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MEMBER'S REPORT

The quarterly newsletter for active and retired OP&F members and their survivors

Ohio Police & Fire Pension Fund

MESSAGE FROM THE EXECUTIVE DIRECTOR: TESTIMONY BEGINS FOR HOUSE BILL 512; PLEASE CONTACT YOUR ELECTED REPRESENTATIVES

Mary Beth Foley, Esq.

Dear Members,

Our voices are being heard at the Statehouse. House Bill 512 received two hearings in March that allowed bill sponsors and then proponents of the legislation to testify and answer questions in front of the House Insurance Committee. However, it is a long road to achieve what we want – an updated pension contribution formula for employers.

House Bill 512 seeks to modernize the contribution amounts from employers which has not been changed since 1986. If passed, it would increase what employers pay into OP&F to fund current and future pension obligations. We are asking for an incremental increase of 1.4 percent annually for five years for police employers, and just 0.5 percent per year for fire employers for five years. These increases would pull us even with what the State of Ohio contributes to the pensions for the State Highway Patrol.

The next round of hearings will be from opponents to House Bill 512. It is more important now that your elected representatives hear from our members. Please call, write or email your representatives in support of House Bill 512.

This type of grass roots support makes a difference. Contact information for your representative can be found online at: ohiohouse.gov.

The bill is co-sponsored by Representatives Cindy Abrams and Brian Baldridge and if enacted will improve OP&F's long-term funding outlook and protect pensions for future retirees. Pressures like increased early retirements, difficulty recruiting first responders (which limits payroll growth) coupled with lower capital market assumptions on investments, are expected to create future challenges.

The bill has the support of the OP&F Board of Trustees along with the Fraternal Order of Police of Ohio, the Ohio Association of Professional Firefighters, the Ohio Patrolmen's Benevolent Association and the Northern Ohio Firefighters Association.

We are united with these groups in addressing the disparity that exists in our fund.

Sincerely,

Mary Beth Foley

Mary Beth Foley, Esq.
Executive Director

Public safety personnel join legislative representatives and OP&F Executive Director Mary Beth Foley for testimony in support of House Bill 512.

WHAT'S INSIDE...

OP&F LOWERS FUTURE INVESTMENT RETURN EXPECTATIONS

On Feb. 23, OP&F trustees unanimously voted to lower the assumed rate of return for investment portfolio to 7.5 percent annually. The previous rate was 8.0 percent, which is what had been for more than four years.

While a 0.5 percent change in the expected return for investments may not seem significant, consider that the expectation is one of the assumptions OP&F uses to measure long term funding and determine the strength of the pension fund.

The previous assumed rate of 8.0 percent has been appropriate until now and it was a rate OP&F has been able to achieve. However, trustees and staff realized a change may be required. After a detailed presentation from our investment advisors during the February Board of Trustees meeting, the Board agreed that future capital market assumptions for the five, 10 and 30-year periods do not support the 8.0 assumed rate.

OP&F's assumed rate of return was the highest in the country among our public pension fund peers. In recent years our consultants have shown us a path to reach the 8.0 percent target, and with expertise from them and our staff, we have been able to meet or out-perform this target. However, reports from these trusted independent investment advisors now indicate that future expected returns will not support an 8.0 percent rate.

Currently, OP&F is in compliance with Ohio's 30-year funding requirement, which requires that OP&F pay off all unfunded liabilities within a maximum of 30 years. The last actuarial study (as of Jan. 1, 2021), showed that the funding period is 25 years. However, moving to an assumed rate of 7.5 percent will very likely increase the funding period beyond 30 years.

How much over the required 30 years will not be known until the next actuarial study, which is due this fall. Many additional actuarial assumptions are considered when calculating the funding period, not just expected investment returns. Our independent actuaries will evaluate all the appropriate assumptions in our five-year review, also due this fall. These will include expected retirements, new hires, benefit payments, member payroll growth, longevity and COLAs, just to name a few.

Results of this study is one reason why we have reached out to legislators and asked them to increase the employer contribution rate to OP&F. The employer rate has been unchanged since 1986. Our efforts have resulted in House Bill 512, introduced late last year.

2021 INVESTMENT RETURNS ABOVE EXPECTATIONS

Despite disruptions caused by the ongoing pandemic, investment returns for the OP&F portfolio were better than expected. OP&F's independent investment consultant reported during the February Board of Trustees meeting that the total portfolio's return was a net 19.6 percent during the calendar year. The year-end value of the portfolio was $19.4 billion. The expected return for the portfolio was 8.0 percent for 2021. However, due to capital market assumptions, OP&F has lowered its expected return to 7.5 percent going forward.

PORTFOLIO *-update-*

OP&F's Investment Portfolio Value	As of April 26:	End of March value:	End of February value:
	$18.1 billion	**$19.0 billion**	**$19.0 billion**

** values may be internally estimated*

SECURE ACT 2.0 MOVES THROUGH U.S. HOUSE

The U.S. House of Representatives has passed a bill that will improve the retirement savings system for U.S. workers, moving it closer to becoming law.

The Securing a Strong Retirement Act, H.R. 2954, also called the SECURE Act 2.0, was approved March 29 with a bipartisan vote of 414-5. Now, the legislation heads to the Senate. Final negotiations between the House and Senate on SECURE 2.0 may not occur until the end of the calendar year or at the end of the Congress as part of a lame-duck session.

The bill builds on the first SECURE Act, which was passed in 2019. In 2021, the House Ways and Means Committee approved the bill in a unanimous vote.

Several provisions would affect retirement plans sponsored by state and local governments or their participants, such as the following:

- Exclude from tax certain disability payments for first responders; Increase the age trigger for Required Minimum Distributions from defined benefit and defined contribution plans incrementally to age 75 by 2032;
- Provide additional flexibility for plan fiduciaries when seeking to recoup inadvertent retirement plan overpayments;
- Allow employer matching contributions on account of student loan payments for 457(b), 403(b), and 401(k) plans;
- Eliminate the first day-of-the-month rule for 457(b) plans to provide more flexibility to participants to make changes in elective deferral amounts;
- Increase the annual limits on catch-up contributions to $10,000 for those age 62-64 for 457(b), 403(b), and 401(k) plans;
- Require the Roth method for catch-up contributions, i.e. contributions must be made with after-tax dollars, for the plans listed above; and
- Allow participants to elect to have employer matching contributions made as Roth contributions.

HELPS RETIREES IMPROVEMENT ACT INTRODUCED

On March 24, H.R. 7203, the Wally Bunker Healthcare Enhancement for Local Public Safety (HELPS) Retirees Improvement Act of 2022 was introduced in the U.S. House of Representatives. The legislation allows retired public safety officers to receive relief on their annual tax returns for their health care insurance premiums even if they went through a third-party system. The legislation was introduced by Representatives Steve Chabot of Ohio and Abigail Spanberger of Virginia.

If enacted, this means OP&F retirees would once again be able to receive an income exclusion when preparing tax returns, as they were able to do when OP&F sponsored a retiree health care plan prior to 2019.

The HELPS Retirees Improvement Act would:

- Raise the tax credit from $3,000 to $6,000 to account for rising health care premiums.
- Ensure that stipends qualify for the income exclusion under section 402(I).
- Ensure that health insurance premiums, whether through the pension system or a third-party system, are tax deductible.
- Help alleviate the burden imposed on public pension plans of having to interact and coordinate with numerous insurance companies on behalf of the related public safety retiree.

In 2006, Congress enacted the HELPS Retirees Act, which provided a tax benefit to help retired public safety officers with the cost of health insurance by allowing the use, on a pre-tax basis, of up to $3,000 annually from their pension funds to pay for premiums on health care insurance. This legislation addresses the issue faced by many public safety officers who are ineligible or lost their eligibility for this benefit because of the law's requirement that the public pension system must pay the health insurance company. This legislation would remove this requirement and allow all retired public employees to take advantage of this benefit, and increase the pre-tax amount from $3,000 to $6,000 per year.

KEEP THESE IMPORTANT NOTES IN MIND WHEN YOU BECOME ELIGIBLE FOR THE HEALTH CARE STIPEND

There are several things in mind when you become eligible for the OP&F health care stipend. The first to thing to consider is what category you fit into – Medicare eligible or pre-Medicare (generally under age 65).

For retirees not yet eligible for Medicare:
If you are not yet eligible for Medicare, to use the OP&F health care stipend you must select a qualified health plan and become enrolled within 60 days of a qualified life event (QLE). A common QLE is the involuntary loss of group health care coverage, which usually happens when a member or spouse retires or becomes unemployed and their employer's plan is no longer available. Other QLE's include becoming eligible for Medicare, moving, or a change in family status.

Members must enroll in a major medical qualified health plan accredited by the Affordable Care Act (ACA). These plans must have the 10 essential benefits (listed at healthcare.gov); must follow the ACA requirements and cover pre-existing conditions. It is important that you research the website of health care plan you are choosing to ensure the plan is ACA accredited.

If you are pre-Medicare and do not enroll through eHealth (who works with our health care partner Aon/Alight to enroll members), you must first provide OP&F proof of coverage to use the stipend (an invoice from the carrier that provides the effective date and all persons covered and a copy of the insurance card).

For newly eligible retirees, the stipend is available to use if you plan on continuing with your employer's plan through COBRA. Also, Tricare is a stipend-eligible plan.

Group health care plans are not stipend eligible, including a group plan your spouse may be eligible for through their employer. Other plans not regulated as insurance are not stipend eligible, such as, Christian health care ministry sharing plans, short term plans, direct primary plans (membership fee plan), and Farm Bureau plans. A spouse's employer, COBRA, Veteran's Administration plan or retirement plan are not stipend eligible plans.

Participants may not receive both the Federal subsidy and the OP&F stipend, you must choose one or the other.

When a Pre-Medicare retiree ages into Medicare and is not enrolled through eHealth with their pre-Medicare plan, they will need to go online or contact Aon/Alight to stop the auto-premium reimbursement of their pre-Medicare plan.

If you are already in Medicare:
For OP&F members already eligible for Medicare, you and any dependents who are Medicare eligible must be enrolled and maintain enrollment in a plan through Aon/Alight to receive the stipend. You must be enrolled through Aon/Alight within 60 days of a QLE to be eligible for the stipend.

Please contact Aon/Alight directly at 844-290-3674 before enrolling in a new or different carrier plan. You can change plans at annual enrollment, however, you must go through Aon/Alight for that change. Do not make the change through the carrier or it will affect your stipend eligibility.

AON TO RE-BRAND TO ALIGHT THIS SPRING

OP&F retirees will notice a new logo and color scheme when they visit the website that services their Health Reimbursement Arrangements or receive mailings. Aon Retiree Health Solutions will become Alight beginning in May.

alight

In 2021, Aon, who partnered with OP&F to provide retiree health care services, announced they were selling its Retiree Health Exchange business to Alight, who was already servicing the Health Reimbursement Arrangements for retirees eligible for the OP&F health care stipend. For OP&F members, the acquisition is expected to be seamless. All communication will still be co-branded with OP&F to avoid any confusion.

WEP LEGISLATION INTRODUCED AGAIN

The Equal Treatment of Public Servants Act of 2021 (H.R. 5834), was introduced in the U.S. House by Rep. Kevin Brady, R-TX, in November 2021. It is the latest bill that would provide financial relief to more than 1.9 million Social Security beneficiaries affected by the Windfall Elimination Provision (WEP).

Key provisions of the Equal Treatment of Public Servants Act:

- For individuals who are first eligible for Social Security benefits before 2023 (turning age 62 before 2023): Under the bill, individuals receiving WEP-reduced Social Security benefits based on their own work record would receive a payment of $100 per month. Meanwhile, spousal and child beneficiaries receiving a WEP-reduced Social Security benefit would receive a payment of $50 each month.
- For individuals who are first eligible for benefits between 2023 and 2060 (turning age 62 in 2023 through 2061): These individuals' WEP penalty would be subject to either a new formula created by the bill or the current formula, whichever is more beneficial. The new formula would calculate benefits based on the proportion of a worker's career earnings in Social Security-covered jobs to total earnings in covered and non-covered jobs.
- For individuals who are eligible for benefits starting in 2062 (age 21 and under in 2021): These individuals' WEP penalty would be calculated with the new formula only.

The current version of the WEP reduces the Social Security benefits of federal retirees and many state and local government retirees as well, including OP&F retirees who may also qualify for Social Security benefits.

Contact your Congressional representative or U.S. Senator to voice support for this legislation.

RUSSIAN DIVESTMENT UPDATE

OP&F continues in its divestment from Russia as quickly as possible while keeping with the fund's fiduciary duty, per a directive from the Board of Trustees.

Significant progress has been made to reduce OP&F's exposure to Russian investments. As of April 25, the overall exposure has decreased to $9.69 million (an 84 percent decrease from the original amount). The value of direct holdings in Russia remains $3.9 million. These markets have been frozen, so no additional change in value is expected until those markets re-open. Other funds may report this as a "zero" exposure. In an effort to be transparent, OP&F prefers to report the last known numbers.

Since the beginning of the Ukraine crisis, OP&F managers have been under a directive to not purchase any Russian holdings. OP&F continues to be responsible to our fiduciary duty, responsibly divesting these assets as opportunities arise.

TIPS FOR BEING FINANCIALLY SAFE AND SOUND

Just as you are dedicated to protecting others, you and your loved ones deserve to be safe in all ways, including financially. Here are five steps to protect your financial wellbeing and experience the peace of mind that comes from being financially secure.

1. Save cash for emergencies

You know that being prepared for emergencies is critical. To be financially ready for whatever life brings, save 3 – 6 months of expenses in an emergency fund. Get started with a $1,000 cash reserve as soon as possible. Sock away $80 per week to get there in 3 months. You can do it! Imagine having cash on hand for emergencies versus having to rely on credit cards.

2. Protect with insurance

You work hard to buy a home, furnishings, car and motorcycle. Be sure each valuable possession is insured at replacement value, not depreciated cost. Two ways you can keep premiums low: Work with one insurance company for all needs and choose a deductible of $500 or higher. Remember to add umbrella liability insurance, especially if you have teenage drivers and/or watercraft. Lastly, don't forget to insure your most valuable asset: You! Life insurance is essential especially considering your line of work.

3. Update your estate plan

Having your "affairs in order" is gift to your loved ones. This includes having three documents in place with the help of an estate plan attorney: Will, durable power of attorney and healthcare power of attorney. Be sure to update the beneficiaries on all life insurance and retirement accounts.

4. Safeguard your identity.

Beware of scammers that may try to hack into your confidential accounts and personal identity. Preventative steps include keeping log in and password information private, using complex passwords, avoiding unsecure internet connections, and monitoring your credit record. Keep an eye out for suspicious activity on bank accounts and credit cards and report trouble immediately.

5. Organize your records

Keep your financial paperwork in one secure place to simplify your financial life and make it accessible for loved ones.

Save and Spend With Purpose

Living paycheck to paycheck is stressful! Sometimes we forget that there's a better way: Live with a budget. Think of budgeting as giving every dollar a "job." Here's how to get started.

1. Know your basic household "run rate"

Total the cost for basic living needs such as the roof over your head (rent or mortgage and utilities), food on the table (groceries), wheels on the ground (public transportation, car, gas, maintenance), insurance protection (auto, home, liability, health, life), and minimum debt repayment. These expenses are "needs." They are typically easy to plan for since they are predictable and usually paid monthly.

Subtract total monthly basic expenses from monthly take home pay. The amount remaining is available for savings for other short and long-term goals.

2. Save for near term "wants"

Some expenses aren't essential but nice to have, like vacations, holidays and larger ticket purchases. Imagine having cash vs. credit cards for these expenses. To plan ahead, list each want and estimate the costs. Set aside cash from each paycheck to cover these expenses. When you save enough, go for it. If there's a shortfall, either wait longer or scale back.

3. Save and invest for long term goals

Planning ahead for your long-term financial freedom is important at every age. The sooner you save for your later years, the easier it is to be financially ready for retirement. Roth IRAs are an excellent way to save for longer term goals like retirement since money grows and can be distributed tax-free. For added flexibility, your contributions to and growth in a Roth IRA can be withdrawn before retirement if needed, without taxes or penalties once the account has been opened for at least 5 years. Roth IRAs are subject to income limits, so be sure to check with your tax advisor first.

BUDGETING YOUR HRA: UNDERSTAND THAT THE STIPEND MAY NOT LAST ALL YEAR

When OP&F and Aon fund a Health Reimbursement Arrangement for retirees, the total amount the member is eligible to receive is posted. While members eligible for the health care stipend program can use these funds to be reimbursed for approved expenses, they must also realize that the amount likely will not cover the cost of premiums for the entire calendar year.

OP&F urges members to track their expenses and be aware of what will be available to them later in the year. Aon, and their partners eHealth and YSA, can set up the auto-reimbursement program to only reimburse a portion of a plan's premium so that the stipend can last for the entire year. This type of payment plan could avoid the stipend from depleting and a member being faced with larger payments late in the year.

Also, members should be aware that if any stipend money remains in the Health Reimbursement Arrangement at the end of the year, it will not roll over to the next year.

THE BRIDGE FOR FIRST RESPONDERS

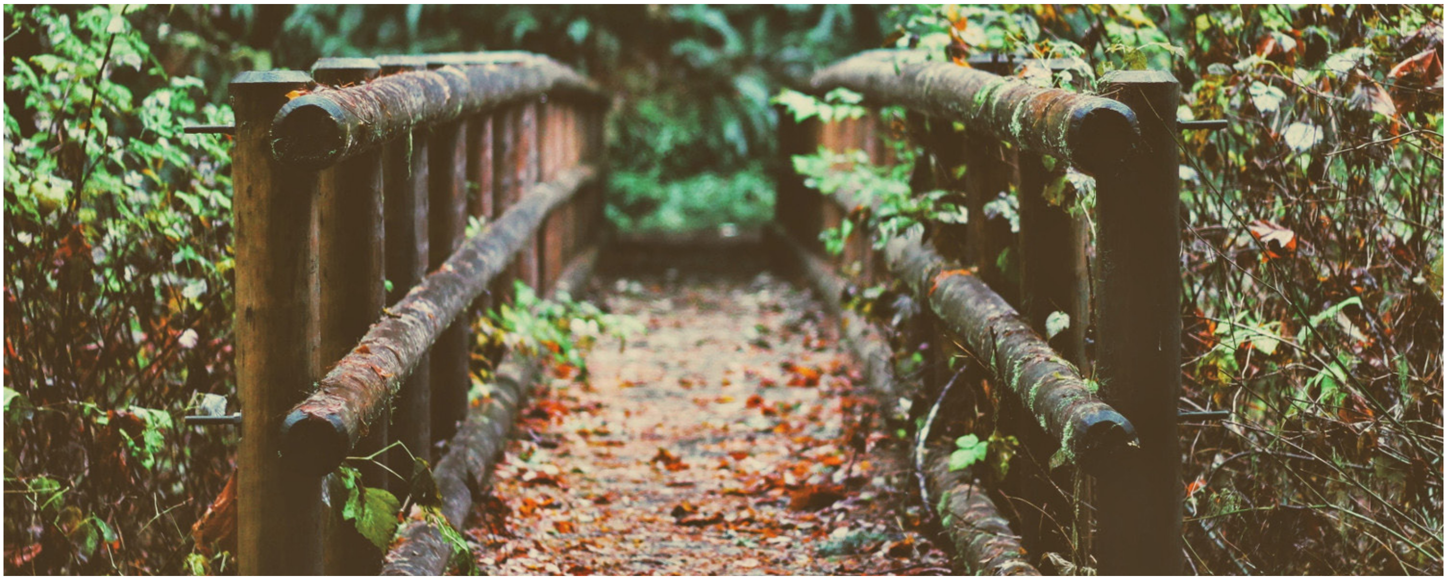
First Responders Bridge is a non-profit (501c3) comprised of first responders who have experienced first-hand the traumatic events associated with duty related crisis; licensed clinicians who have counseled numerous first responders, and business and community leaders who have the passion for helping first responders and their families.

The mission of First Responders Bridge is to support all active or retired first responders, dispatchers, and their family members or caregivers who are experiencing any traumatic or life altering event. They will work with these individuals or families to assist in personal growth to sustain healthy relationships with a multi-faceted approach within a safe and confidential environment.

First Responders Bridge provides a three-day, expense-free retreat for first responders, dispatchers and their family members or caregivers. Through this retreat, they aim to bring healing to those who need it. The retreat offers activities, peer speakers, clinicians and open discussions.

The costs associated to attend our retreats are paid for through donations provided by sponsors. These sponsors appreciate the sacrifices of these heroes who serve their communities every day.

To learn more about The Bridge and to see dates of upcoming retreats, go to: firstrespondersbridge.org, or call (614) 271-4981.



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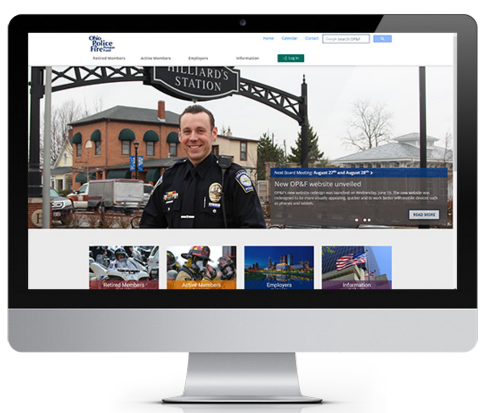
Monday-Fridays 8 am-4:30 pm EST

PRUDENCE • INTEGRITY • EMPATHY

IMPORTANT DATES

May 24-25..........Board of Trustees meetings
May 30...............OP&F closed in observance of Memorial Day
June 28-29 ....Board of Trustees meetings
July 4..................OP&F closed in observance of Independence Day

DO WE HAVE YOUR EMAIL ADDRESS?



If your email address is not on file, please send it to us at questions@op-f.org, or contact an OP&F Customer Service Representative at 1-888-864-8363. Members can also update their information securely online from the secure Member Self Serve web portal.

SUSPECT DISABILITY FRAUD? CALL 844-FRAUD HOTLINE (844-372-8345)