

## New Service: Employer Compliance Review Program tested fourth quarter

The Employer Compliance Review Program is a new service provided by Employer Outreach. The program is designed to initiate positive interaction with employers so, together, we can conduct detailed reviews and make recommendations on retirement contribution processes and reporting data. Why? Well, with proactive review, OPERS can help identify errors and omissions and recommend corrective actions that will help employers limit the potential for costly liabilities and/or confirm compliance.

### **Benefits to employers**

Because employer data will be reviewed, this innovative program is strictly voluntary but the benefits to employer organizations are clear. The program is designed to help employers with compliance on legal requirements and internal processes that may, going forward, protect them from unexpected liabilities, penalties, and interest. In addition, the Employer Compliance Review Program provides new fiscal officers and administrators with a defining point at which processes were reviewed and determined to be compliant or remedied to be compliant going forward.

### **How the program works**

The Employer Compliance Review Program is *voluntary*. To be successful, we'll need employer organizations to work with Employer Outreach staff with full candor and

disclosure as we work with your data to identify exposures and develop detailed reports discussing findings and corrective actions. Incomplete or inaccurate data submitted will result in faulty findings and void the importance of the review.

Beginning in the fourth quarter of 2011, the Employer Compliance Review Program will review employer-specific data provided by employers regarding:

- Employee eligibility for OPERS membership: To ensure all employees eligible to be members are reported and ineligible employees are not reported (eliminating unnecessary overpayments and identifying risk for employee legal action for retroactive membership liability).
- Re-employed retiree data (service and disability) to ensure accurate contributions are reported to the retirement system and identify compliance with legal requirements.
- Reporting of earnable salary information to ensure only includable salary is reported (and ultimately used to determine pension benefits).
- Review of independent contractor information within an employer unit to ensure compliance with legal requirements and potentially eliminating claims for membership

by independent contractors and the resulting financial liabilities.

### **Who should sign up**

Ultimately, the goal is for all employers to embrace this new service. However, in the pilot stage—ongoing through the end of the year—specific employer organizations that would benefit most from the Employer Compliance Review Program have been identified. Those employers include:

- Employers with new fiscal officers—providing the fiscal officer and the organization with an exact point in time when all potential errors or omissions can be eliminated and remedied, and
- Employers who have or frequently have delinquencies—providing process insights and proactive suggestions to identify and eliminate costly mistakes.

### **Important details to know**

OPERS is working with the Auditor of State on this project. This is not a redundant review nor is it intended to replace a portion of the biennial audit conducted by the Auditor's office. Rather, it is an opportunity for a wellness check to ensure membership, earnable salary, and other retirement reporting processes are compliant or remedied as soon as possible.

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## What is the GASB; why is it important?

Established in 1984, the Governmental Accounting Standards Board (GASB) is an independent, non-profit organization that is the recognized authority for governmental accounting and financial reporting standards in the U.S. The GASB has played a significant role in standardizing and stabilizing how a myriad of governmental entities report financial data to the public—and therefore GASB has a significant impact on the marketplace.

### Changes in requirements

The GASB is developing two new accounting and financial reporting requirements that will have a significant impact on OPERS-reporting employers. Those changes are:

- Depending upon the method of accounting, employers would be required to include a portion of OPERS' total pension liability on their financial statements, and
- Employers would have to provide more detailed financial disclosures and information—dramatically changing how financial statements are prepared.

### Impact of change

Currently, OPERS-reporting employers are only required to describe the OPERS plan at a high level in the footnotes of their financial statements. If employers are required to include a portion of the OPERS unfunded liability, they will be subject to greater volatility in their financial reporting.

As an example, if these requirements had been in place in 2007 and 2008, an employer with assets of \$221 million would have had to show a liability related to

pensions of about \$10 million in 2007 and \$225 million in 2008.

OPERS wants all employers to fully understand how the proposed changes to reporting might affect their organization's financial status.

- This example shows that, depending on OPERS' funding level, changes to reporting requirements would have employers show pension as a major liability—triggering the potential for short-term, shortsighted reactions.
- As a benchmark, when the private sector introduced financial reporting changes, the impact on financial statements contributed, in large part, to the elimination of defined benefit plans.
- Although the GASB has no authority to enforce standards, auditors apply GASB standards when performing financial audits of state and local governments. If the standards are not followed, the non-compliance is noted by the auditor—an action that may adversely affect the interest rates that entity pays on future debt.

### Feedback requested

As part of the GASB's standard-setting process, organizations volunteered to serve as test sites for the new requirements prior to implementation. OPERS volunteered to be one of the test sites. As part of the field testing, a group of volunteer employers created mock financial statements under the proposed reporting requirements to give us a better understanding of the impact the new standards might have on reporting processes. OPERS provided feedback to the GASB on our findings.

### Thank you, OPERS employers

OPERS encouraged employers to provide comments to us and directly to the GASB. Your response was incredible:

- In September, OPERS hosted online seminars with real-time call in capacity so that employers could have their questions answered by experts from our Finance Division. More than 300 employers contacted OPERS with questions during and after the seminar.
- In addition, OPERS drafted a letter for employers to use to respond to the GASB directly. Although initially the GASB's deadline for feedback was the end of September, that deadline was extended well into October. The result? As of the mid-October deadline, the GASB reported it had received 197 letters in total. *OPERS and OPERS employers sent in more than 60—or one-third—of those letters. THANK YOU!*

### Where we stand now

OPERS is committed to keeping all employers informed about the proposed reporting requirements. Here are some recommended actions:

- Employers are encouraged to view the proposed standards in their entirety at [www.gasb.org](http://www.gasb.org).
- Monitor all employer-specific communication for information on this topic.
- The OPERS website at [www.opers.org](http://www.opers.org) will always have the latest information.
- Of course, you can always contact Employer Outreach with questions or comments. 

## Update on the pension redesign legislation

OPERS continues to reach out to all stakeholders—including employers—to ensure all are informed about the pension redesign legislation.

As you may remember, pension plan redesign recommendations were made by the OPERS Board of Trustees in November 2009, and actual legislation was introduced in the Ohio General Assembly earlier this year. Ohio House and Senate committees have conducted well-attended hearings on the proposed legislation.

The key fundamental issue behind the reason for the proposed changes is that the basic structure of our retirement benefits has not changed since it was originally conceived back in 1935. It is easy to recognize that the world in which we live and the demographics of the population we serve have changed substantially in the last 75 years. Most importantly, retirees are living longer in retirement and we need to adjust our benefits to recognize that fact. Simply stated, the proposed legislation accommodates changes to strengthen the solvency of both the pension and health care benefits funds. The changes provide for a staggered—or phased—implementation plan so that those public employees who are nearest retirement, and therefore least able to adapt to a change, will be affected the least.

### ORSC moves to review status

The Ohio Retirement Study Council (ORSC) has requested an independent actuarial review of the redesign recommendations and has started the process of

selecting an independent consultant. The ORSC stated that no action would be taken on the pension legislation until the actuarial consultant completes its review.

At this point, no date has been set for the independent review to be submitted. However, members of the ORSC have indicated a desire for the review to be completed in time for the legislature to enact legislative changes by the end of this General Assembly (December 2012).

### Details, please

Of special note to all employers to discuss with employees is the fact that OPERS is developing a computer-generated modeler to be deployed via the website. This modeler is designed to help all employees define what group they are considered to be (in terms of the pension redesign) and to clarify what *may change by group*. Although not an individual calculation, the modeler will help individuals determine in some detail how the proposed changes will modify pension benefits. It should be stressed, however, that the basis behind this modeler is the OPERS recommended transition plan, and that the legislature may ultimately not accept that plan.

### Employers can help

We encourage all employers to be knowledgeable about the pension legislation as it evolves. Remember, there's no need to wonder or speculate because, as always, the OPERS website at [www.opers.org](http://www.opers.org) has the up-to-the minute information on the status of the legislation. 

## Forms online save you time

Employer Outreach works to partner with employers to propose and deploy time- and cost-saving initiatives. Several years ago we began putting forms online (by employer request). Since then, we have systematically placed forms online to provide time efficiencies to employers.

Employers are encouraged to remember:

- The most recent iteration of any form can be found online, and
- Additional forms are going online every quarter. What are the most recent forms to go online?

### Take a look:

- *Change to Partial Lump Sum Option Payment Amount or Retirement Plan Options* (form SR-1T Change)
- *Employer Request for Return of Unauthorized Contributions* (form F-103)
- *Application for a Money Purchase Payment* (form MP-1)

**Timely tip:** Check the OPERS website frequently to see what's new regarding online forms.

## Employer Resources

### Transitioning employees:

Summer is over, and summer seasonal employees will be leaving. As always, it's important to remember to process seasonal employees accurately. Remember these tips:

- 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 (for example, if the employee is planning on returning over the holidays), you need to report the employee with a PPE code of S for seasonal (same as the PPB code when they return).
- Keeping a seasonal employee? For employees who are moving to a permanent 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.

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### Special notes to remember:

- Holidays are looming, and employers are encouraged to keep the information on how to process retirement information for seasonal employees—regardless of the season.
  - 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*.
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### A word about college/university employees:

Colleges and universities may have employees who choose to be exempt from mandatory retirement contributions. Remember these important guidelines to ensure, as their employer, you are compliant with legal requirements. (Please see important information about records retention, page 7.)

- 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 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.)

### Summary financial report available:

All employers have access to the OPERS' *Comprehensive Annual Financial Report* (CAFR). The CAFR has important information to help employers accurately complete their annual reports. This year, for the first time, a nontechnical summary report, or popular annual financial report (PAFR), has been produced and is available via the OPERS website at [www.opers.org](http://www.opers.org). The PAFR is a 12-page document designed for high-speed readers who want to understand important information about OPERS' financial stability, but may or may not have a strong accounting background.



## Employer Resources

### **Helping employees save for retirement:**

Most financial experts agree that pensions provide important financial stability for retirees, but a pension program is really only one element of total financial security in retirement. In short, for OPERS retirees, the OPERS pension benefit is one leg of a three-legged stool—meaning all employees should be encouraged to contemplate and save for their retirement during their working years.

We understand this is a complex message to send to employees, many of whom think their OPERS pension is the only nest egg necessary. To help employers decipher and deliver the message of personal savings responsibility of all employees, consider this:

### ***Ohio Deferred Compensation program***

Did you know the Ohio Deferred Compensation program gives public employees an opportunity to save more for retirement? With Ohio Deferred Compensation, employees can invest current wages for future use on a pre-tax basis.

Advantages of the Ohio Deferred Compensation program are many including:

- Deferred contributions are invested on a pre-tax basis, prior to federal and state taxes being taken out.
- Enrollment is easy, quick, and employees can initiate an account for as little as \$30 per month.
- Ohio Deferred Compensation offers flexibility through multiple investment options from which to choose AND the ability to automatically increase your deferral if your salary increases at any time of the year.
- Professional management with low fees. Because, over time, fees really do make a difference.
- No distribution penalties if an employee changes employers and no minimum age penalty (although applicable taxes will apply).

Employers who know more about personal retirement savings opportunities are in a better position to point employees to the tools and information regarding the importance of securing a stable platform for retirement. Learn more at these websites: [www.Ohio457.org](http://www.Ohio457.org) and [www.planandretire.org](http://www.planandretire.org). 

## **Employer highlight: Encouraging use of MBS**

Looking for a great idea to help your employees? Some employers work to ensure employees know how to access information about their retirement benefits—even though spreading that information is not technically on their job description.

Meet Emily Magill, human resources generalist for the Ohio Housing Finance Agency, an OPERS-reporting employer. Magill took to heart OPERS' request to communicate the services provided by its online member services system, My Benefits System (MBS), by issuing an e-mail to all employees at the Ohio Housing Finance Agency. She sent the information-packed e-mail because, “My goal is to provide exceptional service to our

employees by making sure they’re informed of the resources available to them. Retirement is a huge transition and I strive to help employees of the Ohio Housing Finance Agency prepare for this transition. MBS is an important resource all employees but especially those thinking about retirement.”

**One e-mail gets employees thinking**  
To keep things simple, Magill took the call to action in the second quarter *Employer Outreach* newsletter and created a standard e-mail—one she’s willing to share with all her OPERS-reporting colleagues. 

**Note:** your employees can sign up for MBS at [www.opers.org](http://www.opers.org) by clicking on Members, then MY ACCOUNT.



**Emily Magill**

*Employer Outreach* newsletter and created a standard e-mail—one she’s willing to share with all her OPERS-reporting colleagues. 

## OPERS: Strong ratings for satisfaction

### Regarding satisfaction: 2010 CEM results

Each year, OPERS uses an independent rating service, CEM Benchmarking, Inc., to compare all services against its peer group. The purpose of this effort is to measure all activities so improvement areas can be identified and the cost effectiveness of all activities can be measured—helping to ensure we never mistake activity for productivity. CEM benchmarked 81 pension systems globally for the 2010 study; OPERS is compared only to a peer group of 12 to ensure usable comparative data is generated.

In 2010, the CEM process and data sought were both revised to ensure the data is current and usable for the systems participating and to produce more meaningful and actionable results. Of special note to employers, employer-specific satisfaction ratings were removed from the overall satisfaction rating (now member-specific). Because of the changes, year-to-year comparisons of ratings are not meaningful—the ratings would not be apples-to-apples. What is meaningful is the comparison of satisfaction relative to peer group.

### Regarding employers

CEM notes that, “Having staff dedicated to servicing employers, providing generalized and/or customized collections reporting software, an up-to-date employer handbook, website, newsletter and training will help to reduce data errors and misinformation. Ultimately, this improves service to members.” OPERS provides all of the services mentioned as important. Services provided to employers enabled OPERS to garner an 82 percent service score for services provided to employers, well above the peer average of 79 percent.

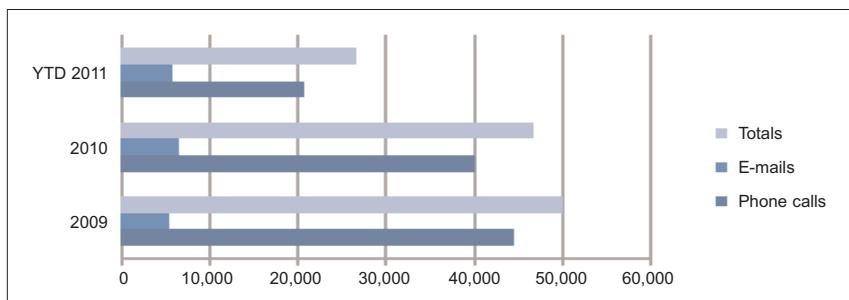
Additionally, CEM noted OPERS:

- Was well below average in administrative cost per member.
- Had a total service score of 74 percent, higher than the peer group average of 72 percent.
- Rated a 93 percent website satisfaction rating, well above peer average.
- Received a 94 percent rating for member statement content and timeliness.
- Scored a 100 percent disaster recovery service rating (meaning most services could be restored within one day of a disaster for both employers and members).



## Mailbox

At Employer Outreach, we're never lonely—and we don't want to be! Ever wonder how many contacts Employer Outreach receives each year? Take a look:



Although the contact volume is high, we're pleased to note it is decreasing. We believe that means the rate of change has slowed somewhat AND that our outreach communication anticipates and answers some employer questions—before the questions are asked.

Speaking of questions: when employers do contact Employer Outreach, here are the top employer subjects you've been calling about this year (topics ranked in order of number of questions asked specific to the topic with number one representing the most employer questions).

1. ECS
2. Employer Seminars
3. Service Retirement
4. Accounts Receivable
5. Disability Retirement

Remember, whether you call, write, e-mail, go online or drop by—Employer Outreach is the single employer-specific resource you need.

## Info to Go

### **Disability applications: Electronic distribution pilot tested**

Employer Outreach will be testing the viability of electronic notification to employers regarding disability applications. This pilot program is being deployed via ECS and, if successful, may be applied to other functions within ECS in the future.

The pilot program will be testing outbound notification to employers for whom a disability application is pending for their organization and inform them what next steps must be executed by the employer entity. This outbound information has traditionally been handled only via hard copy and U.S. mail for security reasons. ECS' proven reliability and security safeguards made it the natural choice for this distribution pilot program.

The pilot program will monitor both the security of the documentation and determine if time-and-personnel cost savings will be realized. Of special note to employers, the electronic disability application process currently being tested allows employers to attach job descriptions and send electronically—eliminating time-consuming hard-copy steps. After the pilot program has been concluded, results will be communicated to employers. We anticipate the program will be deployed to all employers by the end of the year.

### **Always a good idea: Confirm your records retention processes are adequate**

Employers are reminded that records retention, especially the archiving of exemption records, is an employer responsibility. The changing of seasons is a great reminder for all employers to review your records retention policies and procedures to confirm you have the capability to archive important records indefinitely. Why? Because your ability to produce certain documents at the end of an OPERS member's career may save your organization a bundle. Remember these guidelines:

- Prior to 1991, in addition to students, temporary, part-time and emergency employees could exempt themselves from mandatory OPERS membership. By law, it is the employer's responsibility to produce accurate, approved exemption documentation when an employee applies for retirement or files a Certification of Unreported Service with OPERS. If an employer does not have the correct exemption documentation, meaning the employee's signed

exemption form with OPERS' approval stamped on it, the potential liability includes:

- The employee's portion of the exempted retirement contribution,
- The employer's portion of the exempted retirement contribution, AND
- Accumulated interest.
- After 1991, only the student exemption remained an option, but the employer responsibility (in this case, university and college public employers only) remains the same: Retaining an approved exemption form indefinitely is the employer responsibility.

Remember, good records retention procedures may ultimately save your organization a significant amount of money.

### **Helping employees: Retirement Path poster still available**

We know most employers work hard to help ensure their employees a smooth transition to retirement. That's why the Right Path to Retirement poster was created and deployed to all employers—to provide a visual reminder showing how employees can choose the right path toward retirement throughout every stage of their career. If you have multiple sites or multiple offices within your organization, contact Employer Outreach to obtain more copies of the Right Path poster.



The poster has proven to be popular and successful. Almost 600 additional posters have been requested. The poster is being reprinted in-house on an on-demand basis. ▲

# Outreach



## New Service

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### Ready to volunteer? Here's what you can expect

To sign up for a data review, employer representatives must contact the OPERS compliance specialists. During the initial meeting (phone or on-site), the employer representative and the compliance specialist will determine what will be reviewed to best help position

the employer organization for the future. The compliance specialist will determine what information is necessary to be reviewed and commit to a review-and-report timeframe, generated from the date employers release data. Interested employers are encouraged to start the process as soon as possible. ▲

## Carraher named executive director

In August, the OPERS Board of Trustees named



Karen E. Carraher

Karen E. Carraher executive director. In his announcement, OPERS' Chairman of the Board of Trustees Ken Thomas said that Carraher "offers tremendous experience and a deep knowledge of the pension industry."

Carraher took on the duties of interim director of OPERS in

February 2011 after having served as OPERS' director of finance since 2002. Prior to joining OPERS in 2002, Carraher's career included working as the director of business services for the Ohio Education Association

and serving as controller for two regional hospital systems. She began her career with a national accounting firm.

Carraher earned her Bachelor of Science degree in business administration from The Ohio State University, and her Master's degree in business administration from Capital University. She is a certified public accountant.

### Chairman of the Board

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## Board of Trustees

**For a current listing of OPERS Board members, please visit [www.opers.org](http://www.opers.org)**

The 11-member OPERS Board of Trustees is responsible for the administration and management of OPERS. Seven of the 11 members are elected by the groups that they represent (i.e., college and university non-teaching employees, state, county, municipal, and miscellaneous employees, and retirees); the Director of the Department of Administrative Services for the State of Ohio is a statutory member, and three members are investment experts appointed by the Governor, the Treasurer of State, and jointly by the Speaker of the Ohio House of Representatives and the President of the Ohio Senate.