2017 MARKS 50 YEARS OF SERVICE FOR OP&F

From a small office on Broad Street on Jan. 13, 1967, 19 checks were mailed to retired police officers and firefighters who previously had received their benefits from the city where they had been employed. This was the beginning of the Ohio Police & Fire Pension Fund.

At that time, we were the Ohio Police and Fireman’s Pension and Disability Fund and faced a daunting task of creating a trusted, comprehensive retirement system from the remains of hundreds of small municipal funds around Ohio.

In 1966, Amended House Bill 642 created the Ohio Police and Firemen’s Pension and Disability Fund, consolidating 425 individual funds. When operations began on Jan. 1, 1967, assets totaling $75 million were transferred from these individual funds to OP&F. However, the new pension fund also inherited $490 million in liabilities.

“The progress made by OP&F since our creation is remarkable,” said John Gallagher, OP&F Executive Director. “Through periods of economic growth and recession the system has moved forward and established itself as a model for public safety retirement plans. It really is a testament to those who helped form and grow the system beginning 50 years ago, along with the many thousands of members who trust us to provide them with a secure pension.”

The first headquarters of the retirement system were at 88 E. Broad Street, in what is now the Key Bank building at the corner of Broad and Third Streets in downtown Columbus.

The first chair of the Board of Trustees was Edward Schuele, who was the Director of Finance for the City of Cleveland Heights. Franklin Kropp was the first executive director (then called executive secretary).

As to be expected, many things have changed since 1967. Member contributions to the pension fund were initially 6.0 percent of salary (now 12.25 percent). Employer contributions began at 13.55 percent for police employers and 13.13 percent for fire (now 19.5 percent for police and 24 percent for fire).

Although a state-wide fund did not begin operations until 1967, many individual municipal funds were in existence prior to 1900. In 1902, pension laws for all police and fire funds in Ohio were codified. At this time, an employer contribution tax of three-tenths of a mill on all real and personal property became mandatory to support each local fund. This did not change until the creation of OP&F.

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MESSAGE FROM THE EXECUTIVE DIRECTOR

Dear Members,

For this edition of my message I’d like to reflect back rather than address current or pending topics. As our front page indicates, 2017 marks the 50th year of operations for the Ohio Police & Fire Pension Fund and I would like to use this space to recognize the accomplishments of our system.

Anniversaries like this don’t come around too often, so throughout the year the Member’s Report will highlight significant moments from our past that I hope you will find informative and at least a little bit entertaining. We will also be branding our publications, website and other items with a special 50th anniversary logo.

We are a defined benefit retirement fund, which we believe is the best way to provide benefits to our members once they complete their careers. Being a defined benefit fund comes with unique challenges. A defined benefit plan servicing public safety officers adds another layer of complexity to our system – but we would not have it any other way.

With the inherent dangers that come with protecting our communities, the career of a public safety officer is understandably shorter than most professions. This means a younger retirement age. From a pension plan perspective we must administer a plan that pays a benefit for more time spent in retirement and likely using fewer years of contributions (working years). This is the primary reason why contribution rates for OP&F are higher than other retirement systems in Ohio (both for members and their employers).

Of course, adjustments to the plan may be needed occasionally. This was the case following the financial crisis in 2008. Pension reform legislation was passed in 2012 and its affect can’t be underestimated. Our membership took on added responsibility to strengthen OP&F for future generations of members.

Police officers and firefighters in Ohio and across our nation deserve a dependable lifetime benefit and we are proud to serve our members. We are also proud that our system remains strong and able to carry on our mission. Congratulations to all who have made OP&F a success the past 50 years and here’s to many more in the future.

Happy New Year to you all, and happy anniversary to OP&F!

Sincerely,

John J. Gallagher, Jr.
Executive Director

OP&F’s Investment Portfolio Value

As of Dec. 15 .......................................................... $14.39 billion
End of November value ......................................... $14.27 billion
End of October value ............................................. $14.25 billion
MEDICARE PART B RATES ANNOUNCED FOR 2017

On Oct. 18, 2016, the Social Security Administration announced that the cost-of-living adjustment (COLA) for Social Security benefits will be 0.3 percent for 2017. Because of the low Social Security COLA, a statutory hold harmless provision designed to protect seniors, will largely prevent Part B premiums from increasing for about 70 percent of beneficiaries. Among this group, the average 2017 premium will be about $109, compared to $104 for the past four years.

For the remaining roughly 30 percent of beneficiaries, the standard monthly premium for Medicare Part B will be $134 for 2017, a 10 percent increase from the 2016 premium of $121.80.

Beneficiaries who do not qualify for the hold harmless provision include those who receive Social Security benefits, those who enroll in Part B for the first time in 2017, those who are directly billed for their Part B premium, those who are dually eligible for Medicaid and have their premium paid by state Medicaid agencies, and those who pay an income-related premium. These groups represent approximately 30 percent of total Part B beneficiaries.

OP&F provides a Medicare Part B subsidy to Medicare-eligible members and is included in a member’s monthly benefit. In 2017, the subsidy amount is $104.90.

TRUSTEES HELLER, ROULSTON RE-APPOINTED BY LEGISLATURE, GOVERNOR

J. David Heller (pictured left) and Scott D. Roulston (pictured right) were re-appointed to new four year terms on the OP&F Board of Trustees last fall. They will continue to serve as investment expert members on the Board along with Karin Maloney Stifler, who is appointed by the Treasurer of State and is currently serving a term set to expire in 2019.

Heller will begin his third term with the OP&F Board after being re-appointed by the Ohio Senate and Ohio House of Representatives on Nov. 5. He will serve a four-year term that expires on Nov. 4, 2020. He was originally appointed to the Board in December 2008.

Heller is a founder and principal of The NRP Group, a full-service developer, general contractor, and property manager specializing in providing affordable single-family, multi-family and senior housing. Heller’s professional experience also includes serving as a real estate consultant with the Townsend Group and with Arthur Andersen & Co. in Chicago as a manager in the real estate consulting division.

Roulston will begin his second term with the Board after being re-appointed by Governor John Kasich on Sept. 29. He will serve a four-year term that expires on Sept. 27, 2020.

Roulston has an accomplished career in investment research and investment management, currently serving as managing director of MAI Capital Management. For more than 20 years Roulston was the chief executive officer of Fairport Asset Management and its predecessor firm Roulston & Company. Among Roulston’s community activities is serving as the board chairman for Bluecoats, Inc., an organization devoted to the well-being of families of Cuyahoga County safety forces who have lost their lives in the line of duty.

NO TRUSTEE ELECTIONS SCHEDULED FOR 2017-2018

In most years, OP&F announces information concerning trustee elections in the winter edition of the Member’s Report. However, in 2017 and also 2018, no elections are scheduled since no terms are ending for the elected members of the Board of Trustees. In 2019, OP&F expects to hold trustee elections for retired fire, active fire and active police positions.
NEW VALUE PHARMACY NETWORK IN EFFECT AS OF JANUARY 1

As a part of changes to the OP&F retiree health care plan, the Value Pharmacy Network was established and is in effect as of Jan. 1. If members use a pharmacy that is not part of the Value Pharmacy Network then medications will not be covered under the prescription plan sponsored by OP&F. CVS and Discount Drug Mart are not part of this new network. Members should have been notified by mail in December if they were using a pharmacy that is out of the network in 2017.

Members who need to change pharmacies and have refills leftover should provide the prescription bottle or prescription information to your new pharmacy. The pharmacy will work with members to transfer any remaining refills or, if needed, contact the member’s physician to get a new prescription.

Due to a change in co-pays, members should remember to use their new pharmacy ID card that was mailed in December.

The Value Pharmacy Network is comprised of approximately 35,000 retail pharmacies. Major chains, mass merchants and supermarkets make up a large part of this select pharmacy network so there’s a good chance you already shop at these locations regularly. Here are a few of the popular pharmacy chains in the network:

- Drug stores – including major chains like Walgreens, Rite Aid, Duane Reade and the Medicine Shoppe.
- Supermarkets – including Kroger, Ralphs and Giant Eagle. Giant Eagle was just recently added to this network.
- Mass merchants – including Wal-Mart.

To see if your current pharmacy is in the Value Pharmacy Network you can:

- Use the online Locate a Pharmacy tool when you are logged into myuhc.com.
- Contact a health advisor by calling the toll free number on the back of your plan ID card.
- Download the OptumRx Application to your smart phone or tablet to search for pharmacies.

OP&F RECEIVES AWARD FROM PENSION COUNCIL

The Public Pension Coordinating Council has recognized OP&F with its administration award for 2016. The award signifies that OP&F meets professional standards for plan administration as established for public pension standards. The Public Pension Coordinating Council is a confederation of the National Association of State Retirement Administrators, the National Conference on Public Employee Retirement Systems, and the National Council on Teacher Retirement.
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In 1939 it became mandatory for a municipality employing two or more firefighters to establish a pension fund. The same requirement for police departments became law in 1947. At this time, uniform benefits for both police and fire funds were established by Ohio's General Assembly. Until then, each community set its own rules or formulas on benefits.

Also in 1947, a modest state subsidy became available for local police and fire funds requiring financial assistance. Until the creation of OP&F, member contributions were optional and generally four percent of pay.

Today the OP&F investment portfolio is valued at more than $14 billion. It took until 1981 for the portfolio to hit the $1.0 billion level. Legislation passed by the Ohio General Assembly in 1981 increased the investment opportunities available to OP&F, making way for today's successful investment program. According to the January 1982 OP&F member newsletter, the law “expands (OP&F) authority to invest in real estate, and increases the legal list of common stocks that may be purchased...” Since 1981, OP&F's annualized return for investments is 9.58 percent.

Today, policies are in place that aim to maximize returns and minimize both cost and risk over a wide variety of asset classes. OP&F employs highly-qualified investment professionals who work with qualified consultants to advise the Board of Trustees on decisions and oversight of the portfolio.

“The investment program is the backbone of OP&F's financial success,” says Board of Trustee member David Heller, who is also Chair of the Board’s Investment Committee. Through the past 50 years the portfolio has seen remarkable growth, not in just dollars but also the diversity of asset classes and investment strategies.”

As our original name indicated, OP&F provides disability benefits in addition to service pensions. OP&F’s disability benefit process has been recognized as a fair, relevant and comprehensive program.

The disability benefit process has evolved over the past 50 years. Prior to 1997, OP&F had come under some scrutiny regarding the process for granting awards. After careful review and study, the Disability Evaluation Panel was formed in January 1998. The panel consists of three OP&F trustees, three physicians and two vocational experts. The DEP reviews initial disability and reconsideration hearings.

More recently, additional changes to the process have resulted in assuring that disability benefits are awarded to those who are most deserving. In 2013, the Board of Trustees approved significant program changes, with guidance from their medical and vocational advisors, by removing the consideration of non-disabling conditions from the benefit calculation. The change was designed to give weight only to conditions that are considered disabling and permanent impairments.

In 2012, the number of initial disability hearings numbered 215 with 182 awards being granted. By 2014 the total dropped to 128 with 107 awards granted. While the move away from non-disabling conditions can be credited, a change in conditioning and better training and tools from employers are also factors. As a result, OP&F has experienced positive actuarial gains for the past eight years totaling in excess of $1 billion relative to our assumptions.

Perhaps the most significant benefit change in OP&F's first 50 years came in 2003 when legislation allowed the formation of the Deferred Retirement Option Plan (DROP). This optional benefit allows members who are eligible to retire to stay on duty serving their communities for up to eight years once they enter DROP. Once they retire, a lump sum of money is available in addition to the pension the member has earned. Today, more than 90 percent of those who are eligible participate in DROP.

In 2008 a severe financial crisis negatively affected OP&F's long-term funding. While OP&F had been advocating for changes to its funding formula for many years, the economic downturn brought the problem to the forefront. The result was pension reform legislation that was passed in 2012. Ohio Senate Bill 340 increased member contributions, changed cost of living adjustments and pension calculations. The effects of Senate Bill 340 were critical to OP&F’s long term funding after the financial crisis. Our entire membership sacrificed changes in benefit structure as the law’s provisions required no additional tax payer dollars.

OP&F has offered retired members access to a health care plan since 1974. Back then the costs were mostly negligible for both the pension fund and participants, so while OP&F was not required to offer a plan to its members, it was affordable and popular. However, costs increased, steadily at first and more dramatically in recent years. While OP&F continues to provide a health care option the future of the plan is in question. Today remains our biggest challenge.
FORM 1099-R TO BE MAILED IN JANUARY

Ohio Police & Fire Pension Fund (OP&F) is issuing the 2016 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).

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 a member’s current address is not on file the form will not be forwarded. Additionally, OP&F is not able to fax a Form 1099-R to a member, beneficiary or to a third party without notarized authorization.

If the 1099-R will be mailed to a winter residence, please be sure to file a Change of Address form with the United States (U.S.) Post Office 10 postal days before delivery should begin. This will help to ensure that the 1099-R will be received timely.

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

A few reminders about Form 1099-R:
- 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.
- 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 2016.
- 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.

MEMBERS CAN RETRIEVE 1099-R ONLINE, OPT-OUT OF MAILING

The Member Self-Serve area of 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 also may be more convenient for members.

To opt-out of the mailing, log into the Member Self Serve area of the OP&F website and choose Document Preferences. From this page members can choose to opt-out of the mailing. Members must have an email address to use the opt-out feature. Members can choose to opt-out and then change their mind and again receive the document in the mail by changing their preferences.

Member 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 can be viewed and printed from the Member Documents link.

Only OP&F members who are registered for the Member Self Serve Web can retrieve and print tax forms online. To register, go the website 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. If you have any questions, contact OP&F’s Customer Service at 1-888-864-8363.
As technology gains a more important role in our lives, it also grows in complexity. Given how quickly technology changes, keeping up with security advice can be confusing. It seems like there is always new guidance on what you should or should not be doing. However, while the details of how to stay secure may change over time, there are fundamental things you can always do to protect yourself. Regardless of what technology you are using or where you are using it, the following four key steps are recommended.

1. **You**: Keep in mind that technology alone will never be able to fully protect you. Attackers have learned that the easiest way to bypass even the most advanced security technology is by attacking you. If they want your password, credit card, or personal data, the easiest thing for them to do is to trick you into giving them this information. Ultimately, the greatest defense against attackers is you. Be suspicious. By using common sense, you can spot and stop most attacks.

2. **Passwords**: The next step to protecting yourself involves using a strong, unique password for each of your devices and online accounts. The key words here are strong and unique. A strong password means one that cannot be easily guessed by hackers or by their automated programs. Tired of complex passwords that are hard to remember and difficult to type? Try using a passphrase instead. Instead of a single word, use a series of words that is easy to remember, such as “Where is my coffee?” The longer your passphrase is, the stronger. A unique password means using a different password for each device and online account. This way, if one password is compromised, all of your other accounts and devices are still safe.

Finally, one of the most important steps you can take to protect any account is enable two-step verification. Two-step verification is much stronger than a password alone. It uses your password, but also adds a second step, either something you are (biometrics) or something you have (such as a code sent to your smart phone or an app on your smart phone that generates the code for you).

3. **Updating**: Make sure your computers, mobile devices, apps, and anything else connected to the Internet are running the latest software versions. Cyber criminals are constantly looking for new vulnerabilities in the software your devices use. When they discover vulnerabilities, they use special programs to exploit them and hack into the devices you are using. Meanwhile, the companies that created the software for these devices are hard at work fixing them by releasing updates. By ensuring your computers and mobile devices install these updates, you make it much harder for someone to hack you. To stay current, simply enable automatic updating whenever possible. This rule applies to almost any technology connected to a network, including Internet-connected TVs, baby monitors, home routers, gaming consoles, or perhaps even your car.

4. **Backups**: Sometimes, no matter how careful you are, you may be hacked. If that is the case, often your only option to ensure your computer or mobile device is free of malware is to fully wipe it and rebuild it from scratch. The attacker might even prevent you from accessing your personal files, photos, and other information stored on the hacked system. Often the only way to restore your personal information is from a backup. Make sure you are doing regular backups of any important information and verify that you can restore from them. Most operating systems and mobile devices support automatic backups. In addition, we recommend you store your backups in either the Cloud or offline to protect them against cyber attackers.

The 2017 certification training for Helping Our Survivors in Transition (HOST) took place Oct. 19 at OP&F. Current and new participants in the program were trained to meet the requirements to be HOST volunteers for the upcoming year. Sunea Williams (left) of the OP&F Member Services Department speaks to the volunteers. For more information on HOST or to become a volunteer, contact OP&F Customer Service at 1-888-864-8363.

OP&F WELCOMES HOST VOLUNTEERS FOR TRAINING

The 2017 certification training for Helping Our Survivors in Transition (HOST) took place Oct. 19 at OP&F. Current and new participants in the program were trained to meet the requirements to be HOST volunteers for the upcoming year. Sunea Williams (left) of the OP&F Member Services Department speaks to the volunteers. For more information on HOST or to become a volunteer, contact OP&F Customer Service at 1-888-864-8363.
SUSPECT DISABILITY FRAUD? CALL 844-FRAUD HOTLINE (844-372-8345)

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 OP&F Customer Service at 1-888-864-8363. Members can also update their information online from the secure Member Self Serve.