUSE DISTRICT—DISTRICTS 76-99

House District	Total Net Cash Benefits*	Indirect Impact on Earnings	Total Impact on Earnings	Total Output Impact	Total Employment Impact
76	\$2,985,712	\$1,227,127	\$4,212,839	\$4,446,919	43
77	\$2,528,637	\$1,039,270	\$3,567,907	\$3,766,152	37
78	\$3,132,352	\$1,287,397	\$4,419,749	\$4,665,325	45
79	\$4,073,510	\$1,674,213	\$5,747,723	\$6,067,086	59
80	\$5,522,870	\$2,269,900	\$7,792,770	\$8,225,763	80
81	\$3,551,612	\$1,459,713	\$5,011,325	\$5,289,771	51
82	\$3,041,606	\$1,250,100	\$4,291,706	\$4,530,168	44
83	\$4,096,883	\$1,683,819	\$5,780,702	\$6,101,898	59
84	\$5,355,126	\$2,200,957	\$7,556,082	\$7,975,924	77
85	\$4,012,432	\$1,649,110	\$5,661,542	\$5,976,116	58
86	\$1,963,992	\$807,201	\$2,771,193	\$2,925,170	28
87	\$1,363,666	\$560,467	\$1,924,133	\$2,031,044	20
88	\$2,593,874	\$1,066,082	\$3,659,956	\$3,863,316	37
89	\$2,678,416	\$1,100,829	\$3,779,245	\$3,989,233	39
90	\$3,452,458	\$1,418,960	\$4,871,418	\$5,142,091	50
91	\$4,261,035	\$1,751,285	\$6,012,320	\$6,346,386	62
92	\$1,603,276	\$658,946	\$2,262,222	\$2,387,919	23
93	\$2,866,680	\$1,178,205	\$4,044,885	\$4,269,633	41
94	\$2,352,228	\$966,766	\$3,318,994	\$3,503,408	34
95	\$2,624,976	\$1,078,865	\$3,703,841	\$3,909,639	38
96	\$2,191,122	\$900,551	\$3,091,672	\$3,263,456	32
97	\$2,851,384	\$1,171,919	\$4,023,303	\$4,246,851	41
98	\$8,171,968	\$3,358,679	\$11,530,647	\$12,171,329	118
99	\$3,595,215	\$1,477,633	\$5,072,848	\$5,354,713	52
House District Total	\$474,364,002	\$194,963,605	\$669,327,606	\$706,517,744	6,847
Non-House District Total	\$26,407,572	\$10,853,512	\$37,261,084	\$39,331,437	237
State Total	\$500,771,573	\$205,817,117	\$706,588,690	\$745,849,181	7,084

* "Net Cash Benefits" includes pension payments to OP&F retirees and survivors as well as DROP withdrawals.



Conclusion

Summary of Findings and Conclusion

Ohio
Police
& Fire pension
Fund

SUMMARY OF FINDINGS AND CONCLUSION

OP&F makes a significant impact on Ohio's statewide economy and in individual legislative districts where retirees live. The fund pumps more than half a billion dollars a year into the Ohio economy through direct cash benefits. However, the total impact is significantly more than that, as beneficiaries spend their pension benefits close to home, generating additional economic activity. When indirect benefits are included, the total economic impact of payments to OP&F members in 2006 was nearly \$746 million.

The total impact of pension benefits across the state in 2006 also included more than 11,000 jobs that would not exist if it weren't for OP&F. These jobs are made possible through the spending of pension benefits in the neighborhoods, villages and cities throughout the state where retirees, dependents and survivors live.

In other words, OP&F's contributions, both direct and indirect, represent a sizable return on investment for the taxpayers of Ohio.

OP&F continues to build a strong investment portfolio, managing an asset mix that has allowed it to outperform its peer group consistently. While the fund's current financial strength is not in question, the road ahead presents a number of challenges.

The fund pumps more than half a billion dollars a year into the statewide economy through direct cash benefits. The total economic impact of payments to OP&F members in 2006 was nearly \$746 million. Overall, OP&F activity resulted in more than \$1.1 billion in economic output in 2006 and 11,059 jobs.

As noted, benefit obligations are larger than cash contributions into the fund, a trend that began in 1987. The largest area of revenue growth remains the investment and securities area, making wise investment strategies increasingly important.

While OP&F investment earnings have been generally strong, markets are unpredictable, as evidenced in the downturn experienced by all public pension funds in 2000, 2001 and 2002. Meeting the state's 30-year funding mandate may require not just good portfolio management, but wise decisions by members of the Ohio General Assembly.

To meet these challenges, OP&F has taken significant steps in areas over which it has authority, namely healthcare programs. It has proposed changes in areas controlled by the General Assembly, including an increase in member contributions to 12 percent from the current 10 percent over five years; raising the employer contribution for police officers to 24 percent, the level now paid by fire employers; and capping reimbursements made to retirees for Medicare Part B coverage.

So, while it is clear that OP&F makes far-reaching economic contributions to the entire state—and not just to OP&F members, but all Ohioans—it will take a collaborative effort between OP&F and state policy-makers to ensure OP&F's continued effectiveness in the future.