

EMPLOYER Outreach

OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM



Pension legislation provides employer safeguards

The pension legislation passed in 2012 was far reaching and multi-faceted. As OPERS works to change system requirements and implement the provisions, we want to make sure employers understand provisions that provide for specific employer safeguards. Understanding how these safeguards work will help you better understand the requests for actions as we implement all facets of the legislation.

One safeguard established for public employers places a statute of limitations on individuals requesting a membership determination for services provided. Simply put, individuals have a window of time when they can request a membership determination for prior public service for which no retirement contributions were collected.

The legislation further protects employers going forward by requiring independent contractors and other workers to acknowledge their understanding that the work performed is not public employment—therefore no OPERS membership for which retirement contributions are withheld.

How this protects employers

This legislation helps safeguard employers. Positive determinations for OPERS membership (for which proper documentation cannot be produced) could have a significant, negative financial impact on employers.

Here's how:

- Before this change, individuals could (and frequently did) wait until their actual retirement to request a membership determination for services performed for public employers. With no established time limits, employers had to produce specific documentation to prove the individual was not a public employee for the services (meaning no membership extended and no retirement contributions were collected).
- Due to the time lapse (sometimes more than two decades), many employers no longer had any supporting documentation for the classification. Since retirement contributions were *not* remitted, the individual in question was never an OPERS member—therefore, OPERS has no documentation to help make the determination.
- The lack of documentation may create an employer liability when the membership determination is rendered. Why? Because the employer, by law, is responsible for remitting employer and employee contributions, plus interest, for failing to properly deduct retirement contributions at the time the service was provided.

The 2012 legislation establishes a timeframe for individuals to request membership determinations; limiting

potential employer liability for back contributions and compounded interest.

Doing what's right

We know that, for whatever reason, an individual really could have been denied membership to which they were entitled. That's why you'll see extensive outreach in all types of media, beginning in April 2013. The outreach is designed to inform individuals throughout the state of this change, and what actions are necessary to trigger a membership determination decision for past work.

Future focused as well

In addition to limiting the time frame during which an individual can request a determination for prior services, the law also provides employers with protection going forward. The legislation also requires independent contractors, or other workers classified by their employers in categories for which no retirement contributions were withheld, to complete acknowledgement forms.

If OPERS determines an individual who signed the forms should have been classified as a public employee for services provided, the law limits employer liability for payment of employer and member contributions, plus interest, to five years *as long as the employer can produce the signed acknowledgment form. An electronic copy is acceptable.*

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Pension legislation updates: by the numbers

As expected, the passage of the recent pension legislation triggered unprecedented pension activity.


People behind the numbers

At OPERS, we remember the people behind the numbers. That's why we worked late into the day—every day—through the end of 2012 to ensure the numbers your employees were working with were accurate, and timely.

Here's a snapshot of the members served:

- Comprehensive guides were mailed to more than 900,000 members.
- Member Call Center answered 41,363 calls—most had a longer-than-average talk time as counselors worked to answer member questions.
- In December 2012—a 31-day window—2,791 members received in-person appointments. To handle the volume, increased Saturday and evening appointments were made available.
- Throughout 2012, more than 21,931 individuals attended OPERS-specific educational events. In December 2012 alone, 3,903 individuals attended OPERS-specific seminars (either online or in person).
- Also in December 2012,
 - More than 3,100 electronic messages from counselors were sent to answer member questions.
- OPERS received 1,486 applications for retirement (76 percent were completed electronically).
- And, in the final week of 2012 (a five-day window).
 - 250 retirement applications were received,
 - 8,104 calls answered, and
 - 157 members had appointments at the counseling desk.

The biggest number of all

By December 31, 2012, nearly 600 new retirement accounts had been processed and an allocation of more than \$66 million had been set aside to provide for our most recent retirees' secure retirement. 

Know your facts: Specific information needed for specific reports

In any business setting, it's always wise to know your numbers. That's especially true when working with pension reporting for your employees.

In the second quarter 2013, OPERS will launch an initiative designed to assign an OPERS-specific identification number to all OPERS members, your employees. The OPERS ID will be a randomly generated 11-digit number. For OPERS members, the OPERS number is a permanent identifier and provides a secure number that can be used as an alternative to using Social Security numbers (SSN) for verification.

Social Security numbers vs. OPERS-specific identification numbers

Please note that employers will still need to use employees' Social Security numbers for retirement contribution reporting.

Here's a snapshot of when each type of number will be used:

- **The OPERS ID...**
 - Will replace the last four numbers of member's SSN on outgoing correspondence (from OPERS to our members).
 - Will be available to members via online accounts. (However, if a member forgets or loses an OPERS ID, the SSN will remain valid for purposes of identification.)
- **Social Security numbers...**
 - Will continue to be used by employers on all contribution-reporting materials, including the Report of Retirement Contributions.
 - Will continue to be used (last four digits) on outgoing correspondence to employers from OPERS

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Health Care Update : Keeping employees in the know

Keeping employees in the know

OPERS remains steadfast in its effort to provide access to meaningful health care to retirees—and to proactively communicate with our members, your employees, about changes to OPERS-provided health care. We know this information is important because employees are making retirement decisions every day. We want to make sure your employees have accurate and complete information to ensure the transition to retirement is a smooth one.

Note that in March 2013, the OPERS Board approved a one-year delay in the implementation of a new retiree health care plan adopted in 2012. This delay allows members, retirees and employers more time to learn about and prepare for the changes to health care coverage. Please realize the components of the plan are not changing, only the effective dates. The delay applies to all the components of the new plan with a few exceptions.

Following components of the new health care program will NOT be delayed for one year:

- **Qualifying service credit:** New rules apply concerning which types of service credit will qualify in 2014.
- **Medicare Part B premium reimbursement:** Scheduled reduction of the Medicare Part B reimbursement in 2014.
- **Disability 5-year rule:** Members who retire under a disability retirement Jan. 1, 2014, or later, will be subject to the 5-year limit on access to health care.
- **Elected withdrawal:** Retirees who voluntarily elect to withdraw from the OPERS health care plan on or after Jan. 1, 2014 cannot re-enroll.
- **Minimum earnings:** Beginning Jan. 1, 2014, contributing service credit for health care will be accumulated only if the member earns at least \$1,000 per month.

Key components being delayed by one year—to Jan. 1, 2015:

- **New eligibility rules:** Members who have not reached the threshold of 30 years of service must have at least 20 years of service and be at least 60 years of age to qualify for health care.

- **Allowance transition:** The new health care plan will base the allowance given to participants for their monthly premiums on age and service. A three-year transition (2015-2017) has been established to the new allowance tables for current participants.

One element not changing is the fact that an OPERS member with 30 years of qualifying service credit can retire with access to health care coverage at any age.

More information available

These are only a few elements of this extremely detailed plan. Employers are encouraged to have employees access and review the information available so that they are completely knowledgeable about the health care offering. Detailed information can be found via:

- **Comprehensive Guide to Pension and Health Care Changes for Current Members,** available on the OPERS website, www.opers.org. This guide has extensive information on all changes affecting retiree allowance and eligibility—as well as allowance for spouses and children.
- **Online video:** An online presentation is available at www.opers.org; video is available on this topic.
- **Newsletters:** Throughout 2013, member newsletters will have detailed information on the changes.
- **OPERS website:** Will be updated regularly to keep all OPERS stakeholders informed. Members can also use the website to sign up for seminars or webinars and access calculators to estimate future health care costs.



Employer Resources

Conversion plans—OPERS approval is an annual event

If your organization will be offering a conversion plan for which pension contributions will be withheld, you must have the conversion plan approved by OPERS each year—even if the plan was approved as recently as last year.

This approval process is designed to help employers by ensuring the conversion plan is compliant with the law. Employers are also encouraged to remember...

Regarding the conversion plan:

- Contract language or negotiated agreements cannot override the need for an OPERS approval each year.
- Prior to conversion payments being made, OPERS approval is necessary annually if the payments are to be included in pension earnings.

Regarding the OPERS-approval process:

- Supporting documentation must be received for proper evaluation.
- Conversion plan approval cannot be granted retroactively. OPERS plan approval must be received prior to making payment of the conversion each year and within the calendar year the plan is intended to cover.
- If your organization does not have the required approval and pays conversion plan funds, the earnings cannot be reported to OPERS as pensionable earnings. No pension credit will be entered for employee.

Regarding an approved conversion plan:

- Payments from an approved conversion plan must be reported on a *Report of Retirement Contributions—Supplemental*. Using the Supplemental will help ensure the conversion payment is excluded from large-earnings evaluation. Simply put, proper reporting of the conversion payment will reduce the number of large earnings exceptions employers receive.

Questions about the conversion plan approval process should be forwarded to OPERS Employer Services. Compliance Specialists will work with you every step

of the way. More information and a draft conversion plan can be found in the Employer Section of the OPERS website at www.opers.org.

New GASB standards—OPERS working to help employers

The Governmental Accounting Standards Board (GASB) has changed reporting requirements for employers beginning with fiscal years ending on or after June 15, 2015—meaning implementation will begin in 2014.

The GASB-required reporting changes are significant. Because of the scope, OPERS has begun working now to ensure employers will be compliant with the new GASB reporting requirements by the implementation date.

Specifically, OPERS will complete a full-blown test implementation in 2013. This test implementation is designed to identify necessary processes to be developed to ensure the actual implementation (in 2014) provides the information employers will need—when they need it.

Employer help needed

To accomplish this necessary—but complex—test implementation, information about *every employer's* financial statement preparation process is needed. In January, a questionnaire designed to extract this information was sent to every OPERS-reporting employer. To date, OPERS has received a **74.1** percent response rate; just not good enough. To ensure the accuracy of this test implementation, OPERS must have a 100 percent response rate.

- If you have not responded to the OPERS GASB implementation questionnaire, please contact your Employer Account Representative so that a questionnaire can be completed with you by phone.

Why OPERS needs this information

We are requesting this information so that we can prepare the projections you'll need for the new reporting requirements. This information will allow OPERS to allocate the unfunded liability and roll it forward *to each employer's year-end for future inclusion on employers' financial statements*.

Employer Resources

Start seasonal employees right with error-free reporting

Over the next few months, many employers will experience peak employment with seasonal employees. Although seasonal workers are hired for a specific time period, employers are required to ensure OPERS enrollment—including withholding and remitting all retirement contributions—is processed accurately. Employers should remember to:

Treat a new seasonal employee just like any new employee:

- Complete (and submit) a *Personal History Record* (PHR, Form A) no later than 30 days from the employee's first day worked for which retirement contributions are withheld.
- Returning seasonal employees *do not need* a new PHR to be completed if they are returning within a year of employment.
- Report new or returning seasonal employees with a Pay Period Begin (PPB) code of S for seasonal/intermittent for the first pay period report on which they are listed.

When your seasonal employees terminate, you'll need to:

- Report the employee's final contribution with a Pay Period End (PPE) code of Q for quit. (If the employee

returns next year, you'll simply report the employee with a PPB code of N.)


- If an employee is terminating for the season, but expects to return next year, or works on an intermittent basis (such as an employee who will be returning over the holidays), you need to report the employee's final contribution code as S (same as the PPB code).

Training available for new administrators

Each spring, employers welcome new administrators. All employers should be aware of the training opportunities offered by OPERS—some specifically tailored for new administrators to ensure they, and you, have all the information necessary to properly, accurately and quickly process retirement contributions for your employees.

OPERS-specific training information:

- Visit the OPERS website at www.opers.org to determine what offerings are available.
- Although seminars are offered online only, one-on-one site visits can be arranged—in person, via phone, or electronically.
- All training offered by OPERS is free of charge.

To get started, simply reach out to your Employer Account Representative to schedule new administrator training in the format and time that works best for you. 

Know your numbers *(continued from page 2)*

Why SSNs for contribution reports?

Contribution reports submitted electronically via ECS are already in a secure environment, a changeover to the OPERS ID provides no advantage for members.


Special note for paper-based employers

Those employers still reporting via paper must consider the risk they are taking with sensitive employee information. If your organization still uses paper-based reporting, you are strongly urged to adopt electronic reporting immediately—for your protection and that of your employees. (Free training is available.)

Also note that paper reports received with the OPERS-specific member ID will be returned.

Please realize that returned reports are subject to delay and therefore subject to potential penalty.

Reaching out to your employees

As always, we try to position employers with information that may affect employees. The transition to OPERS-specific identification numbers will take time. The initial announcement will be in May 2013. Active members (your employees) and inactive members will be the first to receive their OPERS IDs. Ongoing communication is slated to increase awareness and use of the OPERS ID. Should your employees have questions regarding the use of the OPERS ID, have them contact the OPERS Member Call Center at 800-222-7377. 

Window of opportunity for unique service credit purchase

Employers are asked to help ensure all employees understand the importance of a unique service credit purchase opportunity. Until July 7, 2013, your employees will have the opportunity to initiate the purchase for specific types of past service credit *at the rate in effect prior to the recent legislative changes*.

This service credit could be important to your employees because the service credit will count toward retirement benefits (although it may not count toward health care).

Outreach communication to employees

Because of the potential positive impact for affected members, a multi-faceted outreach effort was launched to help ensure all affected members were informed.

To date, OPERS has:

- Sent letters to individuals who were identified as potentially having this opportunity.
- Created informational posters to help reach employees who are not necessarily at computers during the work day. The posters have been sent to all employers for placement in high-traffic employee areas (such as break rooms, human resources offices, remote sites), and
- Deployed information via electronic (website www.opers.org) and print (member newsletters) channels.



Why so much communication?

Employees must act quickly.

We know employers are a trusted source of information for employees. Please help us communicate this opportunity to your employees because those affected must act quickly. Employers can help by reinforcing the messages that:

- No deadline extension will be granted for those who do not file the necessary paperwork by the established deadlines.
- The documentation may involve contacting former employers—this may be time-intensive; lack of timely response will not be considered a reason to extend the deadline.

Additional requests for employers

- Additional informational posters are available upon request and free of charge, just contact OPERS Employer Services at 888-400-0965 or via email at employeroutreach@opers.org.
- Place the informational poster in as many prominent places as you choose—vending rooms, break rooms, fleet storage, operations centers, and human resources offices.
- If a former employee contacts your organization for verification of past employment, respond to the request promptly to help ensure each affected individual is able to meet the deadline. ▲

Info to Go

Go online to sign up for seminars

The pension changes provided for by the legislation effective Jan. 7, 2013 have resulted in myriad process, deadline and definition changes. It's more important than ever that employers are knowledgeable about all aspects of the legislation, implementation and reporting changes.

To help all OPERS-reporting employers, OPERS is revising current training and sponsoring additional training so

that employers will have all the information necessary to remain compliant with the law.

What you need to do: Employers are encouraged to visit the OPERS website every month to determine what training opportunities are available and important to you. Enhancements to seminar offerings will be coming this year, and will be ongoing through the next 18 months, to help ensure employers have all the information they need.

Info to Go

Annual statement reminder

The *OPERS Annual Statements* for your employees (active members) will have a later mail date in 2013. If your employees ask, here are the facts:

- We recognize the importance of accurate statements so that important retirement decisions can be made. Changes in pension legislation have required OPERS to make system changes to ensure accuracy of calculations. The system changes are anticipated to be completed, and tested, first quarter 2013, so that statements can be mailed beginning second quarter.
- Format of the statements will be different. This year the information will be contained in a one-page letter.
- Statements will begin mailing in mid-April, sorted by ZIP code, and will continue through May 2013. Because the mailings are sorted by home ZIP code, employees who work side-by-side may receive statements weeks apart.
- Those who are signed up for online accounts will continue to have access to personalized information, although the information may not be as extensive as found in the past until systems are upgraded for accuracy.
- Employees can easily obtain account information and retirement estimates by viewing their account online at www.opers.org 24 hours a day, seven days a week.

Employers, take note: Employees with unanswered large earnings requests on their account will not be provided with an account value on their statement. Once the large earning is cleared by the employer, employees can access their online account to view account value. OPERS will not reprint annual statement letters that do not contain an account value due to an unanswered large earning.

Forms update—always verify accuracy of form

As OPERS implements the changes provided for by the pension legislation, OPERS-required forms will be changing and evolving at an unprecedented rate.

Employers, and all OPERS members, are strongly encouraged to make sure the most recent version of a form is that which is being submitted.

To ensure the correct version of any OPERS form is used, simply download forms via the OPERS website at www.opers.org. The website will always have the latest iteration of every form, leaflet and manual.

As always, employers who stockpile of forms are encouraged to eliminate risk by destroying obsolete forms now.

Voluntary compliance review program—is this the year for you?

The pension legislation passed in 2012 will require OPERS to revise many systems and processes to remain compliant. Due to the changes required by the new legislation, and important upcoming deadlines (see related articles on health care, page 3, service purchase, page 6 and independent contractors, page 1), employers are strongly encouraged to schedule a voluntary compliance review in 2013 to help each ensure compliance with legislated requirements going forward.

Consider these facts:

- Employers who have had compliance reviews indicate the peace of mind provided is invaluable.
- A compliance review may help save money if:
 - Individuals ineligible for OPERS membership are identified, or
 - Funds not eligible for retirement contributions are identified.

Consider the multiplier effect

As processes are changed to comply with pension legislation requirements, the chances for errors are intensified. Do yourself a favor and schedule a compliance review to ensure your retirement-related processes are accurate and compliant. The time you invest now may benefit your organization (and your employees) well into the future.

Early Retirement Incentive (ERI) Guide for Employers available online only

The ERI Guide has been updated and is posted online at opers.org. The guide leads employers through all the steps necessary to establish and maintain a compliant ERI program. All employers who are considering establishing an ERI program are encouraged to review the guide prior to beginning work on the program.

Pension legislation provides employer safeguards *(continued)*

Employer requirements

Employers are urged to ensure compliance with the new statutory requirements. Employers are encouraged to:

- Review records retention policies for compliance.
- Request membership determinations *prior* to extending contracts or hiring individuals into positions for which no retirement contributions will be withheld.
- Consult with legal counsel on how best to implement/comply with statutory obligations.

Some things have not changed

OPERS will continue to process any certification of unreported time remitted to OPERS by employers. Employers will continue to be billed for undisputed services from a public employee that were inadvertently overlooked or not reported, regardless of when the unreported service occurred. (An excellent and compelling reason to have a compliance review performed by Employer Services.)

More information available

Review previously published *Employer Notices* on this topic.

Notices have been published clearly outlining what forms employers need to access, to whom these forms should be sent and when. All *Employer Notices* are archived on the OPERS website at www.opers.org.

Recent legislation has changed the implementation dates for some required forms. An *Employer Notice* was sent March 15, 2013, describing the revised deadlines. You are encouraged to know the revised implementation dates. ▲

In the news...

Robert C. Smith has been newly selected to serve on the OPERS Board of Trustees, holding the investment-expert position, as appointed by Ohio's Treasurer. As such, he also will serve on the Ohio Deferred Compensation Board of Trustees. Mr. Smith's qualifications are impressive. With more than 35 years of experience in investing, finance, accounting and business management, Smith is uniquely qualified to serve on the OPERS Board. Currently, he serves as CEO of Spero-Smith Investment Advisors, headquartered in the Cleveland/Akron area.



Robert C. Smith

This is not Smith's first public appointment. He has served on the Board of Directors of the Ohio Bureau of Workers' Compensation and previously on the OPERS Board of Trustees from 2004-2007. Smith's current appointment with OPERS began January 1, 2013.

Smith earned his undergraduate degree from Ohio Northern University and his M.B.A. in finance from Duquesne University.

Allen Foster has been named OPERS' Director of Benefits. Throughout his 11-year career with OPERS, Mr. Foster has held increasingly responsible positions in administration, benefit design, and management. He started his career with OPERS as a customer service representative, working extensively with members. Employers may remember Foster as he also served as a field representative—serving as a spokesperson for OPERS by visiting employers around the state. After being tapped as one of five managers within OPERS to serve on the Business Process Redesign project, he stepped in as interim Director of Benefits in July 2012; he was named Director of Benefits in 2013.



Allen Foster

Foster earned his undergraduate degree at Wilberforce University and earned his M.S. in administration at Central Michigan University.

For a current listing of OPERS Board members, please visit www.opers.org

It is your responsibility to be certain that OPERS has your current physical and email address on file. If OPERS is not made aware of address changes, we cannot guarantee that you will receive important information pertaining to your OPERS account. This handbook is written in plain language for use by public employers who are subject to coverage under the Ohio Public Employees Retirement System. It is not intended as a substitute for the federal or state law, namely the Ohio Revised Code, the Ohio Administrative Code, or the Internal Revenue Code, nor will its interpretation prevail should a conflict arise between it and the Ohio Revised Code, Ohio Administrative Code, or Internal Revenue Code. Rules governing the retirement system are subject to change periodically either by statute of the Ohio General Assembly, regulation of the Ohio Public Employees Retirement Board, or regulation of the Internal Revenue Code. If you have questions about this material, please contact our office or seek legal advice from your attorney. OPERS is not required to provide health care coverage to retirees or their dependents and will only do so at the discretion of the Board of Trustees.