Ohio Police & Fire Pension Fund

Member's Guide to:

Annuity Payment Plans



At retirement, you are faced with the important decision of choosing an annuity payment plan that can directly affect the amount of your monthly service pension or disability benefit and any benefits paid to your beneficiary after your death. You may also select an annuity plan upon a post–retirement marriage or cancel an existing annuity plan selection in the event of a divorce or death of a beneficiary, subject to certain limitations. This guide is designed to help you understand these and other issues regarding your annuity payment plan options.

This publication summarizes the most important provisions of the governing law and administrative rules on OP&F's annuity payment plans. This summary cannot sufficiently represent all of the details applicable to this subject. Nothing contained in this summary is meant to interpret, extend or change, in any way, the governing statute, administrative rules or policies. As a result, your rights can only be determined by the provisions of OP&F's governing documents, which are subject to change.

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Annuity plan descriptions

Several annuity payment plans are offered by OP&F in order to allow you to tailor your pension or benefit to fit your personal circumstances. Instead of receiving the maximum monthly pension or benefit you may be entitled to receive, you may receive a lesser amount each month so that if you should die, your designated beneficiaries will be paid a monthly cash allowance.

On the other hand, you may choose to receive the maximum benefit amount because you have no dependents or your dependents are well provided for upon your death, but certain restrictions apply to married members or members who are under court order to designate a former spouse as a beneficiary.

The cost of an annuity payment plan is completely paid by you and equals the lifetime reduction in your monthly allowance. The size of the reduction depends on some or all of the following:

- the annuity payment plan selected;
- whether you receive service retirement or disability benefits;
- your age; and
- the age(s) of your designated beneficiary(ies).

The decision concerning the selection of an annuity payment plan is personal since it is based on age, health, finances and marital status. Although OP&F's staff can explain the differences between the plans and provide estimates of monthly allowances, they cannot recommend which plan you should choose. You should consult with a personal tax or financial advisor with respect to your individual circumstances.

The annuity payment plans offered by OP&F are: Single Life Annuity; Joint and Survivor Annuity; Life Certain and Continuous Annuity; and Multiple Beneficiary Annuity. Each of these annuity payment plans are described in more detail below.

Single Life Annuity

Under this plan, you receive the maximum monthly pension or benefit you are entitled to receive and upon your death, none of your pension or benefit is continued to any beneficiary. Although there is no continuation of your pension or benefit, a surviving spouse, eligible child or dependent parent (in the absence of any surviving spouse or child), may be eligible to receive a monthly statutory survivor pension or other survivor benefits. See the Members' Guide to Survivor Benefits for more information.

If you are married at the time you elect a Single Life Annuity, your spouse must consent in writing to this election. Otherwise, OP&F is required by law to treat the election as a 50 percent Joint and Survivor Annuity with your spouse designated as beneficiary, as more fully described in the next section.

Joint and Survivor Annuity

Under a Joint and Survivor Annuity (JSA) plan, you designate that, upon your death, a certain percentage of your reduced monthly allowance is continued to your surviving designated beneficiary for life. You can select any percentage between one and 100 percent. Under this plan, the greater the continuation percentage selected, the greater the reduction in the benefit and the greater the allowance is that OP&F pays to the beneficiary. Likewise, the smaller the continuation percentage selected, the smaller the reduction in the benefit and the smaller the allowance is that OP&F pays to the beneficiary. Please keep in mind the cost factors outlined on Page 2 of this guidebook.

If you are married at the time you elect OP&F retirement benefits, the standard annuity plan is a 50 percent JSA plan, which continues 50 percent of your reduced monthly retirement allowance to your surviving spouse for life.

If you want to select a plan which provides for the continuation of benefits for someone other than your spouse, or less than 50 percent of your reduced monthly retirement allowance for life to your spouse, your spouse must complete a form consenting to this choice. Otherwise, OP&F is required by law to treat the election of payment plan as a 50 percent JSA. However, if you were previously married and a court order requires you to name your former spouse as a beneficiary, OP&F will administer your benefits based upon the terms of the court order.

JSA Example referring to the Service Retirement chart on Page 7

For a member age 52, and a spouse age 47, with a non–reduced service pension based on a Single Life Annuity; the amount of the pension would be $2,400 per month.

- If the member selected a 100 percent JSA, the member must forgo $349.92 per month as the cost of the annuity so the member's reduced benefit would be $2,050.08. Under this 100 percent JSA the member's spouse would be eligible to receive an allowance of $2,050.08 per month for life plus the same amount the member would have received for the cost of living allowances (COLA).

- With a 50 percent JSA, the member receives $2,211.28 per month, and upon his or her death, the spouse is entitled to receive one half of the member's reduced allowance, or $1,105.64 per month, plus a portion of the member's cost of living allowance (COLA).

By choosing to receive a reduced monthly allowance for your life, you guarantee that, upon your death, some portion of your reduced monthly allowance will be paid to a surviving designated beneficiary for his or her life.

Benefit estimates based on different annuity plan selections can be calculated by using the estimator on the OP&F website (look under the Active Member tab at www.op-f.org). Different survivor annuity options can also be calculated by clicking "continue" once the results appear. The estimate is only as accurate as the data entered.

Life Annuity Certain and Continuous

The Life Annuity Certain and Continuous annuity plan provides a lifetime allowance to you and will only be paid to a designated beneficiary if you die and the period elected by you has not expired. As before, if you are married at retirement, your spouse must consent to this election. Otherwise, OP&F is required by law to administer the election for the payment plan as a 50 percent Joint and Survivor Annuity.

LACC Example referring to the Service Retirement chart on Page 7

For a member age 52, and a spouse age 47, who selects the Life Annuity Certain and Continuous plan with a 20 year certain period, the monthly benefit allowance is reduced from $2,400 per month to $2,280.96 per month for the entire time the member is receiving the allowance. Should the member die before the spouse after having received the allowance for at least 20 years, no allowance is payable to the spouse because the member survived the guarantee period.

If the member were to die after receiving the allowance for five years, the spouse would receive $2,280.96 per month for the balance of the certain period elected by the member, in this case, the next 15 years. Upon expiration of the period set at retirement, the allowance terminates even though the beneficiary may be living.

If the spouse survives the member by five years (resulting in 10 of the 20 years having elapsed), the remaining 10 years are reduced to a present value. It is then paid in a lump sum to the spouse's estate where the distribution will be made according to applicable law.

If the spouse dies before the member, who in turn dies prior to the expiration of the 20–year period, then the remaining payments are reduced to a present value and paid to the member's estate. In any case, if the spouse dies before the member, the original reduction will continue as long as the member is receiving a benefit, even though no benefit will be payable to any beneficiary.

Benefit estimates based on different annuity plan selections can be calculated by using the estimator on the OP&F website (look under the Active Member tab at www.op-f.org). Different survivor annuity options can also be calculated by clicking "continue" once the results appear. The estimate is only as accurate as the data entered.

Multiple Beneficiary Annuity payment plan

Under the Multiple Beneficiary Annuity plan, you may designate up to four beneficiaries at the time of your retirement so that, upon your death, a certain percentage of your reduced monthly allowance will be continued to your surviving beneficiaries for their lives. OP&F may be required to administer your election based upon a court order that requires you to designate a former spouse as a beneficiary at the time of retirement.

If you are married at the time of retirement, Ohio law requires the written consent of your spouse for an annuity selection that provides for less than a 50 percent JSA payable to your spouse, unless there is a court order that requires you to designate a former spouse as a beneficiary.

Please note that a court order can require the allocation of less than 10% to a former spouse designated as beneficiary but, in the case of voluntary designations, no amount can be designated that is less than 10% of the member's lesser retirement allowance. The total allowance for all beneficiaries cannot exceed 100% of your lesser retirement allowance.

Benefit reduction varies for service retirement and disability

If you select a survivor annuity, the amount of your monthly benefit will be actuarially reduced. The amount of the reduction is different for service retirement and disability benefits.

Service retirement chart

The following charts are examples only. Your reduction could vary.

	Member's Allowance	$ Reduction	% Reduction	Beneficiary's Allowance
Single Life Annuity				
Single Life Annuity	$2,400.00	$0.00	0.0%	$0.00
Joint and Survivor Annuity				
COLA @ 25%	$2,301.78	$98.22	4.09%	$575.44
COLA @ 50%	$2,211.28	$188.72	7.86%	$1,105.64
COLA @ 75%	$2,127.63	$272.37	11.35%	$1,595.72
COLA @ 100%	$2,050.08	$349.92	14.58%	$2,050.08
Life Annuity Certain and Continuous				
COLA–20 Years	$2,280.96	$119.04	5.00%	$2,280.96*

Disability benefits chart

	Member's Allowance	$ Reduction	% Reduction	Beneficiary's Allowance
Single Life Annuity				
Single Life Annuity	$2,400.00	$0.00	0.0%	$0.00
Joint and Survivor Annuity				
COLA @ 25%	$2,164.13	$235.87	9.83%	$541.03
COLA @ 50%	$1,970.48	$429.52	17.90%	$985.24
COLA @ 75%	$1,808.64	$591.36	24.64%	$1,356.48
COLA @ 100%	$1,671.36	$728.64	30.36%	$1,671.36
Life Annuity Certain and Continuous				
COLA–20 Years	$1,954.08	$445.92	18.60%	$1,954.08*

* Provided that the period certain has not expired before the date the member dies; period certain expires June 30, 2032.

Interim payment and post retirement changes

You will receive interim benefits after terminating employment and filing a Service Retirement Application with OP&F or accepting a disability grant from OP&F. An interim pension payment will be sent to you while your final exact pension is being calculated. This first payment generally occurs within 45 days of your retirement date. The interim benefit is calculated on the basis of your highest posted 36 or 60 months of salary and, in most cases, will be an amount less than the final pension entitlement. When your final pension has been calculated, it will be paid retroactively to the date of your retirement, less any interim benefit payments. In the event of overpayment, OP&F will make arrangements for your repayment of those funds.

In the event you change the payment plan selection while accepting interim payments, the changes in the payment plan will be recognized as part of the final calculation with a retroactive adjustment being made. Your spouse must also complete a form consenting to the change in payment plan selection, if applicable (the member could go from a percent that required a consent to one that does not, i.e. the member goes from 25 percent to 50 percent).

While you are receiving interim payments and until your adjusting or subsequent pension payment is cashed, deposited, or otherwise negotiated, you may change your payment plan selection any number of times. However, once your final exact pension calculation or subsequent checks are negotiated, as described above, a payment plan may only be cancelled and a new one selected under the limited conditions described in the next section.

If a member has selected the Multiple Beneficiary Annuity Plan, the member will not be permitted to change the designation of beneficiaries during the interim payment process, but will be permitted to change the amount payable to the beneficiaries if proper paperwork is submitted to and approved by OP&F.

General condition for payment plan change

During your first year of retirement, you may cancel a Joint and Survivor Annuity plan and select in its place a Single Life Annuity plan, but if you are married, you cannot cancel without your spouse's consent. After the first anniversary of your retirement, a plan can be changed only under the circumstances described in the next section.

Specific conditions for payment plan changes

Single Life Annuity

Having selected a Single Life Annuity at retirement, you may change your selection to a Joint and Survivor Annuity (JSA) plan following a post–retirement marriage naming your spouse as beneficiary, provided you do so within one year of the date of marriage or remarriage, subject to certain conditions. If a JSA is selected, the annuities payable to you and your beneficiary will be based on each person's actuarial age with the actuarial equivalent of a Single Life Annuity being based on the effective date of change. Further, the JSA takes effect on the date that OP&F receives the appropriate form of notification.

Joint and Survivor Annuity under a divorce or dissolution

Your spouse's designation as beneficiary under this plan of payment can be cancelled upon a divorce or dissolution of marriage, but only if he or she consents in writing or the court issues an order that specifically cancels the JSA plan of payment. The following are examples of language that OP&F would find acceptable as part of a court order to cancel the JSA plan.

Language for cancelling a JSA

Example #1

The Court hereby orders that any and all rights of _____ (insert former spouse's name) to be designated a beneficiary under the Joint and Survivor Annuity plan of payment elected by _____ (insert OP&F member's name) from Ohio Police & Fire Pension Fund be hereby cancelled and of no further force and effect.

Example #2

The marital property, tangible and intangible, has been divided between the parties and each shall retain the property that is presently in his/her possession and control. Notwithstanding the foregoing, the Court orders that _____'s (insert OP&F member's name) annuity payment for the benefit of _____ (insert former spouse's name) from Ohio Police & Fire Pension Fund, be hereby cancelled and of no further force and effect.

Assuming the required consent or order is obtained, you must then select a Single Life Annuity payment plan, which results in your monthly allowance being increased to its maximum amount. The effective date of the annuity plan change will be the first day of the month following OP&F's receipt of the completed Application for Single Life Annuity Payment Plan with either the spousal consent sections completed or a court entry attached that cancels the JSA. You are not entitled to the retroactive difference between the reduced and maximum amount.

If your designated beneficiary dies before you, OP&F will cancel your JSA designation based on a phone call notification, as long as you provide OP&F with appropriate documentation within 90 days of your call. If you do not provide appropriate documentation within 90 days, OP&F will reinstate the nomination of the beneficiary until OP&F receives the appropriate documentation and will reduce your benefit accordingly.

Life Annuity Certain and Continuous

No post–retirement circumstances exist under which you may change your payment plan or designated beneficiary under the Life Annuity Certain and Continuous payment plan. However, you may be eligible to cancel the payment plan within the first year of retirement.

Multiple Beneficiary plan

A member who marries or remarries after retirement and had selected the Multiple Beneficiary Annuity Plan may designate the new spouse as a beneficiary if the selection is made within one year of the date of marriage, unless the member was court-ordered to name a former spouse(s) as a beneficiary. In this case, the member may be restricted from naming a spouse as a beneficiary upon post-retirement marriage.

Death of a Beneficiary

If a member selects the Multiple Beneficiary Annuity plan at retirement and one of the beneficiaries dies following the member's retirement or election to participate in the Deferred Retirement Option Plan (DROP), the portion of the optional plan of payment providing continuing lifetime benefits to the deceased beneficiary will be cancelled. The member will then receive the actuarial equivalent of the member's single lifetime benefit based on the number of remaining beneficiaries, with no change in the amount payable to any remaining beneficiary.

Annuity payment plans and the Deferred Retirement Option Plan (DROP)

If you elect to participate in DROP, you have the option to select an annuity payment plan and beneficiary for your service retirement benefits at the time you complete the DROP election form. If you make an annuity plan selection on your DROP election form, you cannot change it upon your retirement, unless a court order requires you to designate a former spouse as a beneficiary. If you do not select an annuity plan on your DROP election form, this will be done at the time of your retirement.

As a DROP participant, you automatically qualify for a Pre–Retirement Survivor Annuity (PRSA) that continues 50 percent of your reduced monthly retirement allowance to your surviving spouse or approved contingent dependent beneficiary for life if you die while participating in DROP. If you indicate on your DROP election form that you do not wish to select an annuity payment plan, you automatically qualify for this benefit and your monthly retirement benefit credited to DROP will not be reduced during active DROP participation. The selection of your annuity payment plan will be done upon your retirement.

If you select a Joint and Survivor Annuity (JSA) plan upon electing DROP, the monthly benefit credited to DROP will be reduced accordingly and you cannot change that selection upon retirement, unless a court order requires the designation of a former spouse. By selecting a JSA, you designate that, upon your death, a percentage of your reduced monthly allowance is continued to your surviving designated beneficiary for life. You can select any percentage between one and one hundred. If you are married on your DROP effective date and select a JSA, the selection must be at least a 50 percent JSA payable to your spouse, unless your spouse files a written consent stating otherwise or there is a court order requiring the designation of your former spouse as a beneficiary.

If you select a survivor annuity as part of your DROP election and are also under a court order to designate a former spouse as a beneficiary, OP&F must process your retirement application under the Multiple Beneficiary Annuity Plan on your retirement date with a reduction in retirement benefits payable to you based on such designations.

Please refer to the *Members' Guide to Survivor Benefits* for more information on your beneficiary's benefits sponsored by OP&F and the *Members' Guide to DROP* for information on the DROP program.

Survivor benefits in addition to receiving annuity payment benefits

In addition to annuity payments, your survivors may also be eligible to receive statutory survivor pensions and other survivor benefits from OP&F. For more information, please see OP&F's *Members' Guide to Survivor Benefits* and the *Ohio Public Safety Officers' Death Benefit Fund guide.*



Ohio Police & Fire Pension Fund

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