Volume 39 / Number 1 / WINTER 2020

MEMBER'S REPORT

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

Ohio Police & Fire Pension Fund

HIGHER DROP INTEREST RATE APPROVED BY BOARD

At its October meeting, the OP&F Board of Trustees approved a change in the Deferred Retirement Option Plan (DROP) interest rate that will benefit participants in the program. Beginning Jan. 1, 2020, a 2.5 percent minimum interest rate will accrue for OP&F members participating in DROP. A maximum rate of 5.0 percent remains in place.

Interest credited to DROP balances each month will continue to be calculated at a rate equal to the 10-year U.S. Treasury Note Business Day Series, as published by the United States Federal Reserve (updated quarterly). However, once the change is implemented, DROP participants will receive a rate between 2.5 and 5.0 on their DROP accrual while it is at OP&F.

The change was made in recognition of the current low interest rate environment in the U.S. financial system. The rate has dipped as low as 1.49 percent, and was set at 1.68 percent for the fourth quarter of 2019. The minimum rate will provide more stability and predictability for the DROP accruals members have deposited at OP&F.

The Board made the change after consulting with its independent actuary and receiving assurances that it would not have a significant effect on the cost to offer DROP to eligible members. The Board will continue to annually review the neutrality of the DROP program, which continues to perform as intended, with a neutral actuarial impact on the pension system.

Since being implemented in 2003, approximately 90 percent of OP&F members who are eligible have participated in DROP.

John J. Gallagher, Jr.

MESSAGE FROM THE EXECUTIVE DIRECTOR

Dear Members,

Our lead story in this edition of the Member's Report is good news for those who participate in the Deferred Retirement Option Plan (DROP). Since 2012, the interest rate credited to DROP accruals is equal to the 10-year U.S. Treasury Note Business Day Series, with a cap of five percent. However, there has never been a minimum interest rate… until now.

In recent years, interest rates have confounded investors with historically low rates. When the OP&F Board of Trustees set the 5.0 percent cap in 2012, it was not expected that the 10-year Treasury note would dip as low as it has. So, last fall the Board took action to install a minimum 2.5 percent rate for DROP accruals, making an already popular benefit option even more attractive. For example, if the 2.5 percent minimum had been in effect for 2019, a $50,000 DROP accrual would have earned an additional $144 compared to the interest rate with no minimum.

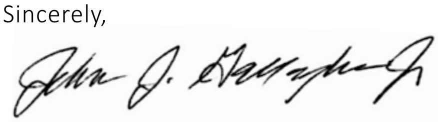
As a reminder, DROP allows those who are eligible for a normal service retirement to delay retirement for up to eight years. During this time, an amount equal to your monthly service retirement benefit goes into an accrual, along with a portion of your member contributions, plus the interest rate. Meanwhile, the member continues with their career for a minimum of five years. When they are ready to retire, the DROP accrual is available to them. Details are at op-f.org and in our DROP guidebook.

Remember, the interest rate on DROP accruals at OP&F are guaranteed, and a no-risk proposition. Some retired members have been enticed to move their DROP accruals to different investment opportunities – which is certainly within their rights. Under the right circumstances, other investment plans may earn more than the guaranteed rate at OP&F. However, these also carry risk and could result in investment losses. I challenge anyone to find a guaranteed return as attractive as OP&F's DROP.

Careful study went into the decision to set the 2.5 percent minimum. Our actuaries have assured us that the change will not have a material impact on the solvency of the either the pension fund or the promise that DROP stays "cost neutral" to OP&F.

A little more than 90 percent of OP&F members who are eligible have entered DROP. This new interest rate range should make the program even more attractive to members.

Sincerely,



John J. Gallagher, Jr.
Executive Director

PORTFOLIO *-update-*

OP&F's Investment Portfolio Value*

As of Dec. 16:

$16.18 billion

End of November value:

$16.03 billion

End of October value:

$15.88 billion

**values may be internally estimated*

2020 BOARD OF TRUSTEE MEETINGS*

Jan. 21-22
Feb. 25-26
March 24-25
April 28-29
May 19-20
June 16-17
No meeting in July
Aug. 25-26
Sept. 29-30
Oct. 20-21
No meeting in November
Dec. 1-2

*Regular OP&F Board of Trustees meetings take place monthly, except for July and November at OP&F headquarters, 140 E. Town Street in downtown Columbus.

LATEST ACTUARIAL STUDY SHOWS OP&F STILL MEETS FUNDING REQUIREMENTS

The annual actuarial valuation to be presented this month to the Ohio Police & Fire (OP&F) Board of Trustees shows that the retirement system continues to meet state funding requirements. The study, which includes data through Jan. 1, 2019, shows that OP&F's funding period is 29 years. Ohio requires that retirement systems are able to pay off all unfunded liabilities within 30 years or less. By having a funding period of 29 years, OP&F meets the criteria.

The funding period increased one year from the previous valuation, from 28 years to 29, primarily due to the poor investment environment in 2018. The funding ratio as of Jan. 1, 2019 is 69.4 percent. The ratio is the amount of assets vs. liabilities in the pension system. In the 2018 valuation the ratio was 69.9 percent.

Pension reform legislation passed in 2012 (SB 340) requires the Ohio Retirement Study Council to review OP&F's actuarial valuation every three years, including 2019. For both the 2016 and 2019 valuations OP&F has remained compliant with Ohio's funding requirements. The next required ORSC review will be when the Jan. 1, 2022 study is completed.

Cavanaugh Macdonald Consulting, OP&F's independent actuary, conducted the study.

MEDICARE PART D "DONUT HOLE" CHANGES FOR 2020

The Medicare Part D donut hole is a term for the stage of Medicare Part D that is officially called the coverage gap, which will be changing in 2020.

All Medicare Part D plans have four stages, with the third stage being the coverage gap (or donut hole). This coverage gap will have changes after 2019. Starting in 2020, the percentage that Medicare Part D participants will pay for generic drugs in the coverage gap will be set at 25 percent, which is the typical percentage that participants would pay in the initial coverage level prior to reaching the gap. A similar change for brand-name drugs was implemented for 2019.

Aon provided this information during health care meetings in September 2019. However, since the meetings Aon has found out that there could be situations where a retiree is paying less or more than 25 percent for a drug before they hit the coverage gap. In these cases, they would see an increase or decrease once they reach the coverage gap because they would be paying 25 percent of the drug's price in the coverage gap.

Be aware that there are certain drugs (for example, specialty drugs) that may have a higher percentage cost than 25 percent (up to 33 percent) in the initial coverage level.

HEALTH CARE REMINDERS...

- Retiree health care stipends do not roll over from year to year. However, if you have a balance remaining you can still use it for any eligible 2019 expense. The deadline to submit reimbursement claims to Aon is March 31.
- The new 2020 annual Health Reimbursement Agreement (HRA) amounts will be posted on your Aon account beginning in January.
- OP&F retirees becoming Medicare eligible during the year will see their HRA amounts reduced and prorated to the level provided to members who are Medicare-eligible. The non-Medicare monthly stipend amount for an OP&F retiree is set at $685, while the stipend for a Medicare-eligible OP&F retiree is $143 monthly. Please be aware of this reduction if you are turning age 65 or become eligible for early Medicare. These members will also become eligible for OP&F's Medicare Part B reimbursement.

2020 DIRECT DEPOSIT DATES FOR MONTHLY BENEFITS

Check date:	Deposit date:
Jan. 1	Jan. 2
Feb. 1	Feb. 3
March 1	March 2
April 1	April 1
May 1	May 1
June 1	June 1
July 1	July 1
Aug. 1	Aug. 3
Sept. 1	Sept. 1
Oct. 1	Oct. 1
Nov. 1	Nov. 2
Dec. 1	Dec. 1
Jan. 1, 2021	Jan. 4, 2021

HEALTH CARE REIMBURSEMENT DATES, 2020

Below are the 2020 dates Aon will send recurring health care premium reimbursements to a member's financial institution. Remember that it then may take the financial institution up to three days to post the reimbursement to a member's personal account.

Wed., Jan. 8	Wed., July 8
Fri., Feb.7	Fri., Aug. 7
Fri., March 6	Tues., Sept. 8
Tues., April 7	Wed., Oct. 7
Thurs., May 7	Fri., Nov. 6
Mon., June 8	Mon., Dec. 7

OP&F RECORDS MUST MATCH IRS ON FORM-1099

OP&F has been advised by the Internal Revenue Service (IRS) that if specific information listed on a member's Form 1099-R does not match its records, a member could be assessed a $50 penalty.

OP&F is required to report the amount of benefits members receive to the IRS on Form 1099-R, which is also sent to members each January. OP&F must include on the Form 1099-R the name of the benefit recipient and the corresponding taxpayer identification number (TIN) for the benefit recipient.

OP&F will be sending a letter to members if the TIN on the Form 1099-R OP&F sends does not match IRS records. The letter will include a Form W-9 to correct inaccurate information. If a member fails to furnish the TIN on the provided form, the IRS will impose a $50 penalty (under section 6723 of the Internal Revenue Code of 1986, as amended).

A member's benefit is not affected in any way by this request or the potential penalty. The request does not mean that there is any problem with the IRS as to the amount of a member's benefit. The request is only an effort to have the correct TIN to report to the IRS.

INFORMATION ON YOUR FORM 1099-R

Non-taxable income is reportable

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. Please contact the IRS directly for information on filing requirements.

IRS Inquiries

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 probably receive a notice because the IRS was 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 private letter ruling to the specific benefits. This letter can be forward to the IRS. OP&F is not a third-party designated power of attorney with the IRS; and therefore cannot provide information directly to the IRS on a member's behalf.

Beneficiaries have choice to opt-out of Form 1099-R mailing, and retrieve it online.

OP&F's website allows beneficiaries to download the Form 1099-R for tax reporting purposes and avoid receiving the form in the mail.

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

Beneficiaries can access the Form 1099-R by going to op-f.org and logging on to the Member Self-Serve Web. The Form 1099-R can be viewed and printed from the Documents link.

Only OP&F beneficiaries who are registered for the MSS Web can retrieve and print tax forms online. 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.

If you have any questions, please contact OP&F Customer Service at 1-888-864-8363.

90 DAY NOTICE RECOMMENDED FOR SUBMITTING SERVICE RETIREMENT PAPERWORK

With the changes in retiree health care over the past year, OP&F now recommends that members who will be retiring submit their applications at least 90 days before their anticipated separation from their employer.

The 90 days allows the member adequate time to shop and enroll in a health care plan through the Aon Retiree Health Exchange. Members who file retirement applications closer to their actual retirement date may risk a lapse in health care coverage since the coverage from their employer may end before the effective date of a new policy.

BILL WOULD GIVE RETIRED FIRST RESPONDERS OVER 50 ACCESS TO MEDICARE

A bill introduced in both Congress and the U.S. Senate in September would allow retired first responders to buy into Medicare starting at age 50.

The legislation will ensure that retired first responders between the ages of 50 and 65 will be eligible for Medicare, even if their pension plan provides coverage. Ohio Sen. Sherrod Brown introduced the measure to the Senate (S. 2552).

Coverage provided under this bill would be identical to the coverage provided under the existing Medicare program. Retired first responders would be eligible for tax credits, subsidies and tax-advantaged contributions from their former employer or pension plan.

The International Association of Firefighters and the Fraternal Order of Police have endorsed the bill. Current and former members of the OP&F Board of Trustees should also be recognized for efforts to get the bill introduced.

MEDIGAP CHANGES COMING NEXT YEAR FOR FUTURE 65-YEAR-OLDS

Persons who will turn age 65 in 2020 should be aware that choices for Medicare supplement insurance policies will be different starting in 2020 (also called Medigap policies).

Those who become Medicare-eligible after Jan. 1 will have fewer choices. The options will remain the same for people who are 65 before Jan. 1.

Due to a 2015 change in federal law, coverage for Medicare's Part B deductible no longer will be permitted in Medigap policies sold to people who are newly eligible for Medicare starting next year. This change means the two Medigap plans that pay the annual Part B deductible — C and F — will not be available for future 65-year-olds.

Medigap policies can only be paired with original Medicare. If you choose a Medicare Advantage Plan, you cannot purchase a Medigap plan. Also, these policies provides no coverage for costs associated with Part D prescription drug coverage.

When you first enroll in Part B, you are given six months to purchase a Medigap policy without an insurance company going through the underwriting process to determine if they want to insure you.

Depending on your age, where you live and the level of coverage you choose. A 65-year-old male will pay anywhere from $126 to $464 monthly for a Medigap policy, according to the American Association for Medicare Supplement Insurance. For a 65-year-old woman, the range is $118 to $464.

While a number of companies offer Medigap insurance, they can only offer policies from 11 standardized plans. Each is simply assigned a letter: A, B, C, D, F, G, K, L, M and N. Some states also offer a high-deductible version of Plan F (although it, too, will come off the list for newly eligible Medicare beneficiaries after 2019).

This standardization means that plans assigned the same letter is the same in every state. However, not every plan is available in all states. The most popular Medigap option has been Plan F, which is considered the Cadillac of Medigap plans due to its generous coverage and higher premium.

And although Plan F (and C) no longer will be available for future 65-year-olds, Plan G provides the same coverage, minus the Part B deductibles. That is, its coverage includes copays, deductibles and coinsurance associated with Part A, along with 80 percent of your emergency overseas medical care (within limits). There also will be a high-deductible version of Plan G.

Experts recommend giving thought to how often you use the health-care system when you are considering which Medigap policy to choose.

For example, one option might come with a lower premium because it offers less coverage. Yet if you use the health-care system frequently and that lack of full coverage results in many copays or bills for excess charges, you might end up spending more anyway.

Also, it is worthwhile making sure the company offering the policy has a history of low rate increases. The Centers for Medicare and Medicaid Services has a chart on its website (medicare.gov) that shows the differences. You also can use the agency's search tool to find available plans in your ZIP code.

COURT DISMISSES ALL CLAIMS AGAINST CHANGES IN OP&F HEALTH CARE

On Oct. 21, 2019, the court handling lawsuits filed against the Ohio Police & Fire Pension Fund (OP&F) unanimously dismissed all claims. In November, the deadline to file an appeal of the decision passed with no appeal filed.

The cases resulted from OP&F's decision to move away from a self-funded retiree health care insurance model as of Jan. 1, 2019, to a stipend model where retirees can select plans from the health insurance marketplace.

OP&F Executive Director John Gallagher said that OP&F made some tough decisions and that the court ruling affirms the Board of Trustees' actions.

"It was a difficult decision to move away from the self-funded model," Gallagher said, "but it was necessary to extend the life of the health care fund. We're pleased the court recognized that we acted in a responsible way as stewards for our members."

While the transition was difficult at times in the first year, the decision appears to have had the intended result – extending the solvency of the health care fund. A recent actuarial study found that without the move the health care fund solvency would have been less than seven years. After the move, the fund will be solvent for nearly 14 years.

The health care fund is separate from, and measured differently, than the actual pension fund. Gallagher says that time is vitally important.

"We're able to continue offering our members this elective benefit while extending out the period of time we have to address the longer-term solvency of the health care fund," Gallagher said. "It remains a priority and urgent, but we now have time to work with members and key stakeholders on solutions for the next generation of retirees."

OP&F's General Counsel Mary Beth Foley said that the court's decision was welcome news heading into a new enrollment period.

"We don't want our members to be confused, so we're pleased to head into the new ACA enrollment period free of legal issues," Foley said. "We thank Judge Richard Frye for caring about our members and reviewing the merits of the case carefully and ruling accordingly."

CALLING ALL INTERESTED VOLUNTEERS

Did you know that OP&F has a volunteer program called Helping Our Survivors in Transition (HOST)? And that it is the only retirement system in Ohio that offers this type of assistance?

2018 HOST Volunteers

OP&F's staff works with a team of volunteers who assist survivors to help make the transition of losing a loved one less difficult. OP&F views the HOST program as an opportunity to further our commitment to our members.

When a new survivor requests HOST assistance, OP&F's dispatches a nearby HOST volunteer to assist the person. This volunteer will help the survivor complete the necessary forms needed to begin receiving eligible survivor benefits. HOSTs dispatched by OP&F are unpaid, but can request roundtrip mileage reimbursement.

OP&F trains and certifies newly approved HOST volunteers on the preparation of forms and other materials that are provided to each new survivor. Each HOST volunteer must be re-certified every two years by viewing an on-line re-certification training video.

HOSTs can answer basic questions and assist in the preparation of survivor documents needed to ensure initiation of interim benefits. HOSTs do not answer detailed questions about benefits or the determination of benefits on behalf of OP&F.

OP&F is currently looking to add HOST volunteers all over the State of Ohio, particularly in the west, northwest, east and southeast. If you or someone you know would like more information about becoming a volunteer for the HOST program, please contact OP&F at 1-888-864-8363.

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www.op-f.org

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IMPORTANT DATES

Jan. 20...............OP&F offices closed in observance of Martin Luther King, Jr., Day
Jan. 21-22 ....Board of Trustees meetings
Feb. 25-26..........Board of Trustees meetings
March 24-25 ......Board of Trustees meetings
April 28-29 ....Board of Trustees meetings

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

SUSPECT DISABILITY FRAUD? CALL 844-FRAUD HOTLINE (844-372-8345)