A Publication of the District of Columbia Retirement Board for Active and Retired Police Officers, Firefighters and Teachers

DCRB Report

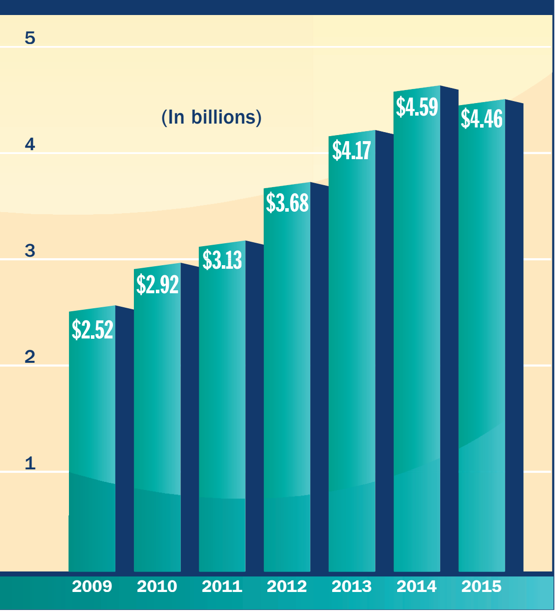
Police Officers and Firefighters' Edition

WINTER 2016

Inside

The District of Columbia Retirement Board's mission is to prudently invest the assets of the Police Officers, Firefighters, and Teachers of the District of Columbia, while providing those employees with total retirement services.

Market Value of Police Officers and Firefighters' Plan Assets (As of September 30, 2015)



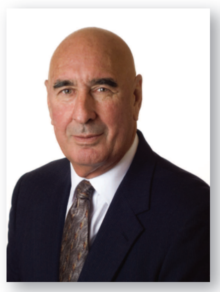
CHAIRMAN'S CORNER

From the Chairman of the Board

Joseph M. Bress

DCRB is pleased to provide you with this first edition of the annual newsletter for District police officers and firefighters who are active or retired members of the District of Columbia Police Officers and Firefighters' Retirement Plan (the Plan). Over the past year, we explored additional ways of reaching out to you, and we hope that you will find this information useful.

Going forward, this newsletter will provide you with general information about your Plan and DCRB's administration of it. We will also include articles that are of specific interest to you as public safety officers or are reflective of the Board's activities that are applicable only to your Plan.



Thomas N. Tippett

One example is the recent election for the Retired Firefighter Trustee to serve on the Board. The election results, which were presented to the Board at our meeting on November 19, 2015, certified retired firefighter Thomas N. Tippett for a four-year term that began on January 28, 2016. Trustee Tippett initially represented active firefighters on the Board from 1996 to 2000, when he retired as Acting Fire Chief. He was subsequently elected as the Retired Firefighter Trustee. This will be his fifth term on the Board.

Other current Board Trustees who were elected by police officers and firefighters are: Gary W. Hankins, Retired Police Officers; Darrick O. Ross, Active Police Officers; and Edward C. Smith, Active Firefighters.

DCRB looks forward to keeping you informed in future newsletters. We are proud to serve you and welcome your feedback!

Cost-of-Living Adjustments and Your Plan

Your Plan allows for cost-of-living adjustments (COLAs) to your retirement benefit. Any COLA is effective on March 1 and paid on April 1 of each year. The Plan's COLA reflects the movement in the Consumer Price Index for All Urban Consumers—CPI-U (1967 base) during the prior calendar year. This is different from the COLAs for Social Security benefits, which reflect the inflation rate for the 12-month period ending the prior September 30 (the end of the federal fiscal year). The Social Security COLA is based on the change in the Consumer Price Index for Urban Wage Earners and Clerical Workers (the CPI-W). Because your Plan's COLA and Social Security's COLA use different indexes and are calculated over different time frames, they are usually not the same percentage.

Tax-Deductible Health Insurance Premiums

Internal Revenue Code Section 402(l) allows eligible retired public safety officers to exclude from their gross taxable income on their federal tax return up to $3,000 in health insurance premiums. Those premiums must be deducted from your monthly retirement benefit payment and paid directly to the health insurance carrier by an "eligible governmental retirement plan," such as the District of Columbia Police Officers and Firefighters' Retirement Plan. Eligible retirees may report the exclusion on line 7 or line 16(b) on their Form 1040. An explanation of the exclusion is found under "Insurance Premiums for Retired Public Safety Officers" on page 26 of the 2015 Form 1040 Instruction Booklet available on the IRS website at **www.irs.gov/pub/irs-pdf/i1040gi.pdf**.

To qualify for the exclusion:

- You must have retired from a public agency (MPD or FEMS) while serving in an official capacity as a law enforcement officer, a firefighter, a chaplain of a police or fire department, or as a member of a rescue squad or ambulance crew after reaching normal retirement age (Optional Retirement) or under Disability Retirement.
- You must have all or part of your retirement benefit from the Plan subject to federal tax withholding (refer to Box 2 of your Form 1099-R).
- Your health insurance premiums must be deducted directly from your retirement benefit payment. The deducted premiums may include coverage for you, your spouse, or other dependents. Your tax-deductible health insurance premiums will not be reported on your Form 1099-R, but they should be reflected in your year-end earnings statement.

As indicated previously, you may only exclude up to the amount of your taxable retirement income, not exceeding $3,000. For example, if your health insurance premiums are $3,700 and your taxable retirement benefit in Box 2a of your 1099-R is $12,000, you may only exclude up to $3,000 from your income.

To determine eligibility for this exclusion, retirees should consult with their tax advisors, the IRS Form 1040 Instruction Booklet, or call the IRS directly at 1(800) 829-1040 or the IRS's taxpayer advocate service at 1(877) 777-4778.

Medicare Eligibility

District police officers and firefighters hired or rehired on or after April 1, 1986, pay Medicare taxes and, therefore, are eligible for Medicare benefits. You are first eligible for Medicare at age 65, but you may defer enrolling if you work beyond that age. In either case, there are specific time frames to keep in mind. For instance, if you plan to retire at age 65, you may enroll in Medicare during the seven-month period beginning three months before your 65th birthday, the month of your birthday, and the three months following that birthday. If you retire and you do not enroll during that seven-month period, your premiums for Medicare Parts B (doctors and other medical services) and D (prescriptions) will be increased. If no premium is required for Medicare Part A (hospital services), you may want to enroll in that coverage, even if you continue to work after age 65.

You should be aware that the District's health care coverage (DCEHB) assumes that you (or your covered spouse or domestic partner) will sign up for Medicare as soon as eligible to do so, which is the window of time around your (or their) 65th birthday. So, for example, if you retire earlier at age 60, your District health care coverage will automatically become the secondary payor (20%) of your medical bills when you reach age 65. If you do not sign up for Medicare at age 65, then your only coverage will be your secondary District coverage. To assure that you have adequate health care coverage in retirement, you should remember to include this step in your retirement planning process. Generally, for retirees who have federal health insurance (FEHB) coverage, Medicare becomes your primary payor when you become an annuitant and either you or your covered spouse has Medicare.

Useful Contacts

DCRB Member Services
(202) 343-3272
Toll Free (866) 456-3272
dcrb.benefits@dc.gov

DC Department of Human Resources **(202) 442-9700**

Metropolitan Police Department Human Resources Office **(202) 727-4261**

Department of Fire and Emergency Medical Services Human Resources Office **(202) 673-6443**

Police and Fire Retirement and Relief Board **(202) 442-9622**

Office of Personnel Management (OPM) **Toll Free (724) 794-2005**

Social Security Administration
(800) 772-1213
http://www.ssa.gov

What Happens to Your Pension if You Divorce?

The District of Columbia Police Officers and Firefighters' Retirement Plan is subject to the DC Spouse Equity Act (the Act) of 1988. This means that in the event you divorce, your retirement benefit from the Plan may be divided between you and your ex-spouse as marital property in a court order. DCRB cannot pay a portion of your retirement benefit or a survivor annuity to your ex-spouse (the Alternate Payee) without an appropriate "qualifying court order," which is usually a qualified domestic relations order (QDRO). For purposes of the Act, a court order is one that has been issued or approved by any state or the District of Columbia court in connection with a divorce, annulment, or legal separation.

DCRB is responsible for reviewing and determining if your court order is a QDRO under the Act and if it is acceptable to the Plan. The QDRO cannot award greater benefits to your ex-spouse than the Plan allows, nor in a form that does not comply with Plan provisions (e.g., the Plan does not pay lump-sums). Although a court may approve an order as a QDRO, DCRB, as the Plan Administrator and custodian of the retirement fund, makes the final determination and will reject court orders that are deficient. DCRB will be pleased to review any draft QDRO before it is submitted to a court.

For a court order to be acceptable to the Plan under the Act as a QDRO, among other things, it must:

- state the name of the Plan that the QDRO applies to;
- state the name of the Act as the authority to enforce the QDRO;
- clearly award the Alternate Payee all or a portion of your retirement benefit as a fixed dollar amount, fraction, or percentage; and state if cost-of-living adjustments (COLAs) apply; and
- state if the Alternate Payee is entitled to a portion or all of any surviving spouse annuity, and if COLAs apply.

For your former spouse to be eligible for a survivor annuity, your former spouse:

- must have been married to you for at least nine months while you were an active member or retired; and
- you must have at least 18 months of creditable service under the Plan.

Your former spouse may lose eligibility for a survivor annuity if he/she remarries prior to age 55.

After a QDRO is accepted, and if you are already retired, DCRB will calculate and process the Alternate Payee's portion of your retirement benefit. Payments to Alternate Payees are not retroactive. It is important for you or your former spouse to make sure we have your QDRO and current contact information to ensure timely processing. No payments are made to an Alternate Payee until you retire. Further, you should be aware that DCRB does not accept or process QDROs after the death of a Plan member.

The Act also allows your eligible former spouse to continue health insurance coverage at his/her own expense under certain conditions.

Information about the Act, including a DC Spouse Equity Act Information Statement and model QDROs, is available from DCRB by calling the DCRB Member Services Center at (202) 343-3272 or toll free at (866) 456-3272.

Questions You Asked

Treatment of Unused Sick Leave upon Retirement

Recently, we have received questions from a number of you regarding the treatment of unused sick leave upon retirement. For those of you who did not call but have the same question, the information below may be helpful.

For members who retire under Optional Retirement, unused sick leave is added to your total creditable service and is used in calculating your retirement benefit. You should be aware that your unused sick leave is *not* used to determine your eligibility to retire. You must still reach the required amount of service years (e.g., 25 years for Tiers 2 and 3) for retirement eligibility. Once you have the required 25 years of service, your unused sick leave is added to your benefit calculation *only*. Please note, however, that unused sick leave is not included in the calculation of retirement benefits for either Disability or Deferred Retirement.

DC Retirement Board
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Inside this DCRB Report

Information Specific to Members of the District of Columbia Police Officers and Firefighters'Retirement Plan

Social Security Benefits

Although police officers and firefighters who are members of the District of Columbia Police Officers and Firefighters' Retirement Plan do not pay Social Security taxes, many members who call DCRB are interested in knowing more about Social Security benefits. Below is a sampling of the information callers have requested.

Eligibility

To be eligible for Social Security benefits, a person must work and pay a minimum in Social Security taxes for at least 40 quarters (ten years) during their working lives. One quarter is earned for each three-month period in which someone earns at least $1,260 (as of 2016), and the quarters earned need not be consecutive. A person can also qualify by being an eligible survivor (e.g., widow, widower, minor child, or former spouse) of an eligible family member who has died.

When Benefits are Payable and in What Percentages

Full Social Security benefits are payable at 66 years of age, and increase incrementally up to age 67, based on an individual's year of birth. See the chart below.

Year of Birth	Full Retirement Age
1943 - 1954	66
1955	66 and 2 months
1956	66 and 4 months
1957	66 and 6 months
1958	66 and 8 months
1959	66 and 10 months
1960 or later	67

If the person elects to receive the benefit early, there is a reduction in the full benefit, and if he/she elects to take it later, there is an increase. For example, if a full benefit is paid at age 66, receiving the benefit at the earliest date (age 62) would result in the benefit being reduced by 25%. If the person elects to wait until the latest date (age 70), the benefit would be increased by 32%. In this case, a full benefit of $1,000 per month would be reduced to $750 at age 62 or increased to $1,320 at age 70.

If you are eligible for Social Security, you can estimate your benefit by using the calculator on the Social Security website at **www.socialsecurity.gov**. See page two for other contact information.

D.C. Retirement Board

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