

Adopting and filing pick-up resolutions

The Internal Revenue Service (IRS) allows OP&F employers to report pension contributions for members who have a proper pick-up plan. However, the employer must first adopt and file resolutions in the form approved by OP&F at least 30 days prior to submitting contributions to OP&F as picked-up. The resolutions are formal documents, containing language acceptable by Internal Revenue Code Section 414(h) allowing a portion or all the pension contributions to be tax-deferred, or picked-up.

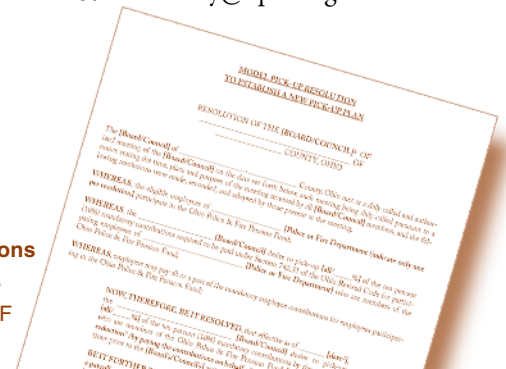
An employer can elect to pick-up contributions for members through either a salary reduction arrangement or by paying the contributions on behalf of the members, but the employees cannot be given the option to elect to participate in these arrangements.

If the appropriate steps are not taken to properly adopt the mandated resolutions and report the picked-up contributions in accordance with such resolutions, Ohio law requires OP&F to assess penalties. In this case, a written notice will first be sent

allowing 30 days for corrective action. If the error is not corrected, penalties will then be assessed.

Model resolutions approved by the IRS are posted on our Web site at www.op-f.org under the “Employer” category by clicking on the “Documents” link. For more information on pick-up plans, please contact OP&F’s Payroll Contributions Liaison, Michelle Brady, at 888-864-8363, extension 8239 or mbrady@op-f.org. ■

Model pick-up resolutions pre-approved by the IRS are available on the OP&F Web site.



Reporting military pay

Salary paid by an employer to an OP&F member who is called to active duty in the Reserve components of the United States Armed Forces, including the National Guard, is not subject to the reporting and the payment of contributions requirements during that military leave period, except for salary paid by the employer for up to one month for each calendar year in which they are serving. A month is defined as 22 days or 176 hours under the Ohio Revised Code Section 5923.05.

When a member is on active duty during the eligible month, payments are considered “salary” for purposes of reporting salary and paying contributions to OP&F so the employer should report and submit pension contributions on these payments. Any military pay beyond the 22 days or 176 hours cannot be paid to OP&F, including the military differential payments. If an employer has paid and reported contributions beyond this limited time period, they can request a refund. While the employer is not required to initially pay and report these payments before making the request, the employer may want to consider that a member can return from active duty and file an application for reinstatement.

If this happens, the employer will be ultimately responsible for reporting and paying OP&F contributions on salary the police officer or firefighter would have earned had military service not interrupted the member’s police or fire service for the remaining period of active duty.

It is important to recognize the difference between the reporting requirements for the employers and the calculation of a member’s pension. The reporting of salary for up to one month per calendar year in which a member is on active duty and the limited payment of contributions to OP&F, does not result in an unfavorable impact on the member’s pension.

When an OP&F member returns from active duty, they should contact OP&F to begin the process of having the time on leave granted so no service credit is lost. Once the military time has been granted, the member’s employer will be billed the employer share of the contribution, which is currently 19.5 percent for police officers and 24 percent for firefighters. ■

Employee spotlight

Recent upgrades have been made to OP&F's pension administration system and with the improvements come changes and questions regarding payroll reporting. To help ensure the changes are as smooth as possible and all questions from employers are answered, OP&F's Payroll Contribution Group has been in contact with employers regarding the upgrades and changes.



Payroll Contribution Specialist, **Heidi Brum**, reviews employer payroll reports for accuracy of information.

Payroll Contribution Specialist, Heidi Brum, has worked in OP&F's Payroll Contribution Group for over a year and is currently assisting employers in making the transition to the new payroll reporting requirements. "I review the employers' payroll reports to make sure they submitted

the information on the new form and that the information is accurate," says Brum. "When I notice an employer using an incorrect form or the information on the form is not accurate I call the employer to notify them so they can correct the error and avoid penalties."

Brum knows that it is important for employers to understand the recent changes to payroll reporting so she tries to answer all questions and explain the procedures with great detail and clarification. "I try to raise the employer's level of awareness about payroll reporting so that we (the employer and OP&F) reach our shared goal of helping OP&F members financially plan for their future retirement."

After completing the transition to the new pension administration system, procedures for payroll reporting will be easier, explains Brum. The forms along with directions can be found on OP&F's Web site at www.op-f.org/employers under the "Forms for Employers" link. ■

Proposed change to employer contributions

Ohio's public pension funds are required to pay all current and future benefit obligations over a 30-year funding period, or develop a plan to meet this requirement. A January report by Milliman USA, an actuarial consultant for the Ohio Retirement Study Council (ORSC), a legislative advisory board focused on pension matters, noted that OP&F's current funding formula would not support its existing obligations within that term.

While OP&F is fully able to meet its current obligations, our income is not currently adequate to meet the 30-year requirement. Therefore, the OP&F Board of Trustees has developed possible adjustments that will help meet our fiduciary responsibilities to our members and Ohio's statutory funding requirements. Among the proposed changes is an adjustment to the employer contributions paid to OP&F.

State law requires employers to make contributions to OP&F based on a percentage of reportable payrolls. The current contribution rates are 19.5 percent for police officers and 24 percent for firefighters. In January 2006, Milliman USA recommended to the ORSC that employer contributions be the same for both employers of police officers and firefighters. OP&F has taken this recommendation into consideration and in April, OP&F presented a request to ORSC that the legislature adopt the change so employer contributions for police officers be raised to 24 percent over the next five years.

The OP&F Board of Trustees does not have authority to make the employer contribution adjustment; they can only recommend the change. The Ohio General Assembly will have to pass legislation to allow any change in contributions. As decisions are made, information will be announced through direct mail and articles in the *Employer Digest*. ■

OP&F works to reduce employer penalties

Employers who have incurred penalties after Dec. 31, 2004, for late payments, late responses to payroll deficiency inquiries from OP&F, missing and/or late member contribution reports, or failure to timely file pre-employment physical forms, may have had the penalties recently reduced.

The OP&F Board of Trustees recognized the penalties were negatively impacting employers and made the decision to modify the timeframes and penalty amounts in order to assist employers through passing changes to Ohio Administrative Code 742-8-07 and 742-8-08. "The Board is now able to provide relief to employers while still preserving the ability to collect the needed information and finances to administer OP&F's members' benefits," says Employer Education Manager, John Davis.

The updated penalty structure grants longer timeframes within each graduated section of the escalated penalty structure and overall, the penalties are lower than under the previous structure. Additionally, OP&F's smaller employers, who have five OP&F members or less, are able to better manage under the new structure with a \$500 maximum penalty per incident.

OP&F has calculated the new cost savings penalty reductions, for those employers who had incurred penalties, and applied them retroactively to the Dec. 31, 2004, date, if applicable, within the first quarter 2006 billing statements.

Even with the new penalty structure, employers still need to maintain an awareness of due dates and penalties for not meeting reporting requirements as outlined in Ohio law and OP&F's governing administrative rules. ■



Payroll reporting tips

Summary of Payment Remittance Information form

You are required by Ohio law to submit the *Summary of Payment Remittance Information* form with all payments made to OP&F. The form should be submitted to OP&F only once with each payment and should be done by one of the following options:

Option 1 Submit your payment by writing a check and mailing it with the *Summary of Payment Remittance Information* form to OP&F. Please include the form in the same envelope as the check.

Option 2 Submit your payment via the electronic transfer method called Automatic Clearing House (ACH) for next day delivery. Submit your *Summary of Payment Remittance Information* form immediately thereafter through OP&F's Web site at www.op-f.org/tools/fileupload or fax it to the OP&F Financial Accounting Team at (614) 228-3767.

Option 3 Submit your payment by wiring it to OP&F. Submit your *Summary of Payment Remittance Information* form immediately after wiring the payment and uploading your payroll report through OP&F's Web site at www.op-f.org/tools/fileupload. You also have the option of faxing the form to the OP&F Financial Accounting Team at (614) 228-3767 if you mail your payroll report to OP&F.

Report of Retirement Deductions form

The *Report of Retirement Deductions* form has recently been updated and is available at www.op-f.org/employers under the "Forms" link. You can now download and print the form and directions. This form should be submitted monthly with your payment to OP&F.

Tips on adopting and filing pick-up resolutions

- File separate resolutions for pick-up contributions for police officers and firefighters.
- File separate resolutions according to member classification if pick-up plans are different, such as bargaining or non-bargaining; chief or assistant chief; firefighter; and police officer.
- When using salary reduction and "paid on behalf of" pick-ups, include both in the same resolution.
- When a resolution is amended because the pick-up plan changed for certain classifications, two separate resolutions must be completed. For example, if a chief becomes paid by the employer and police officers and firefighters remain salary reduction, then a new resolution must be completed for the chief because the pick-up plan changed. Also, a new resolution for the police officers and firefighters must be completed because the language in the original resolution states, "all members," which is no longer true. ■

Making adjustments on an electronic payroll report

When reporting payroll electronically, employers should include any adjustments, such as supplements or retroactive payments, in their electronic file.

The new pension administration system requires the adjustments in the electronic file and the pay period beginning and ending date in which the adjustment is for, located under the lump sum date fields, with the proper earn type be included in the electronic file. When reporting a negative amount, the original earn type that was reported on the payroll file being adjusted must be submitted. Always use the pay period beginning and ending dates that the correction or modification is related to regardless of when the information is submitted. For example, a correction or modification to the May file that is being reported on the July payroll file should contain the May pay period beginning and ending dates.

Employers with questions regarding the process of reporting payroll files electronically should contact OP&F representative, Mike Chadwell at 888-864-8363. ■

Employer Advisory Group holds first meeting

To meet OP&F's objective of providing a high level of service to employers and a forum for employers to have their concerns heard and addressed, OP&F has established an Employer Advisory Group.

The group, which consists of 15 employers, met for the first time in April and discussed issues such as: reporting member contributions under the new format, the new *Summary of Payment Remittance Information* form, reporting military pay, the revised penalty structure, and proposed plans to increase the employer and member contributions.

As the group meets quarterly, the topics they discuss and concerns they have will be addressed in upcoming issues of the *Employer Digest*. The next Employer Advisory Group meeting will be in July. Topics and concerns employers may have for the group to discuss can be forwarded to OP&F's Employer Education Manager, John Davis by calling 888-864-8363, extension 8255 or e-mailing jdavis@op-f.org. ■

Employer Advisory Group

The following employers have representatives on the Employer Advisory Group:

Bazetta Township	Grandview Heights	Mentor
Bellevue	Kettering	Shaker Heights
Cincinnati	Lithopolis	Toledo
Cleveland	Marion	Warren
Columbus	Mason	Yellow Springs

140 East Town Street
Columbus, OH 43215

www.op-f.org

Active Members: 888-864-8363

Retirees & Survivors: 800-860-9599

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

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William Deighton, Vice-Chair, Retired, Cleveland Fire

Lawrence Petrick, Jr., Chair Elect, Shaker Heights Fire

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The Ohio Police & Fire Pension Fund (OP&F) is dedicated to providing retirement and related benefits, accurate information, dependable communication and valuable educational assistance to our members. As responsible fiduciaries, we will professionally manage the resources of OP&F and implement its practices, plans and benefit services with the highest ethical standards.

Nothing contained in this newsletter is meant to interpret, extend or change, in any way, the governing statute, administrative rules or policies. As a result, rights can only be determined by the provisions of OP&F's governing documents, which are subject to change.

Procedures on 30-day penalty letters

When an employer submits a payroll report that is not in compliance, OP&F will call the employer to assist in resolving the issue. The employer has until Friday of the week the call was made by OP&F to send a written correction via e-mail or fax.

If the employer does not respond and correct the payroll, OP&F will send a certified 30-day letter. The employer then has 30 days from the day OP&F initially called to send a written correction that puts the payroll in compliance. If the employer responds after the 30-day deadline, penalties will be assessed. ■

Important dates and deadlines

Please keep these important dates and deadlines for payroll reporting for your reference. They are also posted at www.op-f.org under the "Employers" section titled "Employer Calendar." Please contact John Davis at 888-864-8363, directly at (614) 628-8255 or via e-mail at jdavis@op-f.org should you have questions. ■

June 30, 2006	OP&F payroll deductions, member contribution payroll reports and payments for May 2006
June 30, 2006	1st quarter employer bills (January—March 2006)
July 31, 2006	OP&F payroll deductions, member contribution payroll reports and payments for June 2006
Aug. 31, 2006	OP&F payroll deductions, member contribution payroll reports and payments for July 2006
Sept. 30, 2006	OP&F payroll deductions, member contribution payroll reports and payments for August 2006
Sept. 30, 2006	2nd quarter employer bills (April—June 2006)
Sept. 30, 2006	3rd pre-employment physical bill
Oct. 31, 2006	OP&F payroll deductions, member contribution payroll reports and payments for September 2006
Nov. 15, 2006	2nd semi-annual accrued liability bills
Nov. 30, 2006	OP&F payroll deductions, member contribution payroll reports and payments for October 2006