This summary provides information on the tax reporting methods used by the Ohio Police & Fire Pension Fund (OP&F) and is designed to assist members and survivors as they prepare their tax returns for 2015.

The information used in determining the taxability is provided to OP&F by employers, members and survivors and is based on OP&F’s records as of the date the Federal Form 1099-R is issued. Members should consult with a personal tax or financial advisor with respect to individual circumstances and tax returns.

For members who have not received a Form 1099-R from OP&F before, they should review the 2015 Federal Tax Reporting Information for OP&F Benefit Recipients which can be viewed or downloaded at www.op-f.org.

**OP&F...**

- Was established in 1965 as a qualified plan under the Internal Revenue Code 401(a) as a governmental defined benefit pension plan.
- Is required by the Internal Revenue Service (IRS) to file a Form 1099-R for each person who received a distribution of $10 or more.
- Reports all distributions to the IRS as reportable income, regardless of the taxable or non-taxable nature of the benefit.
- Received a private letter ruling from the IRS determining that disability and death benefits awarded for injuries in the line of duty are, in most cases, excludable from taxable income.
- Recommends that every recipient of Form 1099-R file a Form 1040 tax return with the IRS.
- Does not offer tax advice or financial planning services. Please consult a tax professional, or a financial advisor for advice or contact the IRS directly with these concerns.

**1099-R highlights for 2015**

- 2015’s 1099-R Forms are available on OP&F’s member self service website.
- Receiving more than one Form 1099-R is not uncommon, particularly if you turned age 59½ during 2015 or received more than one type of benefit payment from OP&F.
- For security reasons, the Social Security Number is abbreviated to only show the last four digits on the enclosed Form 1099-R. The electronic Form 1099-R sent to the IRS will have the full nine-digit Social Security Number for matching purposes.
- OP&F recommends that members compare this year’s Form 1099-R to last year’s (if applicable). If there are any significant changes or questions about the amounts on the form or the taxable status reported, please contact OP&F at 1-888-864-8363.
- The IRS requires that everyone who turned age 70½ in 2015 begin taking minimum distributions from their OP&F accounts by April 1, 2016. If a member is at least age 70½, is no longer working as an OP&F member and is not receiving monthly distributions, they should contact OP&F.
- Medicare Part B reimbursements are reported by OP&F as non-taxable for all OP&F benefit recipients.
- Under a Division of Property Order, the alternate payee will receive a separate Form 1099-R from OP&F. The alternate payee’s distributions will be reported as taxable income, subject to basis recovery.
- If Box 2b “Taxable Amount Not Determined” on Form 1099-R is marked with an X and Box 2a is blank, it means OP&F could not calculate the amount of the benefit that is considered to be taxable. In nearly every case the benefit is fully taxable and the benefit recipient may be able to reduce the taxable income with basis recovery. However, OP&F is not able to make this determination on the member’s behalf due to various options that were available to benefit recipients prior to Nov. 19, 1996.
- After-tax contributions or basis recovery calculations are shown in Box 5 on Form 1099-R. Basis recovery reduces taxable income and is calculated based on IRS determined methods. For more information on basis recovery, see 2015 Federal Tax Reporting Information for OP&F Benefit Recipients available on OP&F’s website.
- Off-duty disability benefits are reported as taxable on Form 1099-R. Basis recovery on off-duty disability benefits can begin once the benefit recipient reaches age 62 or minimum retirement age.
- The $1,000 lump-sum death benefit is taxable and reportable to the IRS as a distribution.
Tax withholdings

• Federal tax law requires OP&F to withhold federal income tax from monthly benefit payments unless the member elects not to have withholdings apply. To change federal withholdings, submit a completed IRS Form W-4P to OP&F.

• OP&F only withholds Ohio income tax if the member elects to have Ohio income tax withheld. If members wish to have Ohio income tax withheld, submit a completed Withholding Certificate for Ohio State Income Tax.

• If a member moves out of state, OP&F does not automatically stop the Ohio state withholding. The member must submit a request, in writing, to stop Ohio tax withholding from their OP&F benefits.

• The IRS Form W-4P and the Withholding Certificate for Ohio State Income Tax are both available at www.op-f.org.

• OP&F benefits could be subject to local school district income taxes in Ohio. Members are responsible for these taxes if their local school district has an income tax, but OP&F is not specifically withholding the tax from the benefit.

Health care

• Health care premium deductions are not reported on Form 1099-R. These deductions are summarized on the last benefit statement received from OP&F.

• Health care premiums are considered after-tax as OP&F does not have a tax deferred arrangement for those costs.

• Under the Federal Pension Protection Act of 2006, public safety officers who participate in a plan like OP&F’s sponsored health care plan are eligible to take advantage of a gross income exclusion up to a maximum of $3,000. For more information on how to take advantage of this gross income exclusion, please see the 2015 Federal Tax Reporting Information for OP&F Benefit Recipients available on OP&F’s website.

Deferred Retirement Option Plan (DROP) highlights

• DROP distributions are taxed as normal income from a 401(a) plan and are reported separately on their own 1099-R.

• DROP participants could receive up to five 1099-R forms, representing different distribution methods.

• Box 2b “Total distribution” will not be marked if the member received a total lump sum distribution of the total DROP accrual.

• All money in the DROP account is likely to be taxable in full upon withdrawal. After-tax contributions paid into the DROP account will be applied to the annuity payment on the normal pension distribution over the IRS required annuity period. Some after-tax basis may be applied to a DROP distribution if a total DROP lump sum distribution is elected prior to receiving a monthly retirement benefit and received within 90 days.

Notification of death, benefit overpayments and corrections

• It is important to notify OP&F immediately of the death of a member or survivor. Receiving benefit payments following the date of death will cause a benefit overpayment issue.

• Benefit overpayments primarily occur due to the delay in death notification, termination of disability benefits and loss of student eligibility status. OP&F is required to recover these benefit overpayments.

• If the repayment is made in the same year as the benefit overpayments, OP&F can reduce the gross and related taxable income on the 1099-R (if applicable). However, if the repayment is made in a later year, the 1099-R will not be adjusted. The participant may be able to take an itemized deduction for the repayment.

Frequently asked questions

For answers to frequently asked question, please see the Frequently asked questions section of the 2015 Federal Tax Reporting Information for OP&F Benefit Recipients which can be viewed or downloaded at www.op-f.org. In this section members will find answers to questions such as:

• Why did I receive a Form 1099-R?

• Why did I receive more than one Form 1099-R?

• What does the amount in Box 5 represent?

• Are my health care payments made with after-tax dollars?

• How do I report the $3,000 gross income exclusion for public safety officers referenced in the Pension Protection Act?

• Does this gross income exclusion for health insurance premiums apply to survivors?

For additional details see OP&F’s 2015 Federal Tax Reporting Information for OP&F Benefit Recipients at www.op-f.org, under the Members link. To receive this guide by mail, contact OP&F Customer Service.

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