



Changes coming to OPERS' Member-Directed and Combined Plans

There is currently a significant member-communication effort underway, involving the collaboration of several OPERS departments, to educate members about upcoming changes to the OPERS member-directed and combined plans. The information below has been included in recent member newsletters. But we wanted to share the detail of these changes with you below in case you receive any questions from your members and constituents.

OPERS offers its members three different retirement plans - the Traditional Pension, Member-Directed and Combined Plans. These plans provide different features and allow members to select a retirement plan that best fits their needs and retirement goals.

The OPERS retirement plans are not static and the complex rules of each plan change periodically to reflect the changing demographics of our membership base, cost considerations, and federal and state law. Since OPERS was established in 1935, the Traditional Pension Plan has undergone such changes. The most recent were included in Sub. Senate Bill 343, effective Jan. 7, 2013.

OPERS continually examines the plans to ensure they are self-sustaining. Each plan is a separate legal entity which must be able to cover its own expenses.

In the fall of 2014 OPERS staff conducted a review of the plans and as a result in February 2015, the OPERS Board took action on several recommendations affecting the defined contribution plans and the Member-Directed Retiree Medical Account. Amendments to the Ohio Administrative Code and plan documents will implement the recommended changes. These changes will go into effect July 1, 2015, and Jan. 1, 2016.

Since the Member-Directed and Combined Plans were created, they have incurred ongoing, annual expenses that the existing fee structure has not adequately covered. These expenses include the costs for OPERS staff to administer the plans and a third party administrator to perform record keeping services. In order to provide adequate funds to cover these expenses, OPERS is changing the administrative fee structure of the Member-

Directed and Combined Plans and changing the Member-Directed RMA contribution rate.

The following changes will impact current and future Member-Directed Plan participants and will go into effect Jan. 1, 2016. (See chart on back page.)



RMA vesting schedule for new hires

The Member-Directed RMA vesting schedule is also changing. Effective July 1, 2015, full vesting in the Member-Directed RMA will take 15 years instead of five. The new vesting schedule will NOT impact current Member-Directed Plan participants. It will be in place for new members who begin working on or after July 1, 2015, and members who plan change into the Member-Directed Plan with an effective date of Aug. 1, 2015, or later. It also will apply to members who terminate public employment, take a refund, and return to public employment on or after July 1, 2015, if they select the Member-Directed Plan during their first 180 days of employment.

Detailed documents about these changes are available on the OPERS website (<https://www.opers.org/members/member-directed/changes/index.shtml>) and we will continue to educate our members on these changes through letters, upcoming member newsletters, and blog posts.

Member-Directed and Combined Plan Changes *(continued)*

Current Feature	Effective Jan. 1, 2016	Impacted Members/Timing																		
MEMBER-DIRECTED RMA CONTRIBUTION RATE																				
<p>Employer contributions equal to 4.5% of member's earnable salary are credited to the RMA.</p> <table border="0"> <tr> <td>Employer contribution</td> <td>14.00%</td> </tr> <tr> <td>Investment account</td> <td>8.73%</td> </tr> <tr> <td>Retiree Medical Account</td> <td>4.50%</td> </tr> <tr> <td>Mitigating rate</td> <td>0.77%</td> </tr> </table>	Employer contribution	14.00%	Investment account	8.73%	Retiree Medical Account	4.50%	Mitigating rate	0.77%	<p>Employer contributions equal to 4% of member's earnable salary will be credited to the RMA.</p> <p>Employer contributions equal to 0.5% of member's earnable salary will be used to pay a portion of the Member-Directed Plan's administrative expenses.</p> <table border="0"> <tr> <td>Employer contribution</td> <td>14.00%</td> </tr> <tr> <td>Investment account</td> <td>8.50%</td> </tr> <tr> <td>Retiree Medical Account</td> <td>4.00%</td> </tr> <tr> <td>Mitigating rate</td> <td>1.00%</td> </tr> <tr> <td>Administrative expense</td> <td>0.50%</td> </tr> </table>	Employer contribution	14.00%	Investment account	8.50%	Retiree Medical Account	4.00%	Mitigating rate	1.00%	Administrative expense	0.50%	<p>All current and future Member-Directed Plan participants</p> <p>Beginning Jan. 1, 2016</p>
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MEMBER-DIRECTED RMA INTEREST RATE																				
4% annually	<p>Interest rate will be tied to the annual investment return of OPERS' pension assets:</p> <ul style="list-style-type: none"> If returns are greater than zero, the RMA will be credited with 4% interest the following year. If returns are zero or negative, no interest will be credited to the RMA the following year. 	<p>All current and future Member-Directed Plan participants</p> <p>Interest granted during 2017 and thereafter will be based on the new requirements.</p>																		
MEMBER-DIRECTED AND COMBINED PLAN ADMINISTRATIVE FEES																				
<ul style="list-style-type: none"> Active members – 0.1% of earnable salary, deducted from member contributions Inactive members – monthly fee ranging from \$2 - \$6 for accounts with balances less than \$5,000 	<p>Monthly fee of \$5 deducted from the investment account of all active and inactive members</p> <p>For inactive members, the fee will be deducted until the balance is depleted.</p>	<p>All current and future Member-Directed and Combined Plan participants</p> <p>Beginning Jan. 1, 2016</p>																		
MEMBER-DIRECTED AND COMBINED PLAN MITIGATING RATE																				
Employer contributions equal to 0.77% of member's earnable salary are credited to the Traditional Pension Plan.	Employer contributions equal to 1% of member's earnable salary will be credited to the Traditional Pension Plan. The rate will increase to 1.5% Jan. 1, 2017, and to 2% Jan. 1, 2018.	<p>All current and future Member-Directed and Combined Plan participants</p> <p>Beginning Jan. 1, 2016</p>																		

OPERS Board approves changes to re-employed retiree health coverage

The changes are in response to federal health care regulations that provide a stand-alone Health Reimbursement Arrangement (HRA) cannot include "active" public employees. OPERS would be penalized if we provided coverage to re-employed retirees through such a HRA. Thus, OPERS will create separate plans for non-Medicare re-employed retirees and for Medicare-eligible re-employed retirees, both effective Jan. 1, 2016. OPERS will mail a fact sheet with more details on re-employed retiree health care coverage in the coming weeks to members affected by the change as well as public employers. Additional details including a blog post and a video are available on the OPERS website at www.opers.org.

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With \$88.6 billion in assets, OPERS is the largest public pension fund in Ohio and the 11th-largest public pension fund in the United States. OPERS provides retirement, disability and survivor benefits for more than 1 million public employees. OPERS can be found on the web at OPERS.org.