

MEMBER'S REPORT

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

Ohio
Police
& Fire Pension
Fund

Volume 35 – Number 1 – Winter 2016

OP&F reaches 30-year funding requirement

An actuarial report presented to the OP&F Board of Trustees on Oct. 21 shows that the retirement system is in compliance with the state's funding requirement.

An independent actuarial firm, Buck Consultants, presented the findings which showed that as of Jan. 1, 2015, OP&F's funding period is 30 years, an improvement from 33 years in the 2014 valuation study. The funding period projects the amount of time it will take to pay down the system's unfunded accrued liabilities. The State of Ohio requires a 30-year funding period or a plan to reach that level.

OP&F's funding ratio also improved from 2014 to 2015. The ratio is now 70.8 percent, compared to 66.7 percent in 2014. The

funded ratio measures a pension system's assets to its liabilities.

Pension reform legislation passed in 2012 greatly improved OP&F's long-term funding status, resulting in the current 30-year funding level. Significant funding provisions were the basis for the legislation and included increased member contributions, an increase in the minimum retirement age for new hires and adjustments to the Deferred Retirement Option Plan and cost of living allowances. OP&F also shifted more dollars toward pensions from its health care funding stream.

These factors all contributed to OP&F meeting the state's funding requirement without any additional taxpayer dollars.

Members will elect active, retired police positions to the Board in '16

OP&F members will elect an active police representative and a retired police representative to the Board of Trustees during elections this spring. Currently, Ed Montgomery (Columbus Police) and John Wainscott (Cincinnati Police, retired) hold these positions. Each is eligible for re-election.

Montgomery was appointed to the Board in December 2007, and was elected to full terms in 2008 and 2012. He served as the Board chair in 2010-11 and also in 2012-13. Wainscott was appointed to the Board in December 2011 to fill the term representing retired police officers and was re-elected in 2012.

A notice of election will be mailed to police departments and retired police members by Feb. 1. Election materials,

including nominating petitions, certificates of eligibility and election rules will also be posted to the OP&F website on Feb. 1. This year the Board of Trustees has approved a phone voting option for the elections in addition to the traditional mailed ballot. Additional information and instructions will be available in the spring edition of the Members' Report.

Eligible members who intend to run for a position on the Board of Trustees must submit all required forms and information to OP&F no later than 4 p.m. on April 4. Ballots will be mailed in early May and the election results announced on May 29.

Members are encouraged to update address information with OP&F so that they receive election information and can cast their ballot.



Ed Montgomery
active police representative



John Wainscott
retired police representative

MESSAGE from the EXECUTIVE DIRECTOR



John J. Gallagher, Jr.

Dear Members,

While it was expected because of projections dating as far back as last year, the news from our independent actuary that OP&F's funding period had reached the state's required level was big news.

As our front page article explained, our system is now at the 30-year funding period that Ohio requires for its public retirement systems. It was an elusive target, but one that was achieved by a combination of factors. Not only did the landmark pension reform legislation work as intended, but investment performance immediately following 2012 was also crucial.

Once more, the funding period is the amount of time projected to pay down a system's unfunded accrued liabilities. So, the lower the funding period the better. In 2012, our period was infinity, meaning we were making no progress in paying down these liabilities. After pension reform passed the funding period went to 47 years in 2013, then in 2014 it was 33 years. Finally, as of Jan. 1, 2015, we reached the 30-year funding period.

Now we must be diligent and creative in order to keep a strong funding level. Ideally, we would like this number to continue trending down. However, the investment markets have been unsteady the past two years and it is difficult to predict if we will meet our assumed rate of return each year going forward. We also have little control over other funding streams, such as member and employer contributions.

As we have said many times, pensions are our primary concern. However, the Board of Trustees is in agreement that providing our retirees a health care option is vital to a quality retirement. Health care funding will become a more pressing concern in the immediate future. Balancing our long term pension funding with adequate health care funding is not a new challenge, but it is not going away anytime soon.

Members should be assured that your current and future pensions are safe and our long-term strength is better than it has been for many years. We will continue to keep you informed in these pages and via our website on health care and funding news and decisions.

Sincerely,

A handwritten signature in black ink that reads "John J. Gallagher, Jr." The signature is written in a cursive, flowing style.

John J. Gallagher, Jr.

DROP estimator added to OP&F website

OP&F has re-introduced a new feature to its website that allows members to estimate potential accruals in the Deferred Retirement Option Plan (DROP). The DROP estimator calculates an accrual based only on the information entered and does not pull any data from individual member accounts.

DROP is an optional benefit that allows eligible police officers and firefighters to accumulate a lump-sum of money for retirement. OP&F has offered this benefit to its membership since 2003.

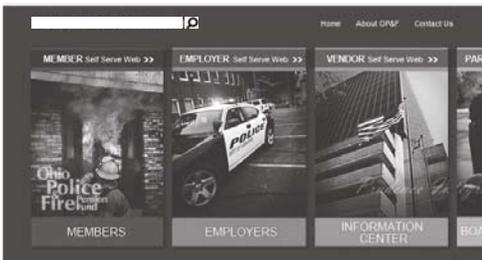
To find the DROP estimator, from the OP&F main page (op-f.org) go to the Members area and select DROP information from the menu on the left. A link to the DROP estimator will be on this page.

The estimate illustrates the potential benefits of DROP and users can see estimated annual accruals for each year of participation in the program, up to the maximum participation of eight years.

The results are estimates only and not a guarantee of an actual accrual amount. Interest is credited to all DROP balances 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 with a cap of 5.0 percent. Since this rate changes quarterly, for the purposes of this online estimator OP&F uses the current DROP interest rate for each year of the estimate.

Search feature enhances OP&F website

Visitors to the OP&F website are now able to search for documents and forms using a search engine added to the site. A window in the upper left corner of every page on op-f.org allows users to



Look for the search bar and magnifying glass icon in the upper left corner of the page to search op-f.org.

type in what they are looking for. Enhancements to the search feature are ongoing and will refine searches.

Board of Trustees approves 2016 operating budget

The 2016 budget process concluded when the OP&F Board of Trustees approved the operating budget for the coming year during its meeting on Nov. 18. The total operating budget of \$65.91 million is just 0.8 percent above the 2015 budget. Also approved is the rolling three-year capital improvements budget for the years 2016-18. This budget of \$4.6 million includes capital improvements to the offices of OP&F, equipment, computer hardware and software.

2016 Board of Trustee meetings

Regular OP&F Board of Trustees meetings are held monthly, except for July at OP&F headquarters, 140 E. Town Street in downtown Columbus. The annual Board of Trustees retreat is held at a site to be determined.

Jan. 19-20

Feb. 23-24

March 3-4 (*Board retreat*)

March 29-30

April 26-27

May 17-18

June 28-29

No meeting in July

Aug. 30-31

Sept. 27-28

Oct. 18-19

Nov. 15-16

Dec. 13-14

1099-R to be mailed to benefit recipients in January

OP&F is issuing the 2015 version of the Internal Revenue Service's (IRS) Form 1099-R in January 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:

- OP&F is required by the 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. Therefore, OP&F recommends that every recipient of Form 1099-R file a Form 1040 tax return with the IRS. 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 that they were unable to match the income reported by OP&F to the benefit recipient's filing of reportable income. OP&F 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 IRS 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 and therefore cannot provide information to the IRS on a member's behalf.

- Health care deductions are not reported on Form 1099-R. Health care deductions are summarized on the member or beneficiaries' year-end benefit statement or the last benefit statement they received from OP&F. If the retirement benefit was finalized in 2015, the year-to-date total on the benefit statement started over at zero when the benefit switched from an interim payment to a final payment.

The member or beneficiary will need to combine the health care deductions from both accounts to obtain their total health care deductions for the year. There may be other situations that require OP&F to start over from zero, please make sure to account for all months of premium payments.

- Receiving more than one Form 1099-R is not uncommon. Member's and beneficiaries may receive more than one Form 1099-R if they receive more than one benefit payment or they turned age 59½ during 2015.
- 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 recommends that every recipient of Form 1099-R file a Form 1040 tax return with the IRS. 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 800-829-1040.

OP&F members can access and print 1099-R forms online

Ohio Police & Fire Pension Fund members who are registered for the Member Self-Serve Web can retrieve and print 2015 tax forms online.

This feature helps members get a head start on filling out taxes rather than waiting for OP&F to mail the form. The Form 1099-R can be read and printed if members have an online account.

Members can access the Form 1099-R by going to op-f.org and logging on to the OP&F Member Self-Serve Web. The Form 1099-R is located at the Member Documents link.

To register, go to op-f.org and click the link for Member Self-Serve Web in the upper left corner. Next, look for the register link and follow the instructions on the screen.

Additional tax information from OP&F is also available at op-f.org.

Board sets 2016 Medicare Part B Reimbursement

The 2016 monthly Medicare Part B reimbursement rate for OP&F benefit recipients has been approved by the Board of Trustees at the rate of \$104.90. If you are a benefit recipient that is currently receiving a Medicare B reimbursement in your OP&F pension check, this amount will continue as a reimbursement in 2016 and you are not required to send in any additional paperwork.

OP&F's Medicare reimbursement benefit may not fully reimburse the Part B premium you are required to pay to Medicare. Your premium can vary based on your income, Medicare effective date, Medicaid involvement or whether or not you collect a Social Security check. For information regarding your Medicare Part B premium, please call Medicare at 1-800-633-4227. By law, the Medicare Part B premium is published annually by the Center for Medicare and Medicaid Services.

For those benefit recipients that do not currently receive the Medicare Part B reimbursement and think you may be eligible,

please send UnitedHealthcare (UHC) a copy of your Medicare card or letter of enrollment and a completed Medicare Part B Reimbursement Statement. There are no retroactive reimbursements. After application, please verify that your OP&F benefit statement reflects the reimbursement.

UHC will send information on Medicare Part B reimbursement to members approximately three months before they turn 65. If a member is eligible to receive the Medicare Part B reimbursement from another source they are not eligible for this reimbursement from OP&F.

Benefit Recipients that are eligible for early Medicare fall under the same Medicare reimbursement guidelines as a member turning 65. For questions or to request the Medicare Part B Reimbursement Statement please call UHC at 1-888-832-0964.

New proof of health care coverage form to be mailed to retirees enrolled with UHC

The individual shared responsibility provision of the federal Affordable Care Act requires members and each of their family members to have qualifying health care coverage (called minimum essential coverage), or make an individual shared responsibility payment when filing a federal income tax return.

OP&F is mailing all retirees who were enrolled in health care through UnitedHealthcare in 2015 a 1095-B form. This form provides proof of minimum essential coverage for your federal income tax filing purposes. The 1095-B form will be mailed to enrolled retirees on or before Jan. 31.

For questions regarding your federal income tax filing and the minimum essential coverage mandate, please contact a tax consultant. For questions regarding corrections to the 1095-B form, please contact OP&F at 1-888-864-8363.

2016 Direct Deposit dates for benefit checks

CHECK DATE	DEPOSIT DATE
Jan. 1	Jan. 4
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, 2017	Jan. 3, 2017

Ohio DC Board approves new fee structure

The Ohio Deferred Compensation Board of Trustees has voted to change its fee structure to more fairly spread administrative fees among participants and increase transparency. The new structure will be in effect beginning January 1, 2016.



Investing in a retirement plan isn't free. There are two basic costs: investment management costs and administrative costs. Investment managers typically collect these fees and sometimes reimburse a portion of the fees they collect to the administrator (in this case, Ohio Deferred Compensation)

for functions the investment managers would normally perform themselves. These are called administrative fee reimbursements. For years, all administrative costs at Ohio Deferred Compensation were supported by administrative fee reimbursements from various investment managers or by an administrative fee for Ohio Deferred Compensation-branded investments.

On Jan. 1, administrative fees for those with Ohio Deferred Compensation accounts will no longer vary based on investment choice and the investment managers' fee reimbursements. The Ohio Deferred Compensation Board decided to rebate all administrative fee reimbursements it receives from investment managers to the investors in those funds. These rebates will be shown as a credit on participant quarterly statements, when invested in a fund with administrative fee reimbursements.

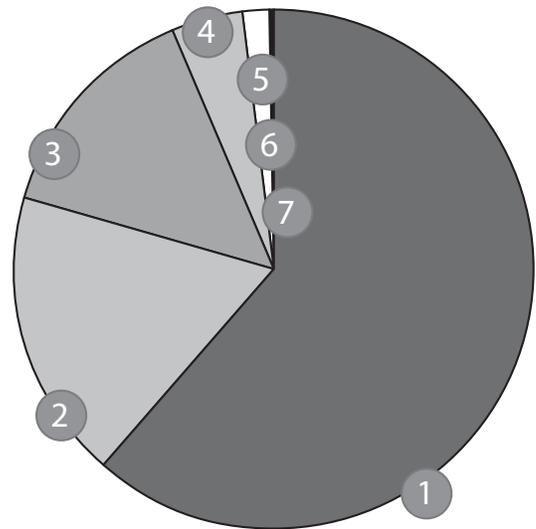
Because Ohio Deferred Compensation is passing all administrative fee reimbursements back to participants beginning in 2016, a separate fee will be charged to cover administrative costs. An annual fee of 0.0014 (or 0.14%) with small balance fee waivers and large balance fee caps. One-fourth of the 0.14% annual fee will be deducted each quarter.

The new administrative fees will be waived for individuals with balances less than \$5,000. Fees will be capped at \$55 each quarter, per participant, regardless of the total balance across all accounts.

For more information on the new administrative fee structure, visit Ohio457.org or call an Account Executive at 1-877-644-6457.

Facts & Figures

OP&F projected budget expenses, 2016



1. Pension benefits: \$973.8 million
2. DROP: \$218.1 million
3. Health care: \$223.8 million
4. Administrative: \$66.0 million
5. Member refunds: \$12.0 million
6. Capital depreciation expenses: \$1.6 million
7. Other: \$0.1 million

Hewit continues OP&F's government relations efforts

Adam Hewit, President of Government Solutions Group, has assumed the role of the primary legislative liaison for OP&F. Hewit is familiar with OP&F after working alongside Darryl Dever for many years. Dever, OP&F's long-time legislative agent, passed away in September.



Adam Hewit
OP&F Legislative Liaison

Hewit joined Government Solutions Group in 2007 following four years of experience in candidate recruitment and campaign administration throughout Ohio. He has established a reputation with elected officials as one of the most effective young lobbyists in the industry.

Besides OP&F, a few of the firm's clients he focuses on include the Ohio Dental Association, Penn National Gaming, UnitedHealthcare, Ohio Mortgage Bankers Association,

School Choice Ohio, Students First, Ohio Association of Ironworkers, Ohio Laborers District Council, US Steel, the Ohio Steel Council and the Ohio Conference of Teamsters, among others.

Adam is a graduate of Kent State University with a degree in political science. He brings more than 15 years of experience in many political capacities. Adam resides in Gahanna and enjoys spending quality time with his wife and children.

Blazer joins Government Solutions Group

Bob Blazer, longtime Ohio AT&T executive, has joined Hewit at Government Solutions Group and will also assist with OP&F-related activities.

For the past 38 years, Blazer was at the forefront of AT&T's outreach in Ohio and ended his tenure with AT&T Ohio as vice president of government affairs.

Blazer also serves as a member of the Ohio Chamber of Commerce Board of Directors and served as co-chair of the Ohio Youth in Government annual Beat Michigan Rally. In 2004, he received the Distinguished Service Award for his outstanding dedication and leadership.

Blazer earned a degree in Business Administration from the University of Dayton. He and his wife Mary reside in Dublin, Ohio, and are the proud parents of Nick and Gretchen.

portfolio **update**

OP&F's investment portfolio value:

As of Dec. 15:	\$13.57 billion
End of November value:	\$13.98 billion
End of October value:	\$14.12 billion

Suspect disability fraud? Call 844-FRAUD HL (844-372-8345)

A toll free number is available for members or the general public to report suspected disability benefit fraud. Substantiated allegations may result in the termination of benefits and referral to the proper authorities for prosecution. Receiving a disability benefit from OP&F does not mean an individual is prohibited from other employment; however they are prohibited from working in a police or firefighting position.



140 East Town Street
Columbus, OH 43215

www.op-f.org



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
Business Hours: Monday-Friday, 8 a.m.-4:30 p.m. EST

OP&F Board of Trustees

Daniel Desmond, Chair, Toledo Fire
John Wainscott, Vice Chair, Retired, Cincinnati Police
Ed Montgomery, Chair Elect, Columbus Division of Police
William Deighton, Retired, Cleveland Fire
Jeffrey Moore, West Chester Fire
Timothy Patton, Cleveland Police
J. David Heller, Investment Member
Karin Maloney Stifler, Investment Member
Scott D. Roulston, Investment Member

OP&F Executive Staff

John J. Gallagher, Jr., Executive Director
Scott Miller, Deputy Executive Director
Mary Beth Foley, General Counsel
Theodore Hall, Chief Investment Officer
Jennifer Harville, Member Services Director
Maureen Gatewood, Information Services Director
Caren Sparks, Internal Auditor

Prudence • Integrity • Empathy

Securing the future for Ohio's Police and Firefighters

COPYRIGHT © 2016 by Ohio Police & Fire Pension Fund, All Rights Reserved.

Important Dates:

Jan. 18

OP&F offices closed in observance of Martin Luther King, Jr. Day

Jan. 19-20

Board of Trustees meetings

Feb. 23-24

Board of Trustees meetings

March 3-4

Board of Trustees retreat

March 29-30

Board of Trustees meetings

PRSRD STD
US POSTAGE PAID
COLUMBUS, OH
PERMIT No. 675

RETURN SERVICE REQUESTED

Notify OP&F of any address changes

Members can update their information online from the secure Member Self Serve, or with the Change of Address form available at op-f.org.
Members may also email questions@op-f.org with new address and contact information or call Customer Service at **1-888-864-8363**.