

Structuring employee incentives? *Make sure you are compliant*

To reward or motivate great employees, many employers offer retirement, bonus or hiring incentives. We know that offering these incentives in a fiscally prudent manner is important for employers and their employees. However, OPERS-reporting employers must consider all aspects of any incentive plan to make sure any offering is compliant with retirement law, rules and regulations if you want the incentive to be considered pensionable.

Employers have their employees' best interests at heart. However, a creative approach to defining earnable salary can put employers at risk for penalties and interest for underreporting compensation. Additionally, non-compliance can hurt your employees because non-compliant payments can jeopardize the accuracy of retirement accounts.

Most issues for stretching employer funds arise when employers are unaware of what, exactly, constitutes earnable salary. We encourage all employers to review exactly how earnable salary is defined—before you make non-compliant offers to your employees (or soon-to-be employees).

The basics: Earnable salary

Earnable salary must be reported to OPERS and retirement contributions must be paid on earnable salary.

Earnable salary is all salary, wages, and other earnings paid to an employee in an OPERS-covered position. Earnable salary also is considered to be:

- Anything of value, such as bonuses. Note that one-time, lump-sum bonuses are considered to be earnable salary *only* if the one-time, lump-sum payment is calculated as a percentage of salary.
 - Salary paid with the understanding that the employee will elect to donate any portion back to the employer.
- Annual accruals of sick, vacation and personal time converted (paid out) under an OPERS-approved conversion plan. Not sure? Please call us.
 - Deferred compensation amounts paid on behalf of an employee.
 - Laundry, housing *and* meals as part of an overall compensation package—the value of the package is earnable salary.

Some payments *do not qualify* as earnable salary:

- Payouts of accrued leave made at termination or retirement.
- Advance pay if it is contingent upon retirement or separation.
- Pay raises made during an employee's last year of service in lieu of leave payout at retirement. (This is considered to be an arrangement made contingent upon an employee's retirement.)
- Conversion payouts for sick, vacation and personal time if the plan is not approved annually by OPERS.
- If an employee receives laundry, housing or meals (or any combination of two of these items) but not all three, none are considered to be earnable salary.
- One-time, lump-sum payments to *all* employees, when the amount is the same for all employees (such as a blanket bonus of \$500 for all).

What to do if you are not sure

Earnable or non-earnable salary—sometimes incentives fall in an odd area. If you are uncertain, contact Employer Outreach with your particular situation and we'll work through any compliance issues with you. It's best to contact Employer Outreach *before* any payments to employees are made.

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Health care seminars: For employees within five years of retirement

All employers are asked to promote this important seminar to those employees who are within five years of retirement. This seminar will help prepare your employees for the transition from employer-sponsored health care coverage to the OPERS retiree plan. The seminar reviews coverage options and specifics on how to navigate the application process.

Registration is required and seminars *do fill quickly*. Please call 1-800-222-7377 or visit www.opers.org to register via MBS.

Location	Date
Cincinnati Sharonville	Friday, November 12
Independence	Friday, November 12
Columbus (OPERS)	Friday, November 19
Mansfield (Bellville)	Friday, November 19
Lima	Friday, December 3
Mentor	Friday, December 3
Revenna (Rootstown)	Friday, December 12



Elections News Update: Urgent reminder for all employers classified as state of Ohio...

Your representative position to the OPERS Board of Trustees will be determined in the 2010 election.

Encourage your employees to vote by mail, phone or Internet no later than midnight, October 1.

Need more information? Contact the Member Call Center at 1-800-222-7377 to receive exact instructions for electronic voting.

Health Care Update

OPERS to modify retiree health care plan in response to federal health care reform

Special note to employers: Frequently, employers remain a significant resource of accurate information for retirees, even well into retirement. Employer Outreach partners with employers to ensure you have all the information you need. Your retirees may contact you for information about federal health care reform. For that reason, this article published recently in retiree publications, is being published in its entirety. This way, you'll know exactly what information has been sent to retirees and you'll be in the position to help them understand. Of course, you can also encourage your retirees to contact OPERS via the Member Call Center or via My Benefits System (MBS), the online information resource available 24/7.

Earlier this year, a comprehensive federal health care reform bill was passed and signed into law by President Obama. OPERS has spent the last few months conducting an in-depth analysis to determine what impact the many provisions would have on the OPERS retiree health care plan. We examined all aspects of the legislation in collaboration with actuaries and legal counsel. With our initial analysis complete, OPERS will comply by making three modifications to our retiree health care plan for 2011.

Effective Jan. 1, 2011:

1. Retirees participating in our health care plan may cover eligible children up to age 26 regardless of marital status or enrollment as a full time student.
2. OPERS will remove the lifetime maximum for medical/pharmacy coverage currently in place for retirees not yet eligible for Medicare.
3. OPERS will make slight modifications to our current coverage structure for preventative tests and procedures to align with the provisions of the legislation.

These are the modifications we will make to our health care plan in 2011. Other provisions are scheduled for implementation over a period of years. Please continue to read issues of this newsletter and check our website for further updates on our implementation of federal health care reform legislation.

OPERS health care plan open enrollment period scheduled for October

Open enrollment for the OPERS health care plan will be held from Oct. 1–Oct. 31, 2010. During this time, participants in the health care plan may add or change coverage for themselves and/or their eligible dependents.

Changes made during the open enrollment period will become effective Jan. 1, 2011. To help plan participants make informed decisions regarding their health care coverage in 2011, OPERS will be sending the following communications:

Open Enrollment Bulletin

Retirees received this bulletin within *Ohio PERS News for Retirees* in August (summer 2010

issue). The bulletin describes aspects of the plan that are new or changed for 2011 and provides a full list of available open enrollment seminars.

Open enrollment cost statement

Personalized cost statements will be mailed with open enrollment packets in early September. The statements advise plan participants of the cost for their coverage in 2011 and also the cost for any alternate coverage options.

Open enrollment guide

The guide will be mailed along with the cost statement in September and will provide in-depth coverage details for 2011.

The OPERS website, www.opers.org, will also be an excellent source of open enrollment information. Publications, forms, answers to frequently asked questions and even a video of an open enrollment seminar will be available on the site in early September.

Employer Resources

Transitions: Retirement timelines to keep in mind

Most employers work diligently to help position employees looking to retire. Here are the top two tips you can give your employees to transition smoothly into retirement:

- Make sure your employee looking at retirement fully understands the retirement timeline. OPERS works hard to ensure each member's retirement application is processed as quickly as possible. However, each retirement application must be reviewed and verified prior to retirement pension benefits beginning.
- Initiating retirement is an employee-driven event. Employers cannot do this for employees. Encourage employees to use the online My Benefits System (MBS) to get their retirement application started. (Note: Online application available for Traditional Pension Plan participants only; all others must contact the OPERS Member Call Center to initiate application process.)

National Save for Retirement Week begins Oct. 17

Each year, National Save for Retirement Week highlights the need for all individuals to save for a secure retirement. The goals for National Save for Retirement Week are to:

- Make employees more aware of how critical it is to save now for their financial future,
- Promote the benefits of getting started saving for retirement today, and
- Encourage employees to take full advantage of their employer-sponsored plans by increasing their contributions.

Employers will find National Save for Retirement Week information and event tips on the National Association of Government Defined Contribution Administrators' website at www.nagdca.org.

The website features ideas and information to raise the visibility of National Save for Retirement Week at your worksite. Employers will find:

- Promotional ideas and strategies;
- Resources and materials including posters, website promotions, brochures, flyers;

- How-to ideas for talking with employees including key messages and a presentation; and
- Media and community outreach tools.

Employers are advised to check out the website at www.nagdca.org and use the information to create visibility around National Save for Retirement Week at your site.

You're invited: All are welcome to these National Save for Retirement Week events

These lunch-time sessions are free of charge and hosted by The Ohio Retirement & Savings Awareness Initiative.

October 19: Columbus		October 21: Cleveland		October 21: Cincinnati	
Rhodes Government Office Tower 30 East Broad Street First floor lobby & lobby hearing room		Cleveland City Hall Rotunda, 601 Lakeside Avenue Lower level conference room # 6		Job & Family Services (Alms & Doepke) Building, 222 East Central Parkway Room 6SE 401/601	
Time	Topic	Time	Topic	Time	Topic
11:00-11:30 A.M.	Investing in Your Future	11:00-11:30 A.M.	Investing in Your Future	11:00-11:30 A.M.	Investing in Your Future
11:45 A.M.-12:15 P.M.	Avoiding Financial Scams and Fraud	11:45 A.M.-12:15 P.M.	Avoiding Financial Scams and Fraud	11:45 A.M.-12:15 P.M.	Avoiding Financial Scams and Fraud
12:30-1:00 P.M.	General Savings, Budgeting, Personal Finance	12:30-1:00 P.M.	General Savings, Budgeting, Personal Finance	Registration required for Cincinnati: Call 1-877-644-6457	

Disability retirement timeline

By its nature, disability retirement is usually unexpected. Here's what employers can expect if a disability retirement event occurs:

Day one

Disabled employee or the employee's representative must complete the *Disability Benefit Application** (form DR-1). (The application is available via the OPERS website at www.opers.org or by calling the Member Services Center.

Days 3-5

- Employers must complete a *Report of Employer for Disability Applicant** (form DR-4) to corroborate the employee's application for disability and submit it with a written job description.
- A *Report of Attending Physician for Disability Applicant** (form DR-3) must be completed to support the employee's disability application.

Days 5-90

- An OPERS-appointed, independent examiner must examine the disability applicant and submit a medical report based on the finding.
- The recommendation of the independent examiner is reviewed by the OPERS Board, and is approved or denied.
- The Board's decision is communicated to the applicant or the individual's representative. (There is an appeal process, see OPERS website.)

Days 15-25

- Time variable, but starts at the day when all case information has been completed, including OPERS approval.
- Upon OPERS' approval employers must submit the *Certification of Employee's Final Payroll** (form DRF-85) to indicate the employee's termination date from employment.
- After receiving the *Certification of Employee's Final Payroll*, an effective date of disability retirement is established. The first disability retirement check will be sent based on the effective date.

* Disability retirement forms and processes are currently under revision. Updates will be effective January 1, 2011. Employers will receive future communications reviewing all changes.

Important reminder

The information here reviews best-case scenario timelines for pension benefits only for service retirement. Health care coverage paperwork is not reviewed here. Please note where forms must be completed fully and accurately—meaning additional days will be necessary to fully process any retirement application where additional information is required, or forms are submitted with inaccurate or missing information.

*All forms mentioned in this retirement timeline information are available via the OPERS website. Employer-specific forms are also available by calling the Employer Call Center at 1-888-400-0965. Member forms available by calling the Member Call Center at 1-800-222-7377.

Service retirement overview

Simple rule: Employees looking to retire should file their application for retirement at least 60 days in advance of the target retirement date. This time projection is for a simple service retirement (defined as one where an employee has worked an entire career in an OPERS-covered position). A more complex retirement could take up to three months to fully and accurately process. Here's the breakdown:

Day one

For retirement processing, day one means the first day a completed application has been received at OPERS. With the completed retirement application, the funds in the employee's account, contributed during the employee's career, are earmarked to be transferred from the savings fund into the pension fund.

Days 2-3

OPERS initiates requests for information to you, as employer, via the *The Certification of Employee's Final Payroll** (form SRF-85), a form requesting employer-certified information. The information is detailed and must be accurate. Therefore, employers are asked NOT to complete the form until the requested information can be confirmed and certified.

Following 10 business days

Your employee's information, or case file, is processed. After review, a confirmation letter is sent to the employee that details the planned effective date and the plan of payment.

Next 50 days

If OPERS has all necessary information AND if the *Certification of Employee's Final Payroll* (form SRF-85) has been received, an interim benefit payment may be made to the employee.

As with most life events, planning makes perfect. As you can see, total time for processing a simple retirement is about 60 days. We urge you to encourage employees to recognize the process takes time to be done accurately—and to plan for that time as they plan for their retirement years.

Info to Go

Database management

All units at OPERS strive for accuracy in every activity and function. To that end, we're asking employers to remind active members, your employees, to contact OPERS with any change of address.

OPERS offers three convenient ways to handle a change of address:

- Your employees can quickly change personal data by signing on to My Benefits System (MBS) via the OPERS website at www.opers.org.
- Employees can contact the Member Services center at 1-800-222-7377. A member services representative can update an employee's address over the phone after successfully answering a few verification questions.
- Your employees can access www.opers.org. Select the Member Forms section and complete the OPERS *Change of Address/Bank/Name Form* (form F-50). Once completed, the employee must print off the form and mail to OPERS.

Reducing financial risk

Here are a few simple reminders to help reduce your organization's risk:

- Paper checks must be made payable to OPERS. Checks made out to other entities, or with a blank payable line, will be returned—but that means your organization is at-risk during transit times (twice) for checks to be misdirected.
- Ensure the numerical amount and the written amount of the check match.
- All checks must be signed to be valid for deposit. Some entities require multiple signatures: please make sure your check has the appropriate number of signatures.
- Avoid writing over the routing and account number imprinted on the check.

To avoid late penalties, please make sure your checks comply with these reminders. If you would like to eliminate sending OPERS paper checks, please contact Employer Outreach to learn more about electronic payments.

Transitions: Seasonal employees

Summer will soon be just a memory—unless you're transitioning seasonal employees who are terminating employment. Here are a few reminders to help you maintain accurate retirement accounts for those employees by using the correct pay period begin (PPB) and pay period end (PPE) codes. Take a moment to review so that you can sail seamlessly into the new season:

- Report the employee's final contribution with a PPE code of Q (quit). If an employee returns next season, report with a PPB code of N (new).
- Seasonal employee who is terminating employment for the season, but expects to return next year, or works on an intermittent basis: Report the employee's final contribution with a PPE code of S (leaving seasonal). If the employee does, in fact, return next season, report the employee with a PPB code of S (returning seasonal).
- Mistakes happen; if you forget to use the PPE codes on the final Report of Retirement Contributions, simply add this information in *Pay Period End Code Management on ECS*. (Remember the PPB code for any employee must match the previously reported PPE code for the report to be accepted.)
- Keeping a seasonal employee? For employees who are moving to a full-time position, no action is necessary—*unless* the employee is changing to a different employer code within your employer family, or to a different pay schedule.
- Do you have *re-employed retirees in seasonal or intermittent positions*? Contact Employer Outreach for specialized instructions or view information via the online *Employer Manual*.

Transitions: Back-to-school for college and university employees

College and university employers need to remember:

- For returning exempt student employees, no action is necessary because nothing is reported to OPERS *provided the exemption is still in effect*. (Remember, once you certify a refund application or provide a PPE code indicating the student has terminated employment, the student exemption is no longer valid.)
- For returning student employees who were contributing during a break from classes but *still have a valid student exemption*, employers should use a pay period end (PPE) code of X to report the final contribution for the non-exempt period. (If you forgot to submit the PPE code of X on the final contribution, you may add this code by accessing *Pay Period End Code Management on ECS*.)

Update on recommended pension plan changes

Proposed pension plan changes recommended by the OPERS Board last November continue to be a focal point of activity, and OPERS has worked diligently this past summer to help ensure all stakeholders are knowledgeable about the recommendations. To that end, a variety of outreach methods have been developed for all our partners: employers, members, and interested stakeholders.

Outreach options

The OPERS website at www.opers.org is an up-to-date resource for current as well as archival information. Under the Special Coverage section, you'll find a wide range of information including news articles and editorials. One particularly helpful document is a three-page, easy-to-read summary of the recommended plan design changes. The document is an excellent handout for educating members about the recommended changes.

In addition to website information, OPERS is reaching out to make information available to help ensure all stakeholders have the opportunity to be fully informed. Available now, employers and members are able to access two presentations, with voiceover commentary, describing what the specific recommended changes are and why they were adopted by our Board. The presentations

are accessible in the Special Coverage section of www.opers.org.

OPERS is also providing members and stakeholder groups the opportunity to provide direct feedback on the proposed changes through open forums and also Town Hall meetings. Dozens of meetings have been conducted and continue to be scheduled with various groups. In addition, OPERS scheduled Town Hall meetings in Columbus after hosting regional meetings, where any member can register to attend. The popular meetings are scheduled through September and October. The exact schedule can be found on the OPERS website.

Recap of pension plan redesign

As a prudent financial manager entrusted with the secure retirement for our members, OPERS constantly looks for ways to strengthen the pension fund. Our ongoing goal is to work to preserve pension benefits for members, your employees. The recommended changes are designed to strengthen the overall stability of the System—while minimizing the impact on members and employers. Contribution rate increases for members or employers are not part of the Board's recommended plan design changes. You can

continue to rely on stable contribution rates from OPERS when planning your budgets.

Currently, the recommendations provide for changes to be implemented over time. Changes include:

- Adding two years to age-and-service retirement eligibility,
- Modifying the benefit formula for years in excess of 30,
- Tying the Cost of Living Adjustment (COLA) to the Consumer Price Index (CPI),
- Extending the final average salary calculation from three to five years, and
- Eliminating unfair subsidization of benefits.

A more detailed explanation of the recommended changes can be found in the Special Coverage section of our website, www.opers.org.

Project status

The recommended plan design changes must be enacted by the Ohio General Assembly prior to actual implementation. Once introduced as a bill and after it is approved by the Ohio Retirement Study Council, the bill will be reviewed by Ohio's House and Senate committees. OPERS is advocating for the swift passage of the pension bill in order to maintain the solid pension fund foundation that you have come to expect from OPERS.

Retiree health care open enrollment in the fall

Employers remain a resource for their retirees and Employer Outreach works to ensure you have all the information you need. Remember, retiree health care open enrollment for 2011 runs from Oct. 1 through Oct. 31. Information will be sent directly to retirees.



Mailbox:

Q: Why do I have to fill out an employer code with any email request?

A: With more than 3,264 employer entities, Employer Outreach frequently receives questions from employers who are using personal computers during non-business hours. No question about it, these are dedicated employees. Unfortunately, the email-generated questions come with the employee's personal email as identifier—meaning we don't necessarily know who you are, or your employer organization. Without this information, sometimes it's hard to get the most accurate answer to you. Therefore, always remember, the best way to get speedy answers to your email inquiries is to include your six-digit employer code.

Q: I pay my employee in October for calendar year 2010; when do I report this to OPERS?

A: Always report earnable salary to OPERS according to the time period when the salary was earned—not paid. In this example, the salary is earned from January 1–December 31, 2010, so a reporting period end date of December 2010 would be used. The retirement contributions should be reported to OPERS on the December 2010 *Report of Retirement Contributions*, which is due at the end of January 2011. However, employers may submit this report at the time payment is made to employees, provided that it has the proper dates indicated.

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