

EMPLOYER Outreach

OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM



Keeping employers in the know: Recommended changes to pension benefit plan design

At the request of the Ohio Retirement Study Council (ORSC), the OPERS staff and Board of Trustees researched and proposed changes to the pension benefit plan design. All of Ohio's public pension systems, including OPERS, have been asked by ORSC to ensure long-term fiscal strength of the systems. This article is designed as an overview to help keep employers informed about the proposed changes.

Why the need for the requested change?

OPERS has historically addressed issues before they become problems. We are committed to responsible funding and conservative fiscal practices. There are four basic considerations driving us to recommend these changes now:

- Growing taxpayer concern over the discrepancy between private-sector retirement benefits and public pension plans,

- Increasing number of retirees who are living longer,
- Recovery from the economic downturn of 2008, and
- OPERS wants to preserve the health care plan for current and future retirees.

Ohio law requires all of Ohio's public pension systems to be able to payoff unfunded liabilities within 30 years. While OPERS is currently within this 30-year period, not all Ohio pension systems meet this requirement. The changes recommended will enhance the stability of all Ohio pension systems and will help keep OPERS within the required 30-year window. By making small changes to a number of benefit plan elements, we believe we can help position ourselves for the future.

(continued on page 2)

This chart describes the current plan and the recommended changes.

How we transition to the new plan will be important.

The Board recommended the following three-group phase-in once legislation is passed.

At right, you'll see the definitions for each group in the phase-in process and the proposed timeline for the changes in the recommendation:

	Current Plan	Recommended Plan
Age & Service Eligibility*	Unreduced: 30 years at any age, or age 65 with 5 years of service Reduced: age 55 with 25 years of service, or age 60 with 5 years	Unreduced: 32 years, minimum age 55, or age 67 with 5 years service Reduced: Age 57 with 25 years of service, or age 62 with 5 years
Benefit Formula*	2.2% x FAS for first 30 years of service; 2.5% thereafter	2.2% x FAS for first 35 years of service; 2.5% thereafter
Final Average Salary (FAS)	Base FAS on three highest calendar years of earnings	Base FAS on five highest calendar years of earnings
Cost of Living Adjustment (COLA)	3% simple COLA Timing: COLA begins 12 months after retirement	COLA equals change in Consumer Price Index, not to exceed 3% No change
Contribution Rate	Members: 10% Employers: 14%	No change
Group A	Current members eligible to retire within five years after the effective date of the legislation. Grandfathered except for the COLA provision. No change to COLA during transition period.	
Group B	Current members eligible to retire within 10 years of the effective date of the legislation or have attained 20 years of service prior to effective date. Grandfathered under the current plan design except for the COLA provision. Those seeking an early retirement will have their pension reduced to reflect longer life expectancies.	
Group C	All elements of the new plan apply to all other OPERS members and new hires.	

*Note: members of law enforcement and public safety divisions have different age-and-eligibility criteria and benefit-formula calculation depending on when they retire. Please see www.opers.org for details on the recommended benefit changes for these divisions.

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A Message from Chris DeRose

OPERS Celebrates Its 75th Anniversary

When the country was at risk of collapse during the Great Depression, the Ohio Legislature took the groundbreaking step of providing secure retirement for public employees in Ohio.

This year we celebrate the 75th anniversary of the Ohio Public Employees Retirement System, which was established on Jan. 1, 1935. Technically, we operate under Chapter 145 of the Ohio Revised Code as an instrumentality. That means we're a subsidiary entity of government that was created for a special purpose, namely to administer benefits.

What's really important is that for three-quarters of a century we've been providing secure retirement for public workers, supporting our state's economy and making a positive difference in the quality of life of hundreds of thousands of people who rely on us. For 75 years, our Board of Trustees and staff have worked diligently to provide pension and disability benefits, health care coverage (which began later), diversified investing, cost-effective administration and accurate accounting for nearly one million separate accounts.

In order to continue this mission, we rely on the relationships we have cultivated with you, our employer partners. Our goal is to provide the best service possible to representatives of the 3,700 employers we serve, and we want to continue that commitment well into the future. We know there will be challenges ahead and that we'll have to make difficult decisions. But OPERS can assure you that OPERS will recommend changes in the thoughtful, incremental, and inclusive manner that the System has used in the past in order to support and maintain the fund together.

Here at OPERS headquarters in Columbus, we will be noting the 75th anniversary with a few events and early photos. We've created a historical timeline for our Web site, and we plan to profile members who owe their retirement security to the system you've helped to build. We've even designed a 75th anniversary logo that you'll see on our Internet site and in our correspondence to you this year.

More importantly, we wish to extend our history of service into the future by becoming a truly great organization. The Strategic Plan we created more than two years ago will move us from "good to great" as it sets the direction for our budgeting and priorities. Our vision statement, to be your trusted retirement partner delivering responsive, high-quality service, every time, all the time, shows our commitment to the partnership we have with you.

We believe our 75th anniversary is a prime time to reflect on the retirement system you've helped us create and sustain. To all our employers, thank you for making the first 75 years of our existence such a success for you, our members, and retirees.

Chris DeRose



Recommended changes to pension benefit plan design (continued from page 1)

Overview of changes

Planning for any change takes time; we recognize that your employees—our members—who are already eligible, or nearing eligibility, for retirement may need to adjust plans to accommodate these changes. For this reason, the recommendation is for the new plan design to be implemented using a phase-in system. Any changes must be passed by the General Assembly.

Next steps

The recommendations for plan design changes were formulated after months of intensive study by staff and external experts—and approved only after rigorous

review by the OPERS Board of Trustees at its November meeting. With the approval of the OPERS Board, these recommendations were forwarded to the Ohio General Assembly because plan design changes require legislation. As of March 20, 2010, no legislation has been voted upon.

More information is available

We want to make sure all stakeholders have current and accurate information on the plan design changes. OPERS maintains a special section on our Web site. Employers, employees and retirees will find this section provides timely updates and features all media coverage available. Please visit www.opers.org.

Resources for Employers

MBS: Continue to encourage employees to register

We know employers are an important resource for employees and, in many cases, for retirees. Your endorsement or recommendation carries an important seal of approval. That's why we're asking you to encourage all employees to register—and take advantage of—the My Benefits System (MBS) found online via the OPERS Web site. Remind employees:

- Registration is quick and easy,
- Information is secure because it's password protected,
- Once registered, your employees can access information 24/7, and
- Some information can be changed online—eliminating some delays and the need for some paper-based forms.

Advantages of the online *Employer Payment Remittance Advice (form E-3)* can be yours (even if you pay by paper check)

Did you know you can use the online *Employer Payment Remittance Advice (form E-3)* even if you choose to remit paper-based payments? It's true! All employers can take advantage of the time-saving convenience of the electronic remittance advice form...take a look at these facts:

- The remittance advice is important because it is the method by which you tell OPERS how your funds should be applied.
- If you use the electronic version of the form, you can save time because the remittance advice form is pre-populated with information.
- With the online remittance advice, you retain the control to approve—or revise—the form as part of the reporting process.

Remember, employers who also use the online payment function of ECS have eliminated this step entirely because the remittance advice is part of the payment process, giving employers complete control over accounts and payment. If you want to consider converting to the ECS electronic payment function, you simply need to contact your Employer Outreach representative.

New administrators take note: Specialized training is available

Employer Reporting is committed to being your partner at work. Many new administrators (fiscal officer, payroll clerk, clerk/treasurer or administrator) are responsible for OPERS reporting. We can help you quickly become the resident expert. Attend one of the training options tailored specifically to your needs. *OPERS Reporting for New Administrators* is available three times through June 2010. Take a look at what's slated; sign up for the best time and location for you:

Date	Time	Location
Tuesday, April 13	10 A.M.–12:30 P.M.	Franklin
Tuesday, May 18	10 A.M.–12:30 P.M.	Newark
Thursday, June 10	10 A.M.–12:30 P.M.	Elyria

Additional training available

Employer-specific training is offered throughout the year. We sponsor a variety of seminars to help you, and others in your organization, complete the retirement contribution functions quickly and accurately. The entire 2010 employer-specific training schedule can be found on the *Employer Notice* dated December 29, 2009, and is also archived online for your convenience at www.opers.org.

Important reminders:

If you're new to Employer Reporting training, remember:

- Parking at all seminar sites is free of charge.
- All employer-specific seminars are free of charge, but registration is necessary to make certain materials are available for all attendees.

Ready to register?

You can register two ways:

- Online via the OPERS Web site, www.opers.org, or
- By calling the Employer Call Center at 1-888-400-0965.

You will need to register for each seminar individually. Once successfully registered, you'll receive a confirmation notice from OPERS giving additional details.

Annual conversion plans—what every employer should know

Annual conversion plans are frequently an area of confusion for employers. Therefore, it's important for employers to know all about annual conversion plans so that when a conversion plan is initiated or implemented, it's done correctly.

As of March 31, 2010, new guidelines have been implemented. Reviewing the information here will help ensure you're compliant—with old and new guidelines.

Most important guideline: If retirement contributions are intended to be withheld and remitted to OPERS on conversion plan payments, then OPERS must approve your organization's annual conversion plans (some organizations may have more than one plan) *prior* to implementation or annual payments, but after the plan has been approved by the organization's governing body. Additionally, this plan must be on file with OPERS by March 31 each year.

First things first: Definition of annual conversion plans for OPERS reporting purposes

Annual conversion plans are the plans by which employer organizations allow employees to convert unused vacation, sick, or personal leave into cash. If this cash is to be counted as earnable salary, the following guidelines must be met:

Conversion plan guidelines

Follow these guidelines to help ensure your plan is compliant:

- Plans must be non-discriminatory—specifically, that means employers may not mention employees by name when creating an annual conversion plan.

However, a conversion plan may be made available to or exclude *groups* of employees by job title or job classification—but within the group, every individual within that group or classification must be included in or excluded from this benefit—employers cannot select by individual.

- A conversion plan may have a restriction based on years of service—meaning, to qualify, an employee must have worked for your organization for a specified number of years. The maximum amount of service that can be used as a restriction is 25 years—so you can implement a plan that becomes effective after 10, 13 (or whatever number of years), up to 25.
- The plan cannot restrict the number of times an employee is eligible to take advantage of it.
- A conversion plan must specify when conversion payments are made—and the plan must allow eligible employees to access conversion payments at least annually.
- Once initiated, conversion plans must be offered on an ongoing basis—meaning budget constraints cannot dictate a suspension of the plan; you cannot decide from year to year whether or not conversion payments will be allowed.

Regarding earnable salary

For the conversion payment to be considered earnable salary:

- The conversion payment cannot exceed the amount of accrued leave the employee earns in one calendar year, and



Mailbox:

Q: Because I handle reporting for election poll workers so infrequently, I don't remember how to process these retirement contributions. Can you give me the necessary guidelines?

This is an excellent question and an issue that comes up often—spring elections are coming up, so this is particularly timely. Here are the guidelines you'll need to pay attention to:

- Poll workers with annual earnings of more than \$500 must become OPERS members—even though they may be temporary, part-time workers.
- As an OPERS member, you and your employee must pay retirement contributions on wages earned.

- The leave must have been earned in the year it was converted or the year prior. (For instance, if request is required by the last week of December, payment can be made the first pay in January—paid January 2009; earned in 2008, the year prior.)
- For conversion leave to be considered earnable salary, payment must be made according to the terms of the approved conversion plan on file and the employee must be active at the time of payment.
- Payments made at employee termination for accrued leave are not earnable salary.

New in 2010

As of March 31, 2010, all annual conversion plans providing for payments from which retirement contributions are withheld will have two new requirements:

- OPERS must pre-approve the conversion plan documents each year prior to March 31, and
- With each conversion payment, OPERS must receive:
 - A list of all employees receiving payments under each conversion plan (some employers will have more than one conversion plan for different types of employees), and
 - Information on each employee’s annual leave accruals.

Remember, it’s mandatory that plans are submitted to OPERS for approval. If the plan and/or supporting documentation is not received, all contributions indicated as conversion plan payout will be returned to the employer as unauthorized.



Because that’s a lot to remember, here’s a quick-hit checklist to run through prior to submitting your annual conversion plan for success

When in development:

- | | | |
|---|--------------------------------|---------------------------------|
| Does the plan mention specific names or is in any way discriminatory? | NO
<input type="checkbox"/> | YES
<input type="checkbox"/> |
| If desired, is a time requirement specifically mentioned? | NO
<input type="checkbox"/> | YES
<input type="checkbox"/> |
| Is the exact payout date specified? | NO
<input type="checkbox"/> | YES
<input type="checkbox"/> |
| Is the exact payout date at least annual? | NO
<input type="checkbox"/> | YES
<input type="checkbox"/> |
| Are controls in place to determine earnable salary requirements for those retiring and invoking the plan? | NO
<input type="checkbox"/> | YES
<input type="checkbox"/> |

Prior to implementation:

- | | | |
|---|--------------------------------|---------------------------------|
| Has the plan been approved by the organization’s governing body? | NO
<input type="checkbox"/> | YES
<input type="checkbox"/> |
| Has plan documentation been approved by OPERS prior to March 31 annually? | NO
<input type="checkbox"/> | YES
<input type="checkbox"/> |
| Are processes in place to send newly required supporting documentation? | NO
<input type="checkbox"/> | YES
<input type="checkbox"/> |

Sometimes, you won’t know if a poll worker will be earning \$500 on an annual basis—there are many variables including the number of elections an individual will work and number of hours worked for each election.

Employer Reporting recommendation: We think it’s best to assume the individual will get to the \$500 level and for you to withhold the retirement contributions and send a *Personal History Record (PHR)* and SSA-1945 required for an OPERS member.

Why? Well, at the end of the year, if the individual does not attain the \$500 threshold, it’s easier for us to generate a refund on authorized contributions than it is for you to generate the make-up paperwork and to be responsible for potential penalties for not reporting and paying retirement contributions.

Info To Go

Annual statement rollout

Each year, the *OPERS Annual Statements* are mailed on a staggered schedule. Mailings are batched by home zip code, pension plan type and other variables. Therefore, it's possible that employees who work together will receive their statements at different times.

Because employees often ask employers about what is perceived as a delayed or missing annual statement, the complete rollout schedule is detailed on the *Employer Notice* dated January 14, 2010 (archived and available online at www.opers.org). Employers are asked to review the schedule with employees who are concerned about their personalized annual statement prior to directing the employee to contact the Member Call Center at 1-800-222-7377.

A few reminders about the *OPERS Annual Statement*:

- Any employee who has chosen to receive the *OPERS Annual Statement* electronically should have had access to the statement as of March 8, 2010 via the My Benefits System (MBS) at www.opers.org.
- The total salary for 2009 indicated on *OPERS Annual Statements* may differ from the total salary shown on W-2 forms because not all salary is subject to retirement contributions and/or W-2 forms include wages *paid* during 2009 (the *OPERS Annual Statements* include wages earned during 2009).

New ECS edit implemented

During first quarter 2010, an ECS accuracy enhancement was implemented. As of January 22, contribution reports were blocked if contribution reports were corrected once and any of the following errors were detected on subsequent reports:

- *Contributions reported with an incorrect Social Security number (SSN)*
- *Contributions reported with an incorrect employer code*
- *Contributions reported for employees reaching compensation limits*

Any employer who has received communication from OPERS about any of the above corrections must change contribution reports to the corrected, accurate information prior to submitting the next *Report of Retirement Contributions*. If the corrections are not made, ECS will send you a blocking error message on your report submission.

If you are not using ECS to report retirement contributions, you will receive a *Notification of Error* letter advising you to correct and resubmit the reported information.

If you have specific questions, you're encouraged to contact Employer Outreach at 1-888-400-0965 for additional information.

PHR mandatory online March 31

As previously announced, effective March 31, 2010, ECS-reporting employers will be required to submit *Personal History Records* (PHR) online. Remember, this is a time-saving enhancement because some information is no longer requested.

Paper-based employers: You'll notice the PHR has been eliminated from the OPERS Web site. Because this is a form that may change frequently to accommodate security enhancements and legislative requirements, paper-based employers are encouraged to contact the Employer Call Center each time the PHR is needed to ensure you have the most recent version. We request you *do not stockpile* the form—using an outdated form may result in processing delays.



OPERS Board of Trustees—a vital resource for employers

The Board of Trustees (Board) steers and guides every activity for which OPERS is responsible. The Board is ultimately responsible for all administration and management of the System including setting the retirement policies, approving the overall investment plan and asset allocation strategy, reviewing and approving budgets and acting as fiduciaries of the System—meaning the Board is required to administer the System for all members, including your employees and retirees.

Elected representatives

Our Board is made up of 11 trustees—seven individuals are elected by the specific employee or retiree group each represents. Three individuals with investment expertise are appointed by Ohio's Governor, Treasurer and jointly by the Ohio Legislature. The Director of the Ohio Department of Administrative Services also serves on the Board of Trustees by virtue of office.

Election 2010

The seven elected positions on the OPERS Board of Trustees are designated for election on a staggered basis, ensuring experience and organizational knowledge is stable from year to year. In 2010, four seats will be up for election representing three employee groups and one of the two representatives for retirees. Employee groups whose representatives' positions are up for election this year are:

- State employees—Representing those working at a job for the state of Ohio (approximately 55,432 employees),
- State colleges and universities—Representing approximately 55,141 non-teaching employees at the 23 state colleges and universities in Ohio, and
- Municipal employees—Representing approximately 65,783 employees working for Ohio's municipalities.

Members of the Board are not paid for their work, but are reimbursed for any expenses. They live all across Ohio and travel to Columbus each month for the Board of Trustee meetings. Some Board members need to arrange time off from their jobs to handle their Board responsibilities; others are actual OPERS retirees. Interestingly, two current Board members previously served and returned as Trustees. Board members nominate and elect the chair and vice-chair positions.

Your vote counts

It's important to realize every single OPERS member (employee or retiree) is represented by a Board member. Just as in national and local elections for public office, your vote—your voice—is important. Members of the Board of Trustees serve four-year terms. That means that every four years, regardless of your employer group, each individual has the opportunity—and the responsibility—to select their representative. As an employer, we hope you'll encourage a strong voting turnout—especially if your employees fall into the 2010 election category.

Not sure which category you fit into? Coming soon, you'll be able to access the OPERS Web site at www.opers.org and look for the link on the homepage to search and confirm your category.

If it's not your turn this year, take the opportunity to become and stay informed. All OPERS members are encouraged to access and review a summary of the monthly Board of Trustees meeting, posted on the Web site soon after every meeting. That way, when it is your turn to vote for representation, you'll know the issues, the decisions and how your financial future is affected by each.

Recent achievements by our Board of Trustees

- Recommended changes to OPERS benefit plan design to strengthen the pension fund for current and future retirees
- Helped to create and implement the Health Care Preservation Plan designed to extend the retiree health care fund and provide access to health care for as long as possible
- Supported measures to ensure the 2010 state of Ohio budget did not include a cut in contributions
- Split assets into pension and health care funds with separate, tailored investment strategies
- Evaluated new retiree health care plan administrators for 2010

Health Care Update

Q: Know the best tip for helping employees plan for retirement? A: Go to OPERS Web site for health care plan information

As employers, you want to help position your employees to make the best possible retirement decisions. This is especially important for employees nearing, or contemplating, retirement.

Helping each employee

Because health care plan information can be an important element of making the retirement decision, always encourage your employees to access the OPERS Web site for the most up-to-date health care plan information. If you have an employee inquiring about health care eligibility, coverage or wellness programs, the OPERS Web site at www.opers.org can go a long way toward answering questions. The site is an excellent first step for employees planning to retire and who plan on participating in the OPERS health care plan.

What they'll find

Your employees will find detailed publications, answers to frequently asked questions, and contact information for all health care plan administrators. For 2010, here are some of the publications and types of information available on the retiree health care plan section of our Web site:

- **Health Care Coverage Guide:** Provides coverage details and eligibility information for retirees participating in the OPERS health care plan in 2010
- **Medical Plan Features:** Provides medical and pharmacy coverage details
- **OPERS Medicare Guide:** Provides details on how OPERS coordinates coverage with Medicare, as well as information on retiree responsibilities
- **Express Scripts Guide:** Here's where you'll find details on prescription drug coverage
- **Dental and Vision Coverage Guide:** The vision and dental coverage plans are optional—here's the information you'll need to help you make a decision
- **Health Care Seminars:** Here's where you'll find information on the health care coverage seminars available to both active members and retirees (registration information included)

Additional information available

The OPERS Web site is available 24/7, so it's an ideal first step for your employees as they contemplate retirement decisions. In addition, you—and your employees—can be assured the information on the Web site will always be timely and accurate. If the information needed is NOT available via the Web site, employees are encouraged to contact the Member Services Call Center at 1-800-222-7377.

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