

# MEMBER'S REPORT

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

Ohio  
Police  
& Fire  
Pension  
Fund



## YOUR DROP ACCRUAL: WHAT GOES INTO IT AND WHEN

The Deferred Retirement Option Plan (DROP) has been a popular benefit option since its introduction in 2003. About 90 percent of OP&F members who are eligible for DROP participate.

DROP allows members who are eligible for a service retirement to keep working and accumulate a lump sum of money to have when they retire. DROP includes three different accruals:

- DROP base amount (the pension benefits you would have received had you retired on your DROP effective date);
- member contributions; and
- interest.

How long does it take for additions to a DROP accrual to be posted? Here is a breakdown of these accruals and when they can be expected to be posted to a members DROP accrual:

### **DROP base amount:**

When you enter DROP, OP&F calculates your pension benefit as of your DROP entry date. This is the amount that is added to your DROP accrual each month. There should be no delay in the posting of this to the accrual each month.

When a member submits an Election to Enroll in DROP form, OP&F will first send a letter acknowledging that the form has been received. After all information has been verified, OP&F will set the member's DROP entry date and send another notification of this date. Next, OP&F will calculate the member's pension benefit and send a notification of this amount. This will be the base amount accrued monthly in DROP.

The first base amount posted to a new DROP accrual will likely be a pro-rated amount for the portion of the first month in DROP, unless the entry date happens to be the first of the month. For example,

*CONTINUED ON PAGE 3*



John J. Gallagher, Jr.

## 2021 BOARD OF TRUSTEE MEETINGS\*

Jan. 26-27

Feb. 23-24

March 30-31

April 27-28

May 25-26

June 29-30

No meeting  
in July

Aug. 24-25

Sept. 28-29

Oct. 26-27

Nov. 30-Dec. 1

\*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.

## MESSAGE FROM THE EXECUTIVE DIRECTOR

Dear Members,

Regardless of the circumstances, the work goes on here at OP&F.

No one needs reminded of the challenges we all have faced in 2020, but I wanted to take the opportunity to thank our employees for their work and dedication. Our Member Services Department, which includes Customer Service and Member Education, has persevered through months of challenges, and served our membership admirably.

From March 1 through Nov. 30, we have processed 477 service retirements, conducted 772 telephone retirement interviews and handled 26,821 member calls. Additionally, we have processed 1,136 new member enrollments, 577 new enrollments to the Deferred Retirement Option Plan (DROP) and 1,526 DROP distributions.

All of the employees in all departments at OP&F have similarly continued to conduct business as the professionals they are. We continue to move forward and have found new efficiencies in order to remain true to our mission.

Our Investment Department has stayed the course during a turbulent economic year. As with previous market downturns, we stayed the course and trusted our investment strategies. That diligence has paid off and OP&F's portfolio value has rebounded impressively.

Of course, we are proud to do our jobs on behalf of those we serve, the police and fire personnel of Ohio. We appreciate you every day and thank you for your sacrifices.

Sincerely,

John J. Gallagher, Jr.  
Executive Director

## PORTFOLIO -update-



**OP&F's  
Investment  
Portfolio  
Value**

As of Dec. 17:

\$16.80 billion

End of November value:

\$16.27 billion

End of October value:

\$15.32 billion

\* values may be internally estimated

## YOUR DROP ACCRUAL: WHAT GOES INTO IT AND WHEN (CON'T)

*CONTINUED FROM PAGE 1*

if the DROP entry date is April 19, a pro-rated base amount will be credited for the days the member is in DROP (April 19-30). In May, the full base amount will be credited to the DROP accrual.

The calculation of your DROP monthly benefit may take up to 6 months from your entry date. The delay in the calculation is due to having to wait until all the contributions have posted through your DROP entry date.

Once the base pension amount is finalized, this amount is automatically credited to the DROP accrual on the first business day of each month.

### **Member contributions:**

Contributions, (both member and employer), are reported by the employer to OP&F and are due monthly. This monthly report is due to OP&F the last day of the next month. For example, contributions from pay periods in April are due to OP&F by the end of May. A member's DROP accrual is not affected if an employer reports contributions after the deadline.

Once the contributions arrive at OP&F these reports must be thoroughly reviewed and then processed. This can take an additional 60 to 90 days from when the contributions are received at OP&F. At this point the appropriate member contributions are posted to a member's DROP accrual.

Regardless of the amount of member contributions that go to the DROP accrual (50 percent of the member contributions in the first three years; 75 percent in years four and five; and 100 percent in years six through eight), the same process and timeline as explained above is in place.

If a member looks at their DROP accruals online, they will notice a significant lag time in contributions – this is due to the due date of the monthly contributions as well as the review period.

### **Interest:**

Also included in the DROP accrual is interest. OP&F will credit interest to a DROP balance each month at a rate equal to the 10-year U.S. Treasury Note Business Day Series, as published by the United States Federal Reserve. OP&F has set a minimum interest rate of 2.5 percent and a cap of 5.0 percent for the DROP interest rate.

This variable interest rate will be adjusted quarterly to match the published 10-year U.S. Treasury Note rate for the last business day of each quarter and will be in effect for the subsequent quarter.

DROP interest will accumulate monthly. Interest is adjusted accordingly once contributions post from outstanding months.

Calculating the interest that is shown in a member's DROP accrual takes some math. Here is an example:

- Take the balance of the DROP account as of the end of the previous month and subtract all interest paid during the year: \$335,000 (7,000) = \$328,000.
- Take \$328,000 times .0068% (the daily rate for interest at 2.5%) = \$22.3040. Take \$22.3040 times the number of days in the month (30), equaling \$669.12.
- The \$669.12 should be the approximate amount of interest in a sample 30 day month. DROP interest compounds annually.

## OUTGOING TRUSTEES RECOGNIZED DURING FINAL MEETING



At the Dec 2 Board meeting, Chair elect Steve Corvi joined the rest of the trustees and staff in recognizing three long-serving trustees who are leaving the Board. Pictured above are (L-R), John Wainscott (retired police, Cincinnati), Dan Desmond (active fire, Toledo), and Ed Montgomery (active police, Columbus).

Montgomery served as a trustee since 2007, and has been chair on four different occasions. Since 2011, Wainscott served the interests of retired members as a trustee and an advocate. He served as chair of the Health Care Committee and as vice-chair of the Board. Desmond became a member of the Board in 2014 and has twice served terms as chair.

## MEMBERS ELECT NEW TRUSTEES TO OP&F BOARD



**John Deal**  
*Active Fire Trustee*



**Tanya Czack**  
*Active Police Trustee*



**Mark Drum**  
*Retired Police Trustee*

Three new members of the OP&F Board of Trustees have been sworn in following elections that concluded in December.

Tanya Czack (Parma Heights) will represent active police members, Mark Drum (Delaware) will represent retired police members and John Deal (Cincinnati) will represent active firefighters. Election results were announced Dec. 21, and new terms for the candidates commenced Jan. 4.

Two of the Board's three investment expert members also have new terms. David Heller, was re-appointed by the Ohio Senate

and House of Representatives for a new term on Nov. 5, 2020. Charles Moore was re-appointed by the Governor for a new term on Nov. 25, 2020.

The OP&F Board consists of six elected OP&F members (two representatives of police departments; two representatives of fire departments; one retired firefighter; and one retired police officer) and three statutory member with professional investment experience (one appointed by the Governor, one appointed by the Treasurer of State and one appointed jointly by the Senate President and Speaker of the House).

### 2021 DIRECT DEPOSIT DATES FOR MONTHLY BENEFITS

#### Check date:

#### Deposit date:

Jan. 1	Jan. 4
Feb. 1	Feb. 1
March 1	March 1
April 1	April 1
May 1	May 3
June 1	June 1
July 1	July 1
Aug. 1	Aug. 2
Sept. 1	Sept. 1
Oct. 1	Oct. 1
Nov. 1	Nov. 2
Dec. 1	Dec. 1
Jan. 1, 2021	Jan. 4, 2022



## OP&F MOVING TO ONLINE-ONLY BENEFIT STATEMENTS

In 2021, OP&F will be transitioning from sending benefit statements via U.S. mail to online only retrieval. A timeline for the final transition to online only statements is yet to be determined, but could be as early as this year.

Members are currently able to retrieve monthly statements from OP&F's secure Member Self-Serve area at [op-f.org](http://op-f.org). When the transition is complete, this will be the primary source for members to view, print and save their statements. The same process is available for the annual IRS Form 1099-R, which have traditionally been mailed each January.

Currently, OP&F only sends out monthly benefit statements to retirees when the benefit amount changes (usually because of cost of living adjustments being added).

For members who are not registered for online access via Member Self-Serve, click the log-in button at the top of the OP&F homepage and follow the instructions for registering. OP&F urges all members to register for Member Self-Serve so that email addresses are on file. When the project is complete, OP&F will send out notifications when statements are ready online.

## PENSION FUNDING STATUS IMPROVES

The annual study of OP&F's pension funding status showed slight improvements from a year ago, according to a report from independent actuary, Cavanaugh Macdonald Consulting. The valuation report as of Jan. 1, 2020 shows a pension funding period of 28 years, a one year improvement from the 2019 study.

The pension funding period shows how long it will take to pay off all unfunded liabilities if all assumptions are met. The state of Ohio mandates that public pension systems have a funding

period of 30 years or less. OP&F has met this standard each of the last six years. The funding ratio is now 69.7 percent, a slight improvement from the previous year (69.4 percent). The funding ratio is the pension plan's assets as a percentage of liabilities.

As a part of the actuarial report, Cavanaugh Macdonald also reported that the Deferred Retirement Option Plan is working as intended and remains cost neutral for OP&F.

## STUDY OF HEALTH CARE FUND SHOWS IMPROVEMENT

The most recent actuarial study of OP&F's retiree health care reserves shows that the solvency period of the fund improved by six years compared to the previous year.

As of Jan. 1, 2020, funding for the current OP&F retiree health care plan would last until 2038. The Jan. 1, 2019 study showed solvency until 2032. OP&F's independent actuary, Cavanaugh Macdonald Consulting, presented the study at the September Board of Trustees meeting.

Since Jan. 1, 2019, OP&F has provided eligible retirees with stipend-based support to purchase health care. In prior years, OP&F sponsored a self-insured group plan for retirees. Expenses for the group plan became unsustainable and the solvency for retiree health care dipped to approximately seven years. The move to the stipend model significantly improved funding and allowed OP&F to continue to provide health care support to retired members.

## WHEN IT COMES TO SERVICE TIME, OP&F SETS REQUIREMENTS FOR FULL-TIME STATUS, NOT YOUR EMPLOYER

To be a member of OP&F, police officers and firefighters must be classified as full time employees according to OP&F rules. An employer may have different guidelines determining full time status of their employees for different purposes, however, OP&F sets the definition for full time as it relates to membership in the pension system.

Full time service credit at OP&F is defined by the Ohio Administrative Rules as either of the following: For a standard 40-hour work week, a member has been compensated for working (including paid leave) a minimum of 37½ hours for each week in any normal monthly payroll reporting period; or for a platoon system (for example, 24 hours on duty, followed by 48 off), a member has been compensated for working (including paid leave) a minimum of 45 hours for each week included in any normal monthly payroll reporting period.

OP&F cannot accept contributions for part-time employees and other safety officers that may or may not be covered by the Ohio Public Employees Retirement System (OPERS) or Social Security. In order to be considered full-time, the person must

have received a full-time appointment as a regular police officer or firefighter and work on a full-time basis, as defined in OP&F's governing regulations.

When members wish to purchase or transfer prior service to OP&F from another state retirement system, the service with the other system must have been full-time in accordance with OP&F's criteria, and not with how the employer classifies the employment. If the individual meets the criteria, the member can have service credit prorated if there is a pay period that falls below the hourly standard. If the individual does not meet the criteria for full-time contributing service, no service credit can be prorated.

Individual requirements employers may have for full time status upon employment may not always meet the qualifications for OP&F membership.

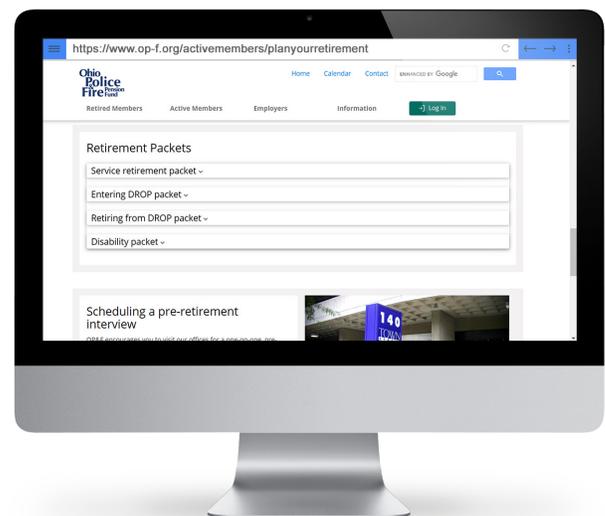
If an employer has questions about whether a position is eligible for membership, the employer may request a determination from OP&F. The request must include a copy of the official position description.

## RETIREMENT FORMS AND MATERIALS NOW BUNDLED ON WEBSITE

Several forms, notices and information are provided when an OP&F member has an appointment with a counselor to discuss retirement. With the pandemic, these appointments take place over the phone. While the materials can still be mailed, OP&F has now made it easier to access them online.

The necessary forms, guidebooks and other printed materials are now bundled for easy access on the Plan for Your Retirement page at op-f.org. The bundles include items needed for applying for a service retirement, entry into the Deferred Retirement Option Plan (DROP), retiring from DROP and to apply for disability benefits.

These items have always been on the OP&F website, but now are more convenient for members to view or print from one location.



## 2021 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.

## FORM 1099-R TAX INFORMATION FOR MEMBER'S RECEIVING AN ON-DUTY DISABILITY BENEFIT

The Ohio Police & Fire Pension Fund (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. 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 they were unable to match the income reported by OP&F to the benefit recipient's filing of reportable income. Benefit recipients should contact OP&F if they receive such a notice. OP&F can then mail a letter to the benefit recipient that outlines the applicability of the private letter ruling to the benefit recipient's specific benefits so that they can forward this to the IRS. OP&F is not a third-party designated power of attorney with the IRS; therefore, OP&F cannot provide information directly to the IRS on a member's behalf.

## BENEFICIARIES HAVE CHOICE TO OPT-OUT OF FORM 1099-R MAILING, AND RETRIEVE IT ONLINE.

OP&F's website allows beneficiaries 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 tax form but is more secure than mailing it and is convenient for our beneficiaries.

To opt-out of the mailing, beneficiaries must log into their account in the Member Self-Serve area of the OP&F website and choose Document Preferences. From this page beneficiaries can choose to opt-out of the mailing. Beneficiaries must have an email address to use the opt-out feature.

Beneficiaries can access the Form 1099-R by going to op-f.org and logging on to Member Self-Serve. The Form 1099-R can be viewed and printed from the Documents link.

To register for Member Self-Serve, go to op-f.org and click the log-in link at the top of the page. Under the member option, follow the instructions to register.



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General Information: (614) 228-2975  
Fax: (614) 628-1777  
TTY: (614) 221-3846  
E-mail: [questions@op-f.org](mailto:questions@op-f.org)  
Monday-Fridays 8 am-4:30 pm EST

**OP&F BOARD OF TRUSTEES**

Stephen A. Corvi, Chair, Columbus Division of Fire  
Robert E. Britt, II, Toledo Police  
Tanya Czack, Parma Heights Police  
John Deal, Cincinnati Fire  
Mark Drum, Retired, Delaware Police  
Marco J. Miller, Retired, Columbus Division of Fire  
J. David Heller, Investment Member  
Charles O. Moore, Investment Member  
Karin Maloney Stifler, Investment Member

**OP&F EXECUTIVE STAFF**

John J. Gallagher, Jr., Executive Director  
Scott Miller, Deputy Executive Director  
Mary Beth Foley, General Counsel  
David Graham, Communications Director  
Theodore Hall, Chief Investment Officer  
Jennifer Harville, Member Services Director  
Brian O'Brien, Business and Technology Solutions Director  
Keisha Proctor, Human Resources Director  
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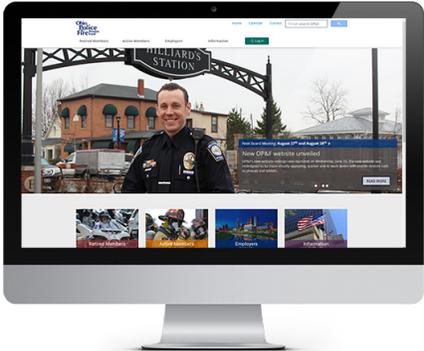
**PRUDENCE • INTEGRITY • EMPATHY**

*Securing the future for Ohio's Police and Firefighters*

**IMPORTANT DATES**

- Jan. 26-27 .....Board of Trustees meetings
- Jan. 18.....OP&F closed in observance of Martin Luther King, Jr. holiday
- Feb. 23-24.....Board of Trustees meetings
- March 30-31 .....Board of Trustees meetings
- April 27-28 .....Board 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](mailto: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)**