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OHIO POLICE & FIRE PENSION FUND SPECIAL TAX NOTICE REGARDING PLAN PAYMENTS

This notice explains the federal income tax treatment of distributions of your retirement benefits from the Ohio Police & Fire Pension Fund (the "Plan") and contains important information you will need before you decide how to receive your Plan benefits.

This notice is provided to you by the Ohio Police & Fire Pension Fund (your "Plan Administrator") because all or part of the payment that you will soon receive from the Plan may be eligible for rollover to a traditional IRA, a Roth IRA, or an eligible employer plan. Your distribution may be an eligible rollover distribution, a distribution ineligible for rollover, or a combination of both. The Plan Administrator will assist you in identifying which portion of your distribution is an eligible rollover distribution and which portion is not eligible for rollover.

Eligible Rollover Distributions. An Eligible Rollover Distribution is a payment of all or part of your benefit to another eligible employer plan, traditional IRA, or a Roth IRA that either allows you to continue to postpone taxation of that benefit until it is paid to you (if you roll your distribution to an eligible employer plan or traditional IRA) or requires you to pay taxes in the current year on the distribution with future distributions being tax-free (if you roll your distribution to a Roth IRA).

Plans that may accept an Eligible Rollover Distribution. You may roll over an Eligible Rollover Distribution to a Roth IRA, a traditional IRA, or an eligible employer plan that accepts rollovers. An "eligible employer plan" includes a plan qualified under Internal Revenue Code section 401(a), including a 401(k) plan, profit-sharing plan, defined benefit plan, stock bonus plan, and money purchase plan; a 403(a) annuity plan; a 403(b) tax-sheltered annuity; and an eligible 457(b) plan maintained by a governmental employer (a "governmental 457 plan"). Your payment cannot be rolled over to a SIMPLE IRA or a Coverdell Education Savings Account (formerly known as an education IRA).

An eligible employer plan is not legally required to accept a rollover. Before you decide to roll over your distribution to another employer plan, you should find out whether the plan accepts rollovers and, if so, the types of distributions it accepts as a rollover and any required documentation. **Even if a plan accepts rollovers, it might not accept rollovers of certain types of distributions, such as after-tax amounts.** If this is the case, and your distribution includes after-tax amounts, you may wish instead to roll your distribution over to a traditional IRA, Roth IRA, or split your rollover amount between the employer plan in which you will participate and a traditional IRA or Roth IRA. If an employer plan accepts your rollover, the plan may restrict subsequent distributions of the rollover amount or may require your spouse's consent for any subsequent distribution. A subsequent distribution from the plan that accepts your rollover also may be subject to different tax treatment than distributions from this Plan. **Check with the administrator of the plan that is to receive your rollover to obtain additional information about subsequent distributions from the plan and the taxation of the amounts distributed from the plan prior to making the rollover.**

If you have additional questions after reading this notice, you can contact your plan administrator at 1-888-864-8363.

SUMMARY

There are two ways you may be able to receive a Plan payment that is eligible for rollover:

- (1) Certain payments can be made directly to a traditional IRA or a Roth IRA that you establish or to an eligible employer plan that will accept the payment and hold it for your benefit ("DIRECT ROLLOVER"); or
- (2) The payment can be PAID TO YOU.

If you choose a DIRECT ROLLOVER:

- You choose whether your payment will be made directly to your traditional IRA, Roth IRA, or to an eligible employer plan that will accept your rollover. Your payment cannot be rolled over to a SIMPLE IRA or a Coverdell Education Savings Account.
- If you roll over your distribution to a traditional IRA or an eligible employer plan, the taxable portion of your payment will not be taxed in the current year and no income tax will be withheld; instead, the taxable portion of your payment will be taxed later when you take it out of the traditional IRA or the eligible employer plan. Depending on the type of plan, the later distribution may be subject to different tax treatment than it would be if you received a taxable distribution from this Plan.
- If you choose a direct rollover to a Roth IRA, your payment will be taxed in the year of distribution and you will pay income tax on the amount rolled over, excluding the portion of the rollover that represents after-tax amounts (you may be able to delay recognizing the distribution as part of your taxable income until 2011 and 2012 if you elect a rollover to a Roth IRA in the 2010 taxable year). A rollover from the Plan to a Roth IRA is subject to the same limits as a rollover from a traditional IRA to a Roth IRA. For tax years beginning on or after January 1, 2008 and before January 1, 2010, you cannot roll over to a Roth IRA if your modified adjusted gross income exceeds \$100,000 or you are married filing a separate income tax return. After December 31, 2009, you can roll over your contributions to a Roth IRA directly without the adjusted gross income limitation and regardless of filing status.

If you choose to have a Plan payment that is eligible for rollover PAID TO YOU:

- You will receive only 80% of the taxable amount of the payment, because the Plan Administrator is required to withhold 20% of that amount and send it to the IRS as income tax withholding to be credited against your taxes.
- The taxable amount of your payment will be taxed in the current year unless you roll it over. Under limited circumstances, you may be able to use special tax rules that could reduce the tax you owe. However, if you receive the payment before age 59½, you may have to pay an additional 10% tax.
- You can roll over all or part of the distribution by paying it to your traditional IRA, Roth IRA, or to an eligible employer plan that accepts your rollover within 60 days after you receive the payment. If you roll over your distribution to a traditional IRA or an eligible employer plan, the amount rolled over will not be taxed until you take it out of the traditional IRA or the eligible employer plan. If you roll over your distribution to a Roth IRA, the distribution will be taxed in the current year and you will pay income tax on the amount rolled over, excluding the portion of the rollover that represents your after-tax contributions.

- If you want to roll over 100% of the payment to a traditional IRA or an eligible employer plan, you must find other money to replace the 20% of the taxable portion that was withheld. If you roll over only the 80% of the taxable amount that you received, you will be taxed on the 20% that was withheld and that is not rolled over.

Your Right to Waive the 30-Day Notice Period. Generally, neither a direct rollover nor a payment can be made from the plan until at least 30 days after your receipt of this notice. Thus, after receiving this notice, you have at least 30 days to consider whether to receive your distribution or have the distribution directly rolled over. If you do not wish to wait until this 30-day notice period ends before your election is processed, you may waive the notice period by making an affirmative election indicating whether or not you wish to make a direct rollover. Your distribution will then be processed in accordance with your election as soon as practical after the Plan Administrator receives your election form.

MORE INFORMATION

- I. DISTRIBUTIONS THAT CAN AND CANNOT BE ROLLED OVER
- II. DIRECT ROLLOVER
- III. DISTRIBUTION MADE TO YOU
- IV. SURVIVING SPOUSES, ALTERNATE PAYEES, AND OTHER BENEFICIARIES

I. DISTRIBUTIONS THAT CAN AND CANNOT BE ROLLED OVER

Distributions from the Plan may be “Eligible Rollover Distributions.” This means that they can be rolled over to a traditional IRA, Roth IRA, or to an eligible employer plan that accepts rollovers. Distributions from a plan cannot be rolled over to a SIMPLE IRA or a Coverdell Education Savings Account. Your Plan administrator should be able to tell you what portion of your distribution is an eligible rollover distribution.

After-tax Contributions. If you made after-tax contributions to the Plan, these contributions may be rolled into either a traditional IRA, Roth IRA, or to certain employer plans that accept rollovers of after-tax contributions. The following rules apply:

(a) Rollover into a Traditional IRA. You can roll over your after-tax contributions to a traditional IRA either directly or indirectly. Your plan administrator should be able to tell you how much of your distribution is the taxable portion and how much is the after-tax portion.

If you roll over after-tax contributions to a traditional IRA, it is your responsibility to keep track of, and report to the Internal Revenue Service on the applicable forms, the amount of these after-tax contributions. This will enable you to determine the nontaxable amount of any future distributions from the traditional IRA.

Once you roll over your after-tax contributions to a traditional IRA, those amounts CANNOT later be rolled over to an employer plan, but you may later roll over your after-tax contributions to another IRA (traditional or Roth).

(b) Rollover into a Roth IRA. You can roll over your after-tax contributions from a distribution made after January 1, 2008 and before January 1, 2010 to a Roth IRA, provided your modified adjusted gross income for the taxable year of the distribution does not exceed \$100,000 and you are not married filing a separate income tax return. After December 31, 2009, you can roll over your after-tax contributions to a Roth IRA directly without the adjusted gross income limitation and regardless of filing status. Your plan administrator should be able to tell you how much of your distribution is the taxable portion and how much is the after-tax portion.

Once you roll over your after-tax contributions to a Roth IRA, those amounts CANNOT later be rolled over to an employer plan or traditional IRA, but you may later roll over your after-tax contributions to another Roth IRA.

(c) Rollover into an Employer Plan. You can roll over after-tax contributions from this Plan to another qualified plan (including a defined benefit plan) or to a 403(b) annuity contract using a direct rollover if the other plan will accept the rollover and provides separate

accounting for amounts rolled over, including separate accounting for the after-tax employee contributions and earnings on those contributions. You CANNOT roll over after-tax contributions to a governmental 457 plan. If you want to roll over your after-tax contributions to an employer plan that accepts these rollovers, you cannot have the after-tax contributions paid to you first. You must instruct the Plan Administrator of this Plan to make a direct rollover on your behalf. Also, you cannot first roll over after-tax contributions to a traditional IRA and then roll over that amount into an Employer Plan.

The following types of payments *cannot* be rolled over:

Payments Spread over Long Periods. You cannot roll over a payment if it is part of a series of equal (or almost equal) payments that are made at least once a year and that will last for:

- Your lifetime (or a period measured by your life expectancy), or
- Your lifetime and your beneficiary's lifetime (or a period measured by your joint life expectancies), or
- A period of 10 years or more.

Required Minimum Payments. Beginning when you reach age 70½ or retire, whichever is later, a certain portion of your payment cannot be rolled over because it is a “required minimum payment” that must be paid to you. Special rules apply if you own more than 5% of your employer.

The Plan Administrator of this Plan should be able to tell you if your payment includes amounts which cannot be rolled over.

II. DIRECT ROLLOVER

A DIRECT ROLLOVER is a direct payment of the amount of your Plan benefits to a traditional IRA, Roth IRA, or an eligible employer plan that will accept it. You can choose a DIRECT ROLLOVER of all or any portion of your payment that is an eligible rollover distribution, as described in Part I above. If you elect a direct rollover, the Plan Administrator will pay the eligible rollover distribution directly to your traditional IRA, Roth IRA, or to another eligible employer plan that you have designated. Alternatively, the Plan Administrator may give you a check negotiable by the trustee or custodian of the recipient eligible employer plan, traditional IRA, or Roth IRA. To complete the direct rollover, you must deliver the check to that trustee/custodian. The taxable portion of your direct rollover to a Roth IRA will be taxed in the year of distribution. A direct rollover to an eligible employer plan or traditional IRA is not subject to taxation at the time of the rollover. Instead, the taxable portion of your direct rollover will be taxed later when you take it out of the traditional IRA or the eligible employer plan. Depending on the type of plan, the later distribution may be subject to different tax treatment than it would be if you received a taxable distribution from this Plan. If you elect a direct rollover, your election form must include identifying information about the recipient IRA or plan. This Plan might not let you choose a direct rollover if your distributions for the year are less than \$200.

DIRECT ROLLOVER to an IRA. You can open a traditional or Roth IRA to receive the direct rollover. If you choose to have your payment made directly to a traditional or Roth IRA, contact a traditional or Roth IRA sponsor (usually a financial institution) to find out how to have your payment made in a direct rollover to a traditional or Roth IRA at that institution. If you are unsure of how to invest your money, you can temporarily establish a traditional or Roth IRA to receive the payment. However, in choosing a traditional or Roth IRA, you may wish to make sure that the traditional or Roth IRA you choose will allow you to move all or a part of your payment to another a traditional or Roth IRA at a later date, without penalties or other limitations. See IRS Publication 590, Individual Retirement Arrangements, for more information on traditional IRAs and Roth IRAs (including limits on how often you can roll over between IRAs).

For traditional IRAs, you are not taxed on the taxable portion of your distribution for which you choose a DIRECT ROLLOVER until you later take it out of the traditional IRA. In addition, no income tax withholding is required for the taxable portion of your Plan benefits for which you choose a DIRECT ROLLOVER to a traditional IRA.

If you roll over a taxable distribution directly to a Roth IRA, the taxable portion of the distribution is subject to taxation for the taxable year in which the distribution occurs (you may be able to delay recognizing the distribution as part of your taxable income until 2011 and 2012 if you elect a rollover to a Roth IRA in the 2010 taxable year). For tax years beginning on or after January 1, 2008 and before January 1, 2010, you may not roll over a distribution from a pre-tax account to a Roth IRA if your modified adjusted gross income for the taxable year exceeds \$100,000 or you are not married and file a separate income tax return. After December 31, 2009, you can roll over your after-tax contributions to a Roth IRA directly without the adjusted gross income limitation and regardless of filing status. See IRS Publication 575, Publication 590, and Publication 505 for more important information concerning Roth IRA rollover requirements.

DIRECT ROLLOVER to an Employer Plan. If you are employed by a new employer that has an eligible employer plan, and you want a direct rollover to that plan, ask the plan administrator of that plan whether it will accept your rollover. An eligible employer plan is not legally required to accept a rollover. Even if your new employer's plan does not accept a rollover, you can choose a DIRECT ROLLOVER to a traditional IRA or Roth IRA. If the employer plan accepts your rollover, the plan may provide restrictions on the circumstances under which you may later receive a distribution of the rollover amount or may require spousal consent to any subsequent distribution. Check with the plan administrator of that plan before making your decision. You are not taxed on any taxable portion of your payment for which you choose a DIRECT ROLLOVER until you later take it out of the eligible employer plan. In addition, no income tax withholding is required for any taxable portion of your Plan benefits for which you choose a DIRECT ROLLOVER.

DIRECT ROLLOVER of a Series of Payments. If you receive a payment that can be rolled over to a traditional IRA, Roth IRA, or an eligible employer plan that will accept it, and it is paid in a series of payments for less than 10 years, your choice to make or not make a DIRECT ROLLOVER for a payment will apply to all later payments in the series until you change your election. You are free to change your election for any later payment in the series.

Change in Tax Treatment Resulting from a DIRECT ROLLOVER. The tax treatment of any payment from the eligible employer plan, Roth IRA, or traditional IRA receiving your DIRECT ROLLOVER might be different than if you received your benefit in a taxable distribution directly from the Plan. For example, if you were born before January 1, 1936, you might be entitled to ten-year averaging or capital gain treatment, as explained below. However, if you roll over your benefit to a section 403(b) tax-sheltered annuity, a governmental 457 plan, or an IRA in a DIRECT ROLLOVER, your benefit no longer will be eligible for that special treatment. See the sections below entitled "Additional 10% Tax if You Are under Age 59½" and "Special Tax Treatment if You Were Born before January 1, 1936."

III. DISTRIBUTIONS PAID TO YOU

If your distribution can be rolled over (see Part I above) and the payment is made to you in cash, the taxable portion is subject to 20% federal income tax withholding (state tax withholding may also apply). The distribution is taxed in the year you receive it unless, within 60 days, you roll over the amount distributed to a traditional IRA or an eligible employer plan that accepts rollovers. The taxable portion of a distribution you receive that is rolled over to a Roth IRA within 60 days is taxable in the year you receive it. If you do not roll it over, special tax rules may apply.

INCOME TAX WITHHOLDING:

Mandatory Withholding. If any portion of your payment can be rolled over to a traditional IRA or an eligible retirement plan as described in Part I above and you do not elect to make a DIRECT ROLLOVER, the Plan is required by law to withhold 20% of the taxable amount. This amount is sent to the IRS as federal income tax withholding.

Example: If you can roll over a taxable payment of \$10,000, but you elect to receive the distribution directly, only \$8,000 will be paid to you because the Plan must withhold \$2,000 as income tax. However, when you prepare your income tax return for the year, unless you made a rollover within 60 days after receiving the distribution (see "Sixty-Day Rollover Option" below) to a traditional IRA or an eligible employer plan, you must report the full \$10,000 as a taxable payment from the Plan. You must report the \$2,000 as tax withheld, and it will be credited against any income tax you owe for the year. Taxes and penalties with regard to the distribution may exceed the 20% withheld. There will be no income tax withholding if your payments for the year are less than \$200.

Voluntary Withholding. If any portion of your payment is taxable but cannot be rolled over under Part I above, the mandatory withholding rules described above do not apply. In this case, you may elect not to have withholding apply to that portion. If you do nothing, an amount will be taken out of this portion of your payment for federal income tax withholding. To elect out of withholding, ask the Plan Administrator for the election form and related information.

Sixty-Day Rollover Option. If you receive a payment that can be rolled over as described in Part I above, you can still decide to roll over all or part of it to a traditional IRA, a Roth IRA (subject to the restrictions described in Section II), or to an eligible employer plan that accepts rollovers. If you decide to roll over, you must contribute the amount of the payment you received to a traditional IRA, Roth IRA, or eligible employer plan within 60 days after you receive the payment. The portion of your distribution that you elect to roll over to a traditional IRA or employer plan generally is not subject to taxation until you receive distributions from the traditional IRA or eligible employer plan; but, see the taxation discussion of Roth IRAs in "DIRECT ROLLOVER to an IRA," for the tax rules applicable to distributions to Roth IRAs.

You may roll over 100% of your eligible rollover distribution that you received even though the Plan Administrator has withheld 20% of the distribution for income tax withholding. If you elect to roll over 100% of the distribution, you must obtain other money within the 60-day period to contribute to the traditional IRA, Roth IRA, or eligible employer plan to replace the 20% that was withheld. On the other hand, if you roll over only the 80% that you received to a traditional IRA or employer plan, the 20% that was withheld will be subject to taxation. Special tax rules apply to rollovers to Roth IRAs, as previously discussed.

Example: The taxable portion of your payment that can be rolled over under Part I above is \$10,000, and you do not elect a direct rollover. You will receive \$8,000, and \$2,000 will be sent to the IRS as income tax withholding. Within 60 days after

receiving the \$8,000, you elect to roll over the entire \$10,000 to a traditional IRA or eligible employer plan. To accomplish this, you must roll over the \$8,000 you received from the Plan, and you will have to contribute \$2,000 from other sources (your savings, a loan, etc.). In this case, you will not have any tax liability with respect to the Plan distribution. The Plan will report a \$10,000 distribution for the year and you will report a \$10,000 rollover. When you file your income tax return you may get a refund of part or all of the \$2,000 withheld.

If, on the other hand, you roll over only \$8,000, the \$2,000 you did not roll over is taxed in the year it was withheld. When you file your income tax return, you may get a refund of part of the \$2,000 withheld. (However, any refund is likely to be larger if you roll over the entire \$10,000 to a traditional IRA or eligible employer plan.)

Additional 10% Tax If You Are under Age 59½. If you receive a distribution from the Plan before you reach age 59½ and you do not roll it over, then, in addition to the regular income tax, you may have to pay an extra tax equal to 10% of the taxable portion of the payment. The additional 10% tax generally does not apply to (1) payments that are paid after you separate from service with your employer during or after the year you reach age 55, or age 50, if you are a “qualified public safety employee” (ask your Plan administrator if you meet this definition), (2) payments that are paid because you retire due to disability, (3) payments that are paid as equal (or almost equal) payments over your life or life expectancy (or you and your beneficiary's lives or life expectancies), (4) payments that are paid directly to the government to satisfy a federal tax levy, or (5) payments that do not exceed the amount of your deductible medical expenses. See IRS Form 5329 for more information on the additional 10% tax.

The additional 10% tax does not apply to a distribution that is rolled over to a Roth IRA. The additional 10% tax also does not apply to distributions from a governmental 457 plan, except to the extent the distribution is attributable to an amount you rolled over to that plan (adjusted for investment returns) from another type of eligible employer plan or IRA. Any amount rolled over from a governmental 457 plan to another type of eligible employer plan or to a traditional IRA will become subject to the additional 10% tax if it is distributed to you before you reach age 59½, unless one of the exceptions applies.

Special Tax Treatment If You Were Born before January 1, 1936. If you receive a distribution from a plan qualified under section 401(a) or a section 403(a) annuity plan that can be rolled over as described in Part I and you do not roll it over to a traditional IRA or an eligible employer plan, the payment will be taxed in the year you receive it. However, if the payment qualifies as a “lump sum distribution,” it may be eligible for special tax treatment. A lump sum distribution is a payment, within one year, of your entire balance under the Plan (and certain other similar plans of the employer) that is payable to you after you have reached age 59½ or because you have separated from service with your employer. For a payment to be treated as a lump sum distribution, you must have been a participant in the plan for at least five years before the year in which you received the distribution. The special tax treatment for lump sum distributions that may be available to you is described below.

Ten-Year Averaging. If you receive a lump sum distribution and you were born before January 1, 1936, you can make a one-time election to figure the tax on the lump sum distribution by using “10-year averaging” (using 1986 tax rates). Ten-year averaging often reduces the tax you owe.

Capital Gain Treatment. If you receive a lump sum distribution, you were born before January 1, 1936, and you were a participant in the Plan before 1974, you may elect to have the part of your lump sum distribution attributable to your pre-1974 participation in the Plan taxed as long-term capital gain at a rate of 20%.

There are other limits on the special tax treatment for lump sum distributions. For example, you can generally elect this special tax treatment only once in your lifetime, and the election applies to all lump sum distributions that you receive in that same year. You may not elect this special tax treatment if you rolled amounts into this Plan from a 403(b) tax-sheltered annuity contract, a governmental 457(b) plan, or from an IRA not originally attributable to a qualified employer plan. If you have previously rolled over a distribution from this Plan (or certain other similar plans of the employer), you cannot use this special averaging treatment for later payments from the Plan. If you roll over your payment to an IRA, governmental 457 plan, or 403(b) tax-sheltered annuity, you will not be able to use special tax treatment for later payments from that IRA, plan, or annuity. Also, if you roll over only a portion of your payment to an IRA, governmental 457 plan, or 403(b) tax-sheltered annuity, this special tax treatment is not available for the rest of the payment. See IRS Form 4972 for additional information on lump sum distributions and how you elect the special tax treatment.

IV. SURVIVING SPOUSES, ALTERNATE PAYEES AND OTHER BENEFICIARIES

The rules summarized in this notice that apply to payments to an OP&F member also apply to payments to the surviving spouse of the member and to the spouse or former spouse who is an "alternate payee," as further described below.

If you are a beneficiary other than a surviving spouse or an alternate payee, you cannot choose a direct rollover, and you cannot roll over the payment received.

If you are the Surviving Spouse of an OP&F Member. If you are a surviving spouse, you may choose to have a payment that is eligible for rollover paid in a direct rollover to a traditional IRA, Roth IRA, or an eligible employer plan as described in Section II above. You may also choose to have the payment paid to you. If payment is made directly to you, you can keep it or roll it over to a traditional IRA, Roth IRA, or to an eligible employer plan.

If you are an Alternate Payee of an OP&F Member. You are an alternate payee if your interest in an OP&F account results from a division of property order, which is an order issued by a court in connection with a divorce, dissolution of marriage, or legal separation matter. If you are an alternate payee due to your status as the spouse or former spouse of an OP&F member and you receive a payment through a division of property order during the OP&F member's lifetime that is eligible for rollover, you may choose to have the payment paid in a direct rollover to a traditional IRA, Roth IRA, or an eligible employer plan as described in Section II above. You may also choose to have the payment paid to you. If a payment is made directly to you, you can keep it or roll it over to a traditional IRA, Roth IRA, or to an eligible employer plan.

Tax Treatment for Surviving Spouses and Alternate Payees. If you are a surviving spouse or an alternate payee, your payment is generally not subject to the additional 10% tax described in Section III, even if you are younger than age 59½ when you receive the payment. As a surviving spouse or alternate payee, you may be eligible for the special tax treatment for lump-sum distributions described in Section III above. If you receive a payment because of the OP&F member's death, you may be able to treat the payment as a lump-sum distribution if the member met the appropriate age requirements, even if the member had fewer than five years of participation in the OP&F plan.

HOW TO OBTAIN ADDITIONAL INFORMATION

This notice summarizes only the federal (not state or local) tax rules that might apply to your payment. The rules described above are complex and contain many conditions and exceptions that are not included in this notice. Therefore, you may want to consult with the Plan Administrator or a professional tax advisor **before** you take a payment of your benefits from your Plan. Also, you can find more specific information on the tax treatment of payments from qualified employer plans in IRS Publication 575, *Pension and Annuity Income*, and IRS Publication 590, *Individual Retirement Arrangements*. These publications are available from your local IRS office, on the IRS's Internet Web Site at www.irs.gov, or by calling 1-800-TAX-FORMS.

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