Ohio Police & Fire Pension Fund Employer billing deadlines 2002*

Due Date	Description
1/31/02	OP&F member contribution payroll reports and payments for December 2001
2/28/02	OP&F member contribution payroll reports and payments for January 2002
3/31/02	OP&F member contribution payroll reports and payments for February 2002
3/31/02	OP&F employer quarterly bills for 4th quarter of 2001 (Oct.-Dec. 2001)
4/30/02	OP&F member contribution payroll reports and payments for March 2002
5/15/02	OP&F 1st Semi-Annual Bills for employer accrued liability
5/31/02	OP&F member contribution payroll reports and payments for April 2002
6/30/02	OP&F member contribution payroll reports and payments for May 2002
6/30/02	OP&F employer quarterly bills for 1st quarter of 2002 (Jan.-March 2002)
7/31/02	OP&F member contribution payroll reports and payments for June 2002
8/31/02	OP&F member contribution payroll reports and payments for July 2002
9/30/02	OP&F member contribution payroll reports and payments for August 2002
9/30/02	OP&F employer quarterly bills for 2nd quarter of 2002 (Apr.-June 2002)
10/31/02	OP&F member contribution payroll reports and payments for September 2002
11/15/02	OP&F 2nd semi-annual bills for employer accrued liability
11/30/02	OP&F member contribution payroll reports and payments for October 2002
12/31/02	OP&F member contribution payroll reports and payments for November 2002
12/31/02	OP&F employer quarterly bills for 3rd quarter of 2002 (July-Sept. 2002)

** Payroll deduction payments due on same dates as billing*

Additional Filing Requirements

Pre-employment physicals
Must be **received** by OP&F no later than 60 days after the employee becomes an OP&F member.

Retirement certification
Documents verifying an employee's termination date or retirement date must be **received** by OP&F no later than 60 days after OP&F mails certification paperwork.

Contact Information
Toll-Free: 1-888-864-8363
General: 614/228-2975
Fax: 614/628-1777
www.op-f.org
Business Hours:
Monday through Friday, 8:00 a.m.—4:30 p.m.

Ohio Police & Fire Pension Fund
140 E. Town Street
Columbus, Ohio 43215
ADDRESS SERVICE REQUESTED

Ohio Police & Fire Pension Fund
employer DIGEST
www.op-f.org
Volume 1, Number 1, March 2002

New legislation provides more reasonable penalty structure for employer reporting and offers reduced fines

House Bill 244, which took effect on February 19, 2002, modifies the penalties—and the process in which they are applied—for an employer's incorrect or untimely filing of employer and employee payroll and deduction reports, pre-employment physical information and employer retirement certification. In addition, the new law offers an "amnesty period" for employers who have incurred fines prior to February 19th under the old structure and may allow for a partial refund for those who have already paid those fines, providing certain conditions are met.

The new law allows OP&F to provide a more reasonable penalty structure for delinquent or incorrect reports and filings. In 1998, Ohio law (H.B. 648) required OP&F to charge employers penalties and interest for delinquent filings with the intent of providing an incentive for employers to comply and eliminate, or significantly reduce, non-compliance. Many employers have asked OP&F for some sort of relief from these penalties; however, under the prior law, OP&F had no flexibility to waive or reduce any incurred fines.

The charts on page 3 detail the new penalty structure for all payroll and pre-employment physical reports due *after* February 19, 2002. OP&F will mail employers additional information on the revised payroll and pre-employment physical standards and how penalties and interest will be billed.

House Bill 244 also provides employers who incurred fines and penalties under the prior law an opportunity to take advantage of a reduced penalty created by the passage of H.B. 244. Under the new law, penalties for late or incorrect filing of payrolls and pre-employment physicals *due on or before February 19, 2002* can be significantly reduced—by 50% for employee or employer contributions and by 90% for physical examination filings. *However, in order to take advantage of these reduced fines, OP&F must receive all required reports as well as all fines and penalties on or before June 1, 2002.* In addition, employers who paid penalties under the prior law can receive a partial refund or a credit of the fine toward other amounts owed to OP&F.

OP&F is committed to helping employers correct their outstanding issues by June 1, 2002, so everyone can take advantage of this reduced penalty program. Because much work is involved in completing this task, OP&F will assist employers by providing detailed information throughout the process. OP&F will mail detailed letters to those who qualify for the fine reduction, explaining the changes in the law and providing them with information on any outstanding issues with their reports.

Having listened to the concerns of employers, OP&F supported the passage of House Bill 244 and is pleased to present the improved penalty structure and amnesty program to employers made possible by this law. OP&F looks forward to continuing good relations with employers and is anxious to make the process of report filing as simple as possible.

Welcome to the OP&F *Employer Digest!*
Our newest publication designed with you in mind

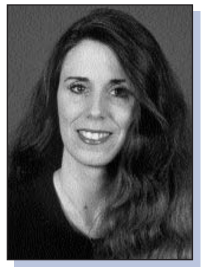
We are pleased to present the premier issue of the OP&F *Employer Digest*, especially for the employers who employ OP&F members!

Our goal is to further develop our partnership with you to more effectively serve our members before and after retirement. We believe that more effective and timely communication is an essential ingredient in achieving that goal. We will fill this quarterly newsletter with information that you need to know. That means everything from how and when to report contributions to the latest legislation impacting you as an employer.

We hope that you will enjoy reading this newsletter and that you find it informative. If you have any feedback or have suggestions for topics that you would like to see included in future issues, please contact us at 1-888-864-8363. *We look forward to developing a relationship with you!*

APRS Profile *"Pleased to meet you..."*

OP&F has many checks and balances in place to insure the accuracy of all aspects of employer reporting. Each issue of the Employer Digest will feature an employee from our payroll reporting area, called APRS (Amplified Payroll Reporting System). This is a great way to get to know the person behind the voice.



ATONYA MALONE is one of the APRS Auditors at OP&F helping to maintain accurate payroll reporting records. Atonya began her employment with OP&F in 1991, working in the Records Department. Not long after her employment began, she transferred to the Finance Department. After handling cash receipts for a few years, she was promoted to her current position as an APRS Auditor. Before the employers' payroll report can be posted, it is Atonya's duty to review the reports, looking for the correct form usage, completion and accuracy. APRS Auditors are assigned employers based on the letters of the alphabet. Atonya is the auditor for employers beginning with letters S through Z. Although Atonya declares the position "challenging," she's quick to point out her fondness for the job. "I enjoy interacting with the employers' payroll clerks, especially when I have the opportunity to meet them in person at a seminar," says Atonya. Atonya is kept quite busy at home with her children and a family-owned carpet and upholstery cleaning business. In their spare time, she and her husband, Steve, enjoy caring for their "zoo" of pets, hiking, fishing and horseback riding.

Legislation to provide benefit enhancement to OP&F members

The recent passage of Senate Bill 134 will enable OP&F to offer members a Deferred Retirement Option Plan (DROP) beginning early next year. OP&F's DROP program is an optional, value-added benefit enhancement, which OP&F is pleased to offer without additional cost to employers, members, or OP&F.

Under DROP, a police officer or firefighter who is eligible for a normal service retirement and elects to keep working can enter DROP for a minimum of three years and a maximum of eight years. For a DROP participant, money equal to the benefit that would have been paid if the employee had retired is accrued throughout DROP participation and earns interest. The employee continues to work full-time but no longer earns OP&F service credit since the employee's service credit balance upon DROP enrollment is used to calculate the employee's pension benefit. Upon retirement, the employee can withdraw the accumulated cash and interest as a lump sum or in periodic payments in addition to receiving monthly OP&F retirement and health care benefits.

Employers pay OP&F nothing additional for DROP participants. They do, however, continue making the normal OP&F contributions while DROP participants are working. Employer contribution rates will not increase as a result of the DROP program. If DROP is not cost neutral to OP&F, the law mandates that the Board alter or eliminate the plan.

For more information on DROP, visit OP&F's website www.op-f.org and watch for updates in future issues of the OP&F *Employer Digest*.

Employer contributions continue for members serving military duty

In addition to serving communities as police officers and firefighters, many active OP&F members are serving the country as military reservists. According to Ohio law, a member of the United States armed forces who is absent from employment due to active military duty is considered a member of OP&F for the duration of the active military duty.

When members are called to active military duty, it is the responsibility of the employers to notify OP&F of their active military status. The members' information should continue to appear on the payroll report with the usual employee **hours base** indicated. Assuming the police officer or firefighter was on active military leave an entire reporting month, the **hours paid** should read 0. To thoroughly explain the situation to OP&F's APRS department, the "**reason**" portion of the payroll report should indicate that the member is on military leave.

Although employers typically compensate the members only a portion of their usual salary, as described in their contract, they will continue to submit and pay employer contributions to OP&F on behalf of the members. The amount of contributions to be paid are determined using the base salary that the members would have earned had they not been called to active military duty. Members are not required to make contributions on any military salary received.

When the members return from active military duty, they should contact OP&F to request a grant for the military service time accrued. Supplying OP&F with the appropriate information can help eliminate any service time calculation delays for the member in the future. Employers will be asked to provide specific information to complete the granting process, such as the member's Social Security number, his/her last day on payroll before leaving for active military duty, and his/her first day back on payroll after discharge from military duty.

Eliminate payroll reporting errors

Understanding pensionable and non-pensionable pay

The state laws governing OP&F and its employers defines both "salary" and "contributing service credit," the two major components used to calculate retirement and disability benefits for OP&F members. OP&F's payroll reporting system was designed to capture these components. Reporting correctly under the Amplified Payroll Reporting System (APRS) will expedite the benefit calculation process, which will result in better service to OP&F members. One of the most common errors in payroll reporting results from contributions being calculated and paid by the employer, using non-pensionable pay.

Members earn "contributing service credit" as a result of OP&F receiving employee contributions on the *salary* of that member. Any pay under the definition of "salary" (as defined by statute and OP&F's administrative rules) is considered pensionable and the employer should pay contributions to OP&F on behalf of the member, based on that salary. The statute and rules, however, have exclusions depending on when it was earned. "Salary" is defined as all compensation, wages, and other earnings paid to an employee by reason of employment. This includes payments for overtime as long as the payment is made no later than the payroll following the period in which the overtime is worked.

Compensation for services outside the scope of an employee's regular duties is not considered salary and therefore non-pensionable. In addition, any reimbursement of expenses for items such as uniform allowance and tuition reimbursement are non-pensionable. Also non-pensionable are any terminal pays, which are described as any payments for accrued, but unused sick leave, personal leave or vacation pay covering periods for which salary, compensation, or benefits are paid. If a member works during a scheduled vacation day, holiday or "Kelly Day," that time is pensionable and the employer should pay contributions only if the compensation is paid in the pay period earned or the next pay period. Otherwise, that time is not pensionable.

Contributions should be paid on sick leave, personal leave or vacation leave only if it is used to keep a member on active payroll. Hours that keep a member on active payroll are the hours that make up his/her scheduled hours, such as an employee who has 24 hours of regular time, 8 hours of vacation leave and 8 hours sick leave. These combined hours make up the member's total schedule of weekly hours.

Ohio law determines whether a certain payment is subject to pension contributions, so it is important to review the provisions of Section 742.01(L) of the Ohio Revised Code and corresponding administrative rules in chapter 742.3-02. For an interpretation of a particular payment to determine if it is pensionable or non-pensionable, please feel free to contact OP&F.

SUMMARY OF NEW PENALTY STRUCTURE UNDER HB 244

Effective February 19, 2002

House Bill 244 impacted the penalties that OP&F is required, by law, to assess against employers for the late or incorrect filing of employer and employee contributions, with accompanying reports, as well as pre-employment physical reports and retirement certifications that are late or not complete.

The new penalty structure is for all reports that are *due after February 19, 2002*, the effective date of the bill. Please refer to the charts below for the new penalty structure for specific reports.

PENALTIES SECTION I—Member Contr., Employer Contr., Payroll Deduction Contr., and APRS Payroll Reports:

Step	# Days Past Due	Penalty
1	1-10 days	$100
2	11-30 days	Greater of $1,000 or 1% of payroll
3	31-180 days	Greater of $3,000 or 2% of payroll
4	181-210 days	Greater of $7,500 or 4% of payroll
5	211 days or later	Step 4 + $50/day for # days late
Cap		None

PENALTIES SECTION II—Pre-employment Physicals and Retirement Certifications:

Step	# Days Past Due	Penalty
1	1-10 days	$100
2	11-30 days	$1,000
3	31-180 days	$3,000
4	181-210 days	$7,500
5	211 days or later	Step 4 + $3.00/day* for # days late
Cap		$20,000 per year per employer

*As allowed by statute, this amount was reduced in an Administrative Rule.