

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: NEW PENSION BILL WILL NEED SUPPORT FROM MEMBERS



Public safety personnel join legislative representatives and OP&F Executive Director Mary Beth Foley in announcing a new bill to support the pension fund



Mary Beth Foley, Esq.

Dear Members,

Last month, leadership from the Ohio Fraternal Order of Police and the Ohio Association of Professional Firefighters joined me in support of new legislation vital to OP&F. At a press conference, Representative Cindy Abrams (a former police officer) and Representative Brian Baldrige (a former fire fighter) introduced House Bill 512, which will modernize our pension fund in several ways, but most impactful would be a long overdue increase in the employer contributions. This would help provide stability for OP&F for years to come.

Moving forward, we intend to make the case with legislators that our members have taken benefit cuts, health care cuts, and seen the employee contribution increase in the last eight years, while the employer contribution hasn't changed since 1986. The 26.5 percent employer contribution we seek is the same employer rate currently approved by the legislature for the Ohio Highway Patrol Retirement System.

While our current funding outlook is good, it is based on an assumed investment return of 8.0 percent. There's no doubt OP&F has performed well in recent years. The problem is with the financial forecast. We're facing multiple challenges: first, the experts who predict market performance over the next decade don't believe we'll see the kind of returns we've seen in recent

years. Because of that prediction, our assumed rate of return is likely unrealistic and unsustainable. Reducing our anticipated rate of return by just one quarter of one percent will take the fund out of compliance with Ohio's funding requirements. Further pressures such as increasing numbers of early retirements and more difficult recruitment with the associated reduced payrolls paint a challenging picture moving forward.

We are going to need your help with this effort. Please reach out to your state representative and senator. Ask them to support this legislation. We understand that more early retirements and difficult recruitment has an impact on payroll growth and, therefore the pension fund, adding additional challenges that this legislation addresses.

This won't be a short process. This general assembly meets through 2022 and action could be taken anytime during the year. We will keep you informed about the legislation and may ask you to share your story with legislators as we go. Please stay tuned!

Sincerely,

Mary Beth Foley, Esq.
Executive Director



Representative Cindy Abrams answers a question during the bill introduction

FIRST RESPONDERS JOIN OP&F IN ANNOUNCING PENSION FUNDING LEGISLATION

Ohio State Representatives Cindy Abrams and Brian Baldrige introduced the Public Safety Pension Modernization Act on Dec. 2, 2021. The bill has many components, but the most significant change updates employer's contributions to the pensions of OP&F members.

While the pension's financial outlook appears rosy, meeting and beating the benchmark 30-year solvency, the forecast is based on a higher-than-industry-average investment returns of 8.0 percent. OP&F's success so far has also been dependent on \$3.2 billion in benefit cuts (which includes a 2.25 percent increase in employee contributions) and an additional \$150 million from changes to retiree health care in the last eight years.

It's important to note that employers' contributions have remained unchanged since 1986.

Add on new pressures like an increasing number of early retirements and more difficulty recruiting first responders, which limits payroll growth, and the formula is there for future challenges.

Representative Abrams said that the time is now to make these changes.

"This bill is meant to ensure the long-term stability of the pension fund," Abrams said. "This is good government at its best – looking ahead, acknowledging challenges on the horizon, and answering those challenges in a fiscally responsible way before it's too late."

It's important to note that reducing the fund's assumed rate of return by just one quarter of one percent moves the fund outside the 30-year required funding window.

Representative Baldrige said that first responders have always deserved and received the support of Ohio taxpayers.

"I'm proud of our commitment to first responders, and I'm glad this pension fund has been a stable source for retirees, but after cuts and increasing what the employee must contribute to their pension, we must look for bigger solutions to ensure the next generation of first responders has our full support."

The bill has the support of the OP&F Board of Trustees. Additionally, the Fraternal Order of Police of Ohio and the Ohio Association of Professional Firefighters support this bill.

OP&F Executive Director Mary Beth Foley praised Representatives Abrams and Baldrige for their help.

"Representative Abrams and Baldrige have been great partners for us as we work to modernize our fund for the next generations," Foley said. "Their experience as first responders coupled with their commitment to good government should be an example for every member of the general assembly."

The Public Safety Pension Modernization Act will now pass through hearings and a house vote before going to the Senate.

PORTFOLIO -update-



OP&F's Investment Portfolio Value

As of December 23:	End of November value:	End of October value:
\$19.2 billion	\$19.0 billion	\$19.1 billion

** values may be internally estimated*

FUNDING STATUS IMPROVES ACCORDING TO INDEPENDENT ACTUARIAL REPORT

OP&F's actuarial consultant presented the annual actuarial valuation at the Oct. 27, 2021, Board of Trustees meeting and results showed continued improvement to the system's long-term funding.

The funding period is now down to 25 years, an improvement from 28 years in last year's report. The funding period estimates the amount of time it will take to pay off all unfunded liabilities. Ohio has a 30-year funding requirement that retirement systems must remain below. The funding ratio increased to 71.2 percent from 69.7 percent (representing the system's assets to its liabilities). All data in the valuation presented is from Jan. 1, 2021. Despite the improvements to long-term funding, lower capital market returns have been predicted, which OP&F must consider when looking to adjust actuarial assumptions.

Additionally, it was reported at the Board meeting that the OP&F investment portfolio reached an all-time high value at \$19.03 billion as of Oct. 26, 2021. Estimated investment returns so far in 2021 are approximately 13.3 percent, above the 8.0 target return for the portfolio.

As a part of the valuation study, Cavanaugh Macdonald also studied the solvency of the OP&F Health Care Stabilization Fund. As of Jan. 1, 2021, OP&F's health care reserves are expected to last until December 2037.



2022 BOARD OF TRUSTEE MEETINGS*

Jan. 25-26

Feb. 22-23

March 29-30

April 26-27

May 24-25

June 28-29

*No meeting
in July*

Aug. 30-31

Sept. 27-28

Oct. 25-26

*No meeting
in November*

Dec. 6-7

*Regular OP&F Board of Trustees meetings take place monthly, except for July and November at OP&F headquarters, 140 E. Town Street in downtown Columbus.



2022 DIRECT DEPOSIT DATES FOR MONTHLY BENEFITS

Check date:

Deposit date:

Jan. 1

Jan. 3

Feb. 1

Feb. 1

March 1

March 1

April 1

April 1

May 1

May 2

June 1

June 1

July 1

July 1

Aug. 1

Aug. 1

Sept. 1

Sept. 1

Oct. 1

Oct. 3

Nov. 1

Nov. 1

Dec. 1

Dec. 1

Jan. 1, 2022

Jan. 3, 2023

2021 INTERNAL REVENUE SERVICE (IRS) FORM 1099-R

OP&F once again will be issuing the 2021 version of the Internal Revenue Service's (IRS) Form 1099-R in January 2022 to members and beneficiaries who received a benefit payment related to service, disability, annuity, survivor, death, an active member withdrawal or the Deferred Retirement Option Plan (DROP).

A few reminders about Form 1099-R:

- Receiving more than one Form 1099-R is not uncommon. Members and beneficiaries may receive more than one Form 1099-R if they receive more than one benefit payment or they turned age 59½ during 2021.
- Health Care Stipends are not reported on Form 1099-R.
- Non-taxable income is reportable income. Benefit payments may or may not be taxable but they are still reportable to the IRS on Form 1099-R.
- OP&F cannot offer tax advice or financial planning services; therefore, please seek professional tax advice before making any decisions. Please contact the IRS directly for information on filing requirements at 1-800-829-1040.

Also available on OP&F's website is the Federal Tax Reporting Information for OP&F benefit recipients and the Private Letter Ruling for on-duty disability retirees.

MORE OPTIONS NOW AVAILABLE FOR RETIREMENT INTERVIEWS

While our member education area is conducting a limited amount of interviews, virtual retirement meetings have become a popular option. An OP&F staff member can connect with a member and their spouse with their smart phone, tablet or computer.

OP&F has developed brief video instructions on how to access a video conference. These videos are available at the Plan for your Retirement page on the OP&F website. Information on the videos is included on the reminder postcard mailed.

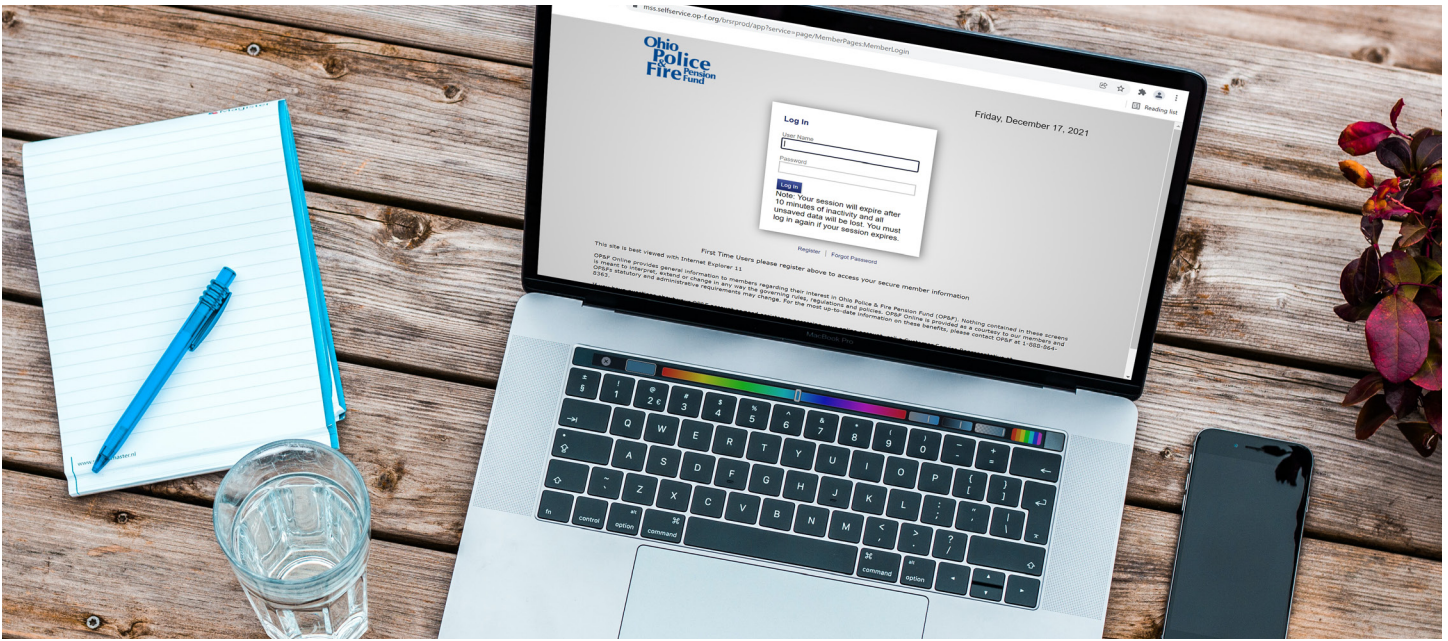


BUDGETING YOUR HRA: UNDERSTAND THAT THE STIPEND MAY NOT LAST ALL YEAR

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.



OP&F URGES MEMBERS TO RETRIEVE FORM 1099-R ONLINE

The most secure way to receive important tax information from OP&F, such as the annual Form 1099-R, is to use the Member Self-Serve portal of the OP&F website. In addition to being secure, it is the most convenient method of receiving the form.

OP&F's website allows members to download the Form 1099-R for tax reporting purposes and avoid receiving the form in the mail. This feature not only saves the cost of mailing the form but it is also environmentally friendly, secure and most expedient.

To retrieve the Form 1099-R online and opt-out of the annual mailing:

- Log into your account from the Member Self-Serve area of the OP&F website

- Choose Document Preferences; and
- Choose to opt-out of the mailing.

Members can access the Form 1099-R from their OP&F Member Self-Serve account. The Form 1099-R can be viewed and printed from the Member Documents link.

Only OP&F members who have a Member Self-Serve account can retrieve and print tax forms online. To register, go to op-f.org and click the link for Log In, in the upper right corner. Next, look for the Members link to register and follow the instructions on the screen.

OP&F recommends logging into the Member Self-Serve system on or after Jan. 31 to confirm you have all the Form 1099-Rs issued.

TAX INFORMATION FOR MEMBERS RECEIVING DISABILITY BENEFIT

OP&F is required by the Internal Revenue Service (IRS) to file a Form 1099-R for each person to whom a distribution of \$10 or more has been made for the tax year. OP&F reports all distributions to the IRS as reportable income, regardless of the taxable or non-taxable nature of the benefits (such as some disability benefits). Please contact the IRS directly for information on filing requirements.

If the distribution is non-taxable, then Box 2a is completed with \$0.00. If a benefit recipient does not file an annual tax filing to reflect this non-taxable distribution they will likely receive a notice from the IRS because the income reported by OP&F could not be matched to the benefit recipient's filing of reportable income. Members should contact OP&F if they receive such a notice. OP&F can then mail a letter to the member that can be useful in resolving the issue with the IRS. OP&F cannot provide information directly to the IRS on a member's behalf.



OP&F'S CONTINUED EFFORTS FOR MEMBERS ON HELPS ACT EXCLUSION

Section 402(l) of the Internal Revenue Service code, commonly known as HELPS- the Healthcare Enhancement for Local Public Servants Act- allows retired public safety officers to exclude from their gross income, each year, up to \$3,000 of their state or local retirement benefit, if the amounts are used to pay premiums for health care or long-term care insurance and if the premiums are paid directly by the retirement system to the insurance provider. This provision was first enacted in 2006 as part of the Pension Protection Act.

When OP&F sponsored a self-insured group health care plan for retirees, this exclusion could be used by retirees. Since 2019, when the group plan ended and OP&F implemented a stipend-based model to assist retirees in purchasing health care, OP&F has recommended members contact their tax advisors on utilization of the exclusion. There is an argument to be made that our Health Reimbursement Arrangement is unclear on if that is allowed.

Due to this uncertainty, OP&F and others have pursued federal legislation to make clear which expenses are covered. OP&F has worked closely with Ohio Senator Sherrod Brown on three changes to the HELPS act:

1. Increase the amount of the annual exclusion, possibly doubling the current \$3,000 amount.
2. Index the new exclusion amount for inflation in subsequent years.
3. Repeal the direct payment requirement.

The exclusion amount was set at the modest annual amount of \$3,000 in 2006 and has never been increased to account for rising health care and long-term care insurance costs. OP&F believes increasing the amount now, 15 years later, is reasonable. Indexing the annual exclusion amount for inflation in subsequent years will protect the retirees going forward.

All three of these changes are supported by the International Association of Fire Fighters, the Fraternal Order of Police, and the National Association of Police Organizations. OP&F will update members if the changes we propose are enacted.

Please remember, OP&F cannot advise members on HELPS, as each member has different circumstances to evaluate.

ELIGIBILITY FOR THE OP&F HEALTH CARE STIPEND: WHAT TO DO WHEN YOU HAVE A QLE

To become eligible for the OP&F health care stipend, a Qualifying Life Event, or QLE, must first occur. 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.

There is a 60-day window to apply for the OP&F health care stipend after a QLE occurs. The first step to applying is to complete OP&F's Health Care Stipend Eligibility Form, found on the OP&F website. The completed form can be emailed to questions@op-f.org, sent via U.S. mail, faxed to OP&F at 614-628-1777, or dropped off at OP&F offices in Columbus. This will start the process for OP&F to establish eligibility to receive the health care stipend.

OP&F will acknowledge receipt of the form and request additional documentation, such as proof of loss of coverage and proof of enrollment in an eligible plan. We will also send the member's information to our retiree health care partner, Aon, who will mail a welcome kit and other materials. Additional information is on the health care section of the OP&F website, and Aon's OP&F-specific websites. Links to these websites are also under the retiree section of the OP&F homepage.

Reminder...

If a member dies, the family must contact OP&F, their health care carrier and Aon Retiree Health Exchange to stop any auto premium reimbursements.

2022 HEALTH CARE STIPEND CHART

	Medicare status		Monthly Medical/Rx member stipend	Monthly Medicare Part B reimbursement*	Total OP&F monthly support for health care
	Retiree	Spouse			
Retiree only	Medicare		\$143	\$107	\$250
	Non-Medicare		\$685	\$0	\$685
Retiree + Spouse	Medicare	Medicare	\$239	\$107	\$346
	Medicare	Non-Medicare	\$525	\$107	\$632
	Non-Medicare	Medicare	\$788	\$0	\$788
	Non-Medicare	Non-Medicare	\$1,074	\$0	\$1,074
Retiree + Dependent(s)	Medicare		\$203	\$107	\$310
	Non-Medicare		\$865	\$0	\$865
Retiree + Spouse + Dependent(s)	Medicare	Either Medicare or Non-Medicare	\$525	\$107	\$632
	Non-Medicare	Either Medicare or Non-Medicare	\$1,074	\$0	\$1,074
Surviving spouse	Medicare		\$143	\$107	\$250
	Non-Medicare		\$685	\$0	\$685

*The OP&F Medicare Part B reimbursement is an ongoing benefit that has been in place for many years, but should be included in the support provided for health care coverage. The Med B reimbursement is added to a member's monthly pension benefit.

IRS DELAYS NEW FORM W-4P UNTIL 2023

It was previously reported that starting in 2022, the IRS will be using a new redesigned Form W-4P. This form is used to let OP&F know the desired amount of federal income tax to withhold from pension and annuity payments. However, under pressure from multiple beneficiary advocates, the IRS has now delayed the new W-4P form until 2023.

OP&F will not implement the new form in 2022. We will provide additional information when more guidance has been provided by the IRS. Please continue to use the 2021 version of the form until further notice.

RETURN SERVICE REQUESTED



Toll Free: 1-888-864-8363
General Information: (614) 228-2975
Fax: (614) 628-1777
TTY: (614) 221-3846
E-mail: questions@op-f.org
Monday-Fridays 8 am-4:30 pm EST

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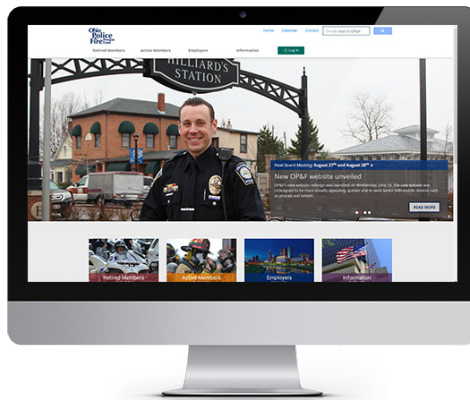
Securing the future for Ohio's Police and Firefighters

IMPORTANT DATES

Important Dates:

Jan. 25-26Board of Trustees meetings
Feb. 22-23Board of Trustees meetings
March 29-30Board of Trustees meetings
April 26-27Board of Trustees meetings

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)