The Economic Climate and OPRS
What It Means For You

Dear Residents, Employees and Friends:

Most of us are concerned about the current economic climate and how it might affect us personally, as well as our family and friends. This is normal at this time of uncertainty.

As an organization, Ohio Presbyterian Retirement Services (OPRS) is also concerned about the effect the world’s financial circumstances will have on our residents, clients, and employees.

To address concerns resulting from the economic downturn, we present the following “Questions and Answers” to share how OPRS is addressing problems resulting from the economic situation, and what we are doing to assure that our quality, our stewardship, and our mission are sustained. We will also share some of what OPRS is doing to minimize the effects of the current financial downturn on the individuals served by our organization.

OPRS believes in providing forthright answers to your questions. Please contact your local staff or corporate office leadership with any questions or concerns.

Sincerely,

Frederick C. Smith, III  David J. Kaasa
Chair, OPRS Board of Directors  President/CEO, OPRS

March 2009
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What is the organization’s current financial position and outlook on OPRS?

OPRS maintains an investment grade “BBB” (Triple B) bond rating on its outstanding bonds based solely on Standard & Poor’s (S&P). This strong rating outlook resulted since our first rating in 2002 — was recently reaffirmed in an annual review and overview by S&P. OPRS continues to operate better than budget relative to its 10-year Revenue Voucher Expenditures. All payments of invoices, collection of accounts, and processing of payroll continue to be timely and on budget.

What about OPRS’s investments?

OPRS is keeping a close watch on its investments, which — as with most other organizations around the country and the world — are invested in the financial market’s lair. While our performance is not as good as we would like, our investment policies and protocols — established long before the current financial crisis — have mitigated our losses.

One of the many significant responsibilities of our Foundation is coordinating the management of OPRS’s financial assets. The OPRS Foundation Board of Directors and a third-party investment advisor acclimate the strategy and performance of our funds constantly. This oversight serves to identify and mitigate, where possible, future effects of the continuing Wall Street turmoil on our investments. In order to effectively carry out its duty and facilitate necessary feedback, the OPRS Foundation continues to adhere to its long-standing investment practices.

1. Investment Policies: These policies set guidelines that define acceptable investment returns, the mix of investments on a percentage basis (such as 40% equity, 40% fixed income, and 20% cash), and clarify the degree of risk. OPRS will invest for the long-term. We have been served well by avoiding many of the “mistakes” investment advisors that have been so popular over the last few years. Adapting an investment philosophy that combines capital appreciation strategies has proven beneficial in the past, and will prove attractive to our growth and stability in the future.

2. Investment Committee: This Committee of the OPRS Foundation’s board is specifically charged with reviewing and monitoring the organization’s investments and earnings. This Committee meets at least quarterly with the President’s (CEO) Chief Financial Officer, investment managers, and a third party investment advisor. This advisor oversees the investment performance and recommendations of the investment managers. We believe this prudent stewardship of invested funds, which in many cases have been entrusted to us by our donors, is critical to the long financial strength of OPRS.

The Board of Directors and staff continues to work to protect the integrity of our organization’s endowment funds. As an example, most recently the committee took action to reduce the annual payout percentage from 5% to 4.5% to protect the principle of our endowment.

Given its importance to our organization, how is the state’s overall economy?

As of the date of this letter, our census remains strong. For calendar year 2008, OPRS averaged nearly 94% occupancy across its 300-bed facility and more than 12% of all private pay residents. The problems continue for many of the assisted living residents in independent apartment-type settings. Unlike OPRS, don’t have the benefits of a full continuum of care and high survey scores in their operations.

Having said this, the housing market has indeed affected us, especially independent living. We have many residents who either for economic reasons or because they are not supported as they might not be able to sell their homes. We continue to look at creative ways to help people make the move to OPRS.

What are OPRS’s current strategies to manage expenses and ensure the safety of residents?

We continually monitor in government reimbursement programs, specifically Medicaid and Medicare — programs that have the most effect on OPRS. We do not expect, an increase in Medicaid reimbursement for nursing home payments this upcoming year. In fact, Governor Strickland has proposed a budget that raises 7% per year/ per person, which would significantly impact our budget for 2009-2010.

The true impact to our financial operations will depend on the combined effect of the State’s final budget package and the President’s recently enacted stimulus package, which did include some support for the state’s Medicaid programs.

Moving forward at this time, we must weigh any extra costs and keep within any reimbursement decrease in reimbursement rates.

What is OPRS doing to manage expenses and ensure the safety of residents and clients as low as possible?

OPRS is an active leader in the development of regional, state, and national group purchasing initiatives, which result in significant savings to OPRS in operational and administrative expenses. We also participate in similar programs with our national association (AALDA), state association (OAP/AA), and in a national purchasing alliance in Cincinnati, in which OPRS participates and serves on the board of directors.

2. OPRS has established a staffed and productivity standards that ensures that (and infeasible) best practices from around the state and country, as well as operating within governmental-established standards and mandates.

3. During our annual budget process, which begins in late February, the strategic plan is carefully evaluated to ensure that we budget only what we truly need to guarantee the delivery of our programs and services.

4. One of the current economic situations is that our efforts to keep expenses down are working, asked by the lowest in at least in recent years. As a not-for-profit organization, OPRS continually scrutinizes in expenditures, a standard operating procedure that will help us all in the future.

5. Due to the above actions OPRS has taken, in most cases resident rate increases are likely to be the same or less than last year’s increases. We believe that the ability to provide for increases for residents who want their families to retain the best possible staff.

What is OPRS doing to ensure adequate services for residents and clients?

OPRS has initiated several means to ensure that the organization is run in an ethical and responsible manner. These measures include:

1. Careful oversight of our operations and expenses by the board of directors, which continues at all times. These groups, in addition to other local leadership volunteers (marketing/300 (utilization/study) and all of the many volunteers.

2. A Corporate Compliance Officer, a board committee and staff committee — each of the requirements of our organization’s board, which will ensure that all residents associated with OPRS constantly operate in an ethical manner. We also have a full-time, non-resident advocate hotline, annual ethics audits, and regular compliance training for staff and volunteers alike.

3. Regular satisfaction surveys that ask for employee perceptions of the organization’s ethics and practices.

4. “A transparency of information and operations throughout the company that enables any employee, resident, or family member to get answers to any question they may have regarding the organization’s efforts to provide for increases in wages for employees to ensure the ability to recruit and retain the best possible staff.

What is OPRS doing to maintain the quality of care?

1. Our quality standards have not changed, will not change, and will continue to be met by all staff at all times.

2. Both local and corporate Quality Assurance Committee meet monthly and are quick to take action if quality is diminished.

As it has been since 1926, we believe that our employees are the key to providing consistent quality care. So, while financial situations may be troubling, the efforts of our staff will always be uncompromised.

4. Investments of time and money continue to be made in providing employees and supervisor training, targeted and effective compensation and benefits programs, and employee recognition and incentive systems.

5. Resident, client, and employee satisfaction surveys, which are a true reflection of the quality of care, continue to be very positive.

Have gifts and donations to OPRS been hurt by the economy?

As with most not-for-profit organizations, the OPRS Foundation is experiencing a reduction in the number and size of gifts, although the first half of Fiscal Year 09 net margin for our overall dollar gains. Another noticeable-effect of the economy is that many potential donors are choosing to defer gift decisions as they consider philanthropic impulse. The OPRS Foundation continues to carry out overall fundraising programs and seek out new opportunities that can help donors partner with OPRS to provide programs and services. We continue to be appreciative of donors, past and present, who support our efforts.

What are the economic problems affecting the quality of care?

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4. One of the current economic situations is that our efforts to keep expenses down are working, asked by the lowest in at least in recent years. As a not-for-profit organization, OPRS continually scrutinizes in expenditures, a standard operating procedure that will help us all in the future.

5. Due to the above actions OPRS has taken, in most cases resident rate increases are likely to be the same or less than last year’s increases. We believe that the ability to provide for increases for residents who want their families to retain the best possible staff.

What is OPRS doing to ensure adequate services for residents and clients?

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1. Careful oversight of our operations and expenses by the board of directors, which continues at all times. These groups, in addition to other local leadership volunteers (marketing/300 (utilization/study) and all of the many volunteers.

2. A Corporate Compliance Officer, a board committee and staff committee — each of the requirements of our organization’s board, which will ensure that all residents associated with OPRS constantly operate in an ethical manner. We also have a full-time, non-resident advocate hotline, annual ethics audits, and regular compliance training for staff and volunteers alike.

3. Regular satisfaction surveys that ask for employee perceptions of the organization’s ethics and practices.

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What is the organization's current financial position as of the OPM?

We continually monitor changes in government reimbursement programs, specifically Medicaid and Medicare, for their impact on the organization’s investments and earnings. This Committee also meets regularly with the OPRF President/CFO, Chief Financial Officer; investment managers, and a third-party investment advisor. This advisor assists the investment performance and recommendations of the investment managers. This report provides a prudent stewardship of invested funds, which in many cases have been entrusted to us by our residents, in particular the long-term financial strength of OPRF.

Our organization now continously strives to protect the integrity of our organization’s endowment funds. As an example, most recently the committee took action recently to reduce the annual payout rate from 5% to 4% to protect the principle of our endowment.

What is OPRF doing to manage expenses and not be too far in residents and clients law as possible?

OPRF is an active leader in the development of regional, national, and state group purchasing initiatives, which result in significant savings to OPRF in operational and administrative expenses. We also participate in similar programs with our national association (AALSA), state association (OPFA), and in a regional purchasing alliance in Cincinnati, in which OPRF participates and serves on the board of directors.

Are changes in Medicaid and Medicare service levels impacting OPRF?

In recent years, OPRF has initiated several measures to ensure that the organization is run in an ethical and responsible manner. These measures include:

1. Careful oversight of our operations and expenses by the board of directors, which continues at all times. These groups, in addition to other local leadership volunteers (marketing over 350 volunteers and staff) and all affecting the many

2. A Corporate Compliance Officer, a board committee and staff committee - each under the oversight of the organization’s board of directors - who are all dedicated to ensuring everyone associated with OPRF consistently operates in an ethical manner. We also have a full-time, in-house ethics hotline; annual ethics audits; and regular compliance training for staff and volunteers alike.

3. Regular satisfaction surveys that ask for employee perceptions of the organization’s ethics and practices.

4. A ‘transparency” of information and operations throughout the company that enables any employee, resident, client, or family member to get answers to any questions they may have about us in order to strive to provide more wage increases for employees to ensure our ability to recruit and retain the best possible staff

5. To the above actions OPRF has taken, in most cost resident rate increases are likely to be the same or even lower than last year’s increase. We will continue to strive to provide more wage increases for employees to ensure our ability to recruit and retain the best possible staff

6. The OPRF Foundation is operating over 350 volunteers and staff and all affecting the many

7. Annual audits of financial reports by Ernst & Young.

March 2009

What is OPRF doing to manage expenses and not be too far in residents and clients

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3. As it has been since 1922, we believe that we employees are to the key for providing consistent quality care. So, while financial situations may be troubling, the efforts of our staff will not be compromised.

4. Investments of time and money continue to be made in providing employee and supervising targeted and effective compensation and benefits programs, and employee recognition and retention initiatives.

5. Resident, client, and employee satisfaction surveys, which are a true test of the quality of care, continue to be very positive.

6. Economic problems affecting the quality of care?

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Wall Street turmoil on our investments. In order to constantly. This overview serves to identify and OPRS’ financial assets. The OPRS Foundation Board One of the many significant responsibilities of our Foundation is coordinating the management of OPRS’ financial assets. The OPRS Foundation Board of Directors and a third party investment advisor activity and performance of our funds constantly. This overview serves to identify and mitigate, where possible, future effects of the continuing Wall Street turmoil on our investments. In order to effectively carry out this duty and facilitate responsivity. The OPRS Foundation continues to adhere to its long-standing investment practices:

2. Investment Policies: These policies not guidelines that define definite investment norms. This mix of investments on a percentage basis (such as 40% equity, 40% fixed income and 20% cash), and clarify the degree of investment risk that OPRS is willing to accept. We have been served by avoiding many of the “niche” investment vehicles that have been so popular over the last few years. Adapting an investment philosophy that combines cautious with appropriate exposure has proven beneficial in the past, and will prove appropriate for our growth and stability in the future.

3. Investment Committee: This Committee of the OPRS Foundation’s board is specifically charged with the review and oversight of the organization’s investments and earnings. This Committee meets quarterly and is comprised of the OPRS President/CEO, Chief Financial Officer, investment managers, and a third party investment advisor. This advisor reviews the investment performance and recommendations of the investment managers. We believe this prudent stewardship of invested funds, which in many cases have been entrusted to us by our residents, is critical to the long financial strengths of OPRS.

The OPRS Foundation Board of Directors continue to work to protect the integrity of our organization’s endowments. As an example, most recently the committee took action to increase the annual pledge rate from 5% to 4% to protect the principal of our endowment.

Given its importance to our organization, how is the statewide census?

As of the date of this letter, our census remains strong for calendar year 2008. OPRS averaged nearly 9/08 occupancy and average of the current year-on-year change in our resident community around the country are faring better than many of the mainstream nursing homes, whose census is averaging below 80% in Ohio. The problems continue for many of the assisted living residents therefore, independent living adults are not unique, our facilities do not benefit from a full continuum of care to help in their operations.

Having said this, the housing market has indeed affected us, especially independent living. We have many residents who are interested in our independent living community, but unlike OPRS, don’t have the benefit of a full continuum of care to help in their operations.

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To address concerns resulting from the economic downturn, we present the following “Questions and Answers” to share how OPRS is addressing problems resulting from the economic situation, and what we are doing to assure that our quality, our stewardship, and our mission are sustained. We will also share some of what OPRS is doing to minimize the effects of the current financial downturn on the individuals served by our organization.

OPRS believes in providing forthright answers to your questions. Please contact your local staff or corporate office leadership with any questions or concerns.

Sincerely,

Frederick C. Smith, III
President/CEO, OPRS

Chair, OPRS Board of Directors

March 2009
**Is the Life Care Commitment at risk?**

It’s logical to wonder about the effect this economy may have on the OPRS Life Care Commitment. However, it’s important to remember that OPRS has lived up to this commitment since 1922. In fact, Life Care has weathered several periods of economic turbulence throughout its 87 years of existence—^including the Great Depression. Life Care is a core element of the OPRS mission, one that we will always take great measures to protect.

**Is OPRS still expanding?**

Yes, to an extent. Questioning the need for continued growth on OPRS campuses, including the addition of new facilities and/or the renovation of existing facilities, always appears during economic declines and tough financial times.

OPRS regularly evaluates the need for new and replacement facilities, and related capital expenditures, as a part of its annual Long Range Financial Planning process. This exercise was just completed for Fiscal Years 2010-2014. This year’s planning resulted in the possibility of future campus expansions during the years 2010-2014. Corporate leadership integrates the needs identified by each of its local campuses into a financially feasible plan that meets the performance and stability standards established by the board of directors. Some things that you should know about our current plans are:

1. OPRS is focusing on meeting existing market demand. For example, additional independent living facilities are in development at a location close to Buckhart Village, where there was as much as a ten-year wait for apartments or ranch homes.
2. OPRS has seen a financial benefit from lower than estimated bids on some of the construction projects that have moved forward.
3. We have in fact delayed some of our expansion plans in deference to the current economic situation and the slowdown in the real estate market. This fact was recognized as a positive in Standard & Poor’s recent affirmation of OPRS BBB bond rating.
4. We have improved our financial strength by diversifying our products and consumer markets. This allows us to expand the OPRS mission of service to older adults beyond the area we currently serve.
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6. OPRS places a great importance on keeping our locations modern, attractive, and marketable. By doing so, we continue to attract individuals to our campuses and maintain our strong census numbers. This is critically important with the ongoing wave of “baby boomers” who are now beginning to retire, and who will increase the demand for our services dramatically in the coming decades.

To address concerns resulting from the economic downturn, we present the following “Questions and Answers” to share how OPRS is addressing problems resulting from the current financial downturn on the individuals served by our organization.

OPRS is dedicated to providing for older adults. This means we will always take great measures to protect and serve our residents, employees, and others in our communities.