



Pension legislation update: Your voice counts

Initially recommended in 2009, the OPERS Board's recommended pension benefit changes have passed the Ohio Senate (SB 343) and are currently pending in the Ohio House of Representatives. As most employers know, the pension benefit changes are necessary because of the changing demographics of our membership and to continue funding discretionary health care coverage in the future.

To be implemented, pension plan changes must be approved by the Ohio General Assembly. Throughout 2011, OPERS worked with the legislature to educate elected officials on the importance of the changes to OPERS and our members.

By the numbers

In 2012, realizing we were at a critical juncture, OPERS requested the help of all stakeholders to help pass the recommended pension plan changes. How critical are the Board-recommended changes? Consider this: OPERS estimates the absence of approved design changes costs the System \$1 million each day. OPERS asked members and employers to help contact legislators to show support for the pension plan design changes as recommended.

Members and employers responded with impressive vigor. (Please note, these are responses OPERS was able to track—many stakeholders have chosen to contact their legislators personally.) As of May 25, 2012:

- More than 14,593 individuals signed an online petition in support of pension legislation,
- Approximately 191 employers have taken proactive actions, including contacting legislators via OPERS-sponsored, employer-specific materials,
- More than 5,820 stakeholders have sent emails to legislators, and
- Approximately 26,600 members have sent postcards to legislators.

Positive movement

Earlier this month, the Ohio Senate introduced and passed its version of pension legislation (SB 343), based on the Board's recommended changes (passed legislation is specific to OPERS). The Ohio House has indicated that it will wait for the results of an independent actuarial review of the Board's recommendations—a review that is expected to be completed mid-summer 2012—prior to completing its work on the pension reform legislation. We are encouraged by the actions of the Ohio legislature and we are hopeful that the bill will be enacted into law before the end of 2012.

Up-to-the-minute data

OPERS strongly encourages all employers to follow pension legislation through the legislative process. To remain fully informed, visit the OPERS website often and

engage in the many outreach communication vehicles available to you. Encourage your employees to be involved and knowledgeable as well.

Still time to help

Remember, passage of this legislation in 2012 is critical to maintain the strength of OPERS—and to preserve the benefit of financial security in retirement for public employees. Help us ensure this critical benefit for you and your employees.

Those who have not done so are encouraged to take action to show support for the pension plan legislation. Employers have many options to show support including:

- Visit OPERS' online Legislative Action Center (www.opers.org—click on the Take Action Now section) to contact legislators directly or to sign OPERS' online petition,
- Schedule a town hall either online (any size employer) or in-person (large employers only to encourage economies of scale),
- Follow any or all elements detailed in the employer-specific Legislative Advocacy Plan sent directly to all employers in May (also posted on the website for easy reference).

You still have time to make your voice heard; take action today! 

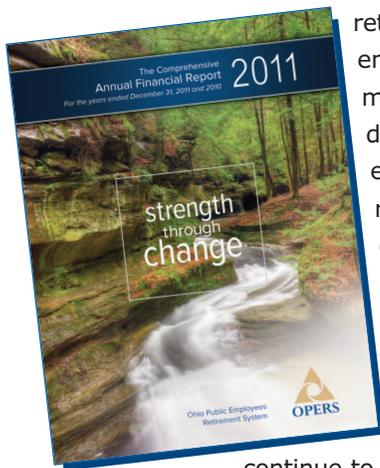
IN THIS ISSUE

1 Pension legislation update
2-3 CAFR available

3 Healthy employees make healthy retirees
4-5 Employer Resources
6 Save for Retirement Week 2012

7 Info to Go
8 Healthy employees make healthy retirees (*continued from page 3*)

Make the most of *OPERS' 2011 Comprehensive Annual Financial Report*—now available



Since it was established in 1935, OPERS has provided retirement stability for public employees—through volatile markets and changing demographics, OPERS has evolved to meet change and remain strong. The 2011 *Comprehensive Annual Financial Report (CAFR)* demonstrates exactly how OPERS has adapted to our changing times and expanded life spans to continue to provide a secure retirement benefit for public employees.

Annual reports have vital information...

Private-sector corporations have learned that many employees do not read their own annual report. In an information-oriented age, most employees know and do their jobs well—but are not able to completely grasp the big picture. Enter the importance of an annual report.

...and the CAFR is no exception

In 2012, important legislative decisions will be made—decisions that will help determine the long-term stability of OPERS. All employers are encouraged to review the information shown in the annual report so you can be an informed and knowledgeable champion of this System, your public pension system, and the overall positive economic impact the retirement benefit provides.

Invest 30 minutes in your pension knowledge

The 2011 CAFR is more than 170 pages in length—some information is dictated by law. Although we would love to think you'll read the document cover-to-cover, you may not have the time to commit to the total document. As an employer, we urge you to take 30 minutes to mine the important information you can find in the CAFR.

Here are our recommendations on how to invest 30 minutes with the OPERS annual report:

- Executive Director's Letter of Transmittal: 10 minutes***
 Here's where you'll find the high-level executive summary of the past year and what plans have been made for the coming year. You'll find an honest assessment of market place challenges and opportunities, long-term goals and a score card on achievement toward goals, pages 6-13.
- Financial Highlights: 5 minutes***
 Reviewing the Financial Highlights will give you a more in-depth review of OPERS' financial position, investment performance, revenue and expenses, pages 24-27.
- Funding Status: 3 minutes***
 Like any business, the business of pensions has esoteric language. We discuss funding status in-depth because it is a critical concept for all pension professionals—and should be completely understood by all stakeholders. Reviewing the information on pages 35-36 will aid your understanding of this concept.
- Investment Summary>Returns: 5 minutes***
 Approximately two-thirds of all pension payments and 100 percent of all OPERS' administrative expenses are generated from investment returns. Because OPERS has a long-term investment time horizon, we expect and provide for the swings in the market. The Total Investment Summary and Returns chart on page 81 provides you with an important overview of OPERS' investment performance—for 2011 AND from a longer-range perspective.
- Statistical Section: 7 minutes***
 The Statistical Section, starting on page 122 will give any employer with a love of numbers endless information. Here you'll quickly see how the numbers of OPERS retirees have grown, the cost of health care has risen, benefits by type and more. This section also displays for you the importance of OPERS to Ohio's economy with information with the amount of average benefits AND the impact by county.

(continued)

CAFR available *(continued)*

Available to you

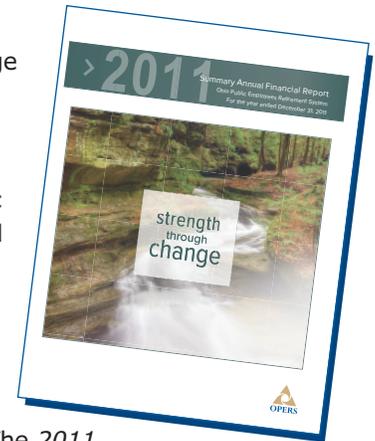
By law, OPERS is required to publish the annual report prior to July 1 for the preceding year. Because we know many employers use the OPERS annual report to complete specific financial statements and/or to create organization-specific annual reports, the OPERS annual report is usually available well in advance of the mandated deadline. The 2011 *Comprehensive Annual Financial Report* was presented to the OPERS Board of Trustees at its May meeting. Print copies have been sent to all stakeholders who requested the document.

The OPERS annual report is available in its entirety electronically at www.opers.org.

Summary report available for all stakeholders

As an employer, you need in-depth information about your pension system. Your employees may also want

information, but on a summary level. To that end, for the second year, OPERS has produced a summary annual report. This summary annual report provides a plain-language review of OPERS' achievements, goals, benefits provided and proposed, and economic impact. We recommend employers promote the summary report to all employees (and retirees) who want more information on their pension system. The 2011 *Summary Annual Financial Report* is available online at www.opers.org. 



Healthy employees make healthy retirees

An investment in employee wellness programs could be one of the most positive contributions you can make toward the retirement security for all your employees. During working years, employers with wellness programs have been proven to increase employee morale and productivity, while reducing absenteeism. In addition, employer-sponsored wellness programs have been proven to reduce medical claims costs and reduce worker's compensation and disability claims.

As an employer, wellness initiatives continue to help your employees in retirement. Studies show those who have—or adopt—healthy lifestyles during employment, and therefore start their retirement years with healthy lifestyles, are healthier and better able to enjoy an active lifestyle in retirement.

The cost factor

Although neither mandated nor guaranteed, OPERS currently provides health care to retirees—but

as health care costs escalate, OPERS' ability to provide meaningful health care deteriorates. Consider this: Although OPERS has the largest health care trust fund in the U.S., it will not be sufficient to fund health care at the current plan levels for current and future retirees. As of Dec. 31, 2011, OPERS provided health care coverage for 225,895 retirees and their beneficiaries at a cost of \$1.6 billion.

Clearly, for OPERS to continue to be in the position of providing some form of meaningful health care coverage, health care costs must be reduced. That's where healthy employees becoming healthy retirees can be a significant factor. We know that employees who adopt healthy lifestyle behaviors early in life have the potential to reduce their risk for multiple costly chronic illnesses. We also know the cost to prevent disease from occurring is significantly less than the cost to treat disease.

Case in point: Diabetes

Diabetes is a chronic disease profoundly impacting the retiree population and, those with diabetes cost two-to-three times more in health care than those who are non-diabetics. Current estimates indicate that for every one diagnosed diabetic, three individuals are in the prediabetic stage. What does that mean to OPERS retirees? By the numbers, OPERS currently has 50,000 retirees managing diabetes as a chronic disease. Based on the diabetes statistics, OPERS' health care fund will be helping more than 150,000 retirees to manage their diabetes within the next 10 years—at an exponential cost from those who do not have the disease.

And yet...

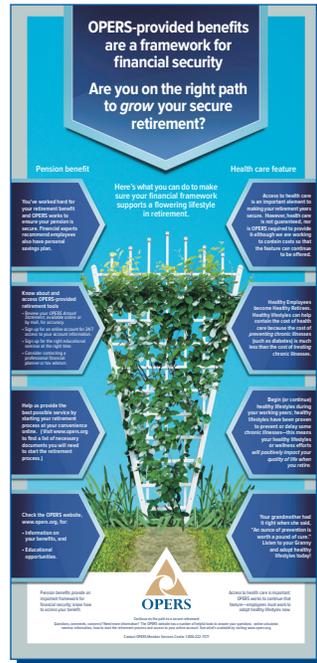
By adopting a healthy lifestyle that includes modest weight loss and moderate physical activity, many people with prediabetes can delay or prevent type 2 diabetes—and lower their risk of heart disease and stroke. According to research from

(continued on back)

Employer Resources

Retirement reminder poster

Although we'd like to imagine otherwise, preparing for retirement is not top-of-mind for all employees. However, certain actions at each step of employment are important for all employees. Employer Outreach continues to work to keep retirement issues and actions as a focus for employers and employees by continuing the popular poster series on retirement reminders. The second poster offers reminders for quick-hit actions employees can take to help grow their retirement security by knowing about OPERS-sponsored planning tools to understanding how health care coverage and pension benefits are intertwined.



One copy of the 2012 OPERS retirement reminder poster will be sent to all employer entities. However, employers may request additional posters at no charge. The retirement reminders poster series has proven to be popular with both employers and especially employees who may not always review employer or OPERS communications. To maximize the exposure, employers are encouraged to place posters in high employee-volume areas such as cafeterias, break rooms, human resources offices, warehouses and garages.

Employer-specific training through end of 2012

With all the issues and opportunities swirling about our organizations (pension reform legislation and pending health care changes, to mention a few), OPERS and OPERS-reporting employers are being inundated with information. That being said, your partners at Employer Reporting are working to keep you and your employees up-to-date and trained on how to manage the ongoing pension activities of reporting and remitting pension contributions in an efficient and accurate manner. Remember, Employer Reporting sponsors employer-specific seminars online to train (or remind) your employees how to handle ongoing pension tasks—and, because the seminars are online, the seminar is available for your employees whenever your employees are available.

Six online seminars are currently offered:

- ECS Demonstration
- Requirements for Annual Conversion Plans
- Earnable Salary and OPERS Membership
- How to Resolve Large Earnings Clarifications on ECS
- Electronic *Personal History Record* (form A)
- Pension Plan and Health Care Changes

Check the OPERS website to learn more.

Hiring employees for a season? Note these now-and-later tips for accurate processing

Many employers hire a significant number of seasonal employees—summer tends to be a peak season for temporary employees. If you're like many, those actions you perform only once a year can be error prone, simply due to the infrequency of the process. Take a moment to review these tips to ensure your seasonal onboarding and termination processes are accurate and compliant. Error-free processing now can save you (and your organization) lots of time, talent and treasure later.

To do now: Starting seasonal employees right

Many employers hire a significant number of seasonal employees—summer tends to be a peak season for temporary employees. If you're like many, those actions you perform only once a year can be error prone simply due to the infrequency of the process. Take a moment to review these tips to ensure your seasonal onboarding and termination processes are accurate and compliant. Error-free processing now can save you (and your organization) lots of time, talent and treasure later.

- 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.

Employer Resources

- 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.

And, at the end of the season...

When your seasonal employees terminate, you 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 (i.e. the employee is planning on returning over the holidays), you need to report the employee's final contribution code as S (same as the PPB code).

Update: Large Earnings Project

Any change-management expert will tell you that positive change takes time—and is hard work. However, sticking to the change will reap benefits. Employer Reporting's recent Large Earnings Project has proven all that to be true.

Project Recap

The Large Earnings Project was designed to more narrowly define the thresholds for reporting contributions for those employees receiving larger-than-normal earnings in a given pay period. (Remember, OPERS has always required an explanation for any exceptional increase in salary.) Large earnings are an issue for employers and OPERS because sometimes employee income is ineligible for retirement contributions—meaning employers were erroneously paying retirement contributions on unearnable salary—and this triggered inaccurate monthly reports (or employee accounts).

Enter the Large Earnings Project designed to both improve accuracy and potentially save money.

Benefits realized

Since its inception in March 2012, current estimates indicate the Large Earnings Project will save employers more than \$900,000 annually—because ineligible contributions have been identified and eliminated. This amount translates to a future savings of \$12.2 million annually for the retirement system.

There's more; the big winner is...accuracy. Savings aside, the Large Earnings Project has identified numerous

incidences where unearnable salary is or has been reported. This means that employee accounts are not accurate. Inaccurate accounts may mean your employees are making important retirement decisions with incorrect information.

Change is constant

Although already successful, the Large Earnings Project is constantly being refined—going forward, employers will note these changes to the project parameters:

- Minimum daily wage rate threshold changed from \$50 to \$120 before a large earnings review is initiated.
- Only those employees with at least 90 days of history under the same employer code will be evaluated.
- Members, your employees, will no longer receive Large Earnings letters—although proactive outreach to employers for resolution will continue (an enhancement that is extremely popular with employers). ▲

TOP TIPS TO AVOID LARGE EARNINGS INQUIRIES

Although the enhancements to the reporting process will continue, the best time-saving enhancement is to never trigger a large earnings inquiry. Position your organization for success with these quick tips:

- Large earnings inquiries can be avoided or at least minimized by using *Report of Retirement Contributions—Supplemental* when appropriate. The Supplemental Report can be used proactively to explain large earnings for earnings including disability pay, retroactive salary increases, settlement agreements, and OPERS-approved conversion payments.
- For a large earning issue to be considered resolved, your responses to large earnings inquiries must be complete and *accepted* by OPERS.
- Make sure the individual who processes retirement contributions in your organization signs up for the *How to Resolve Large Earnings Clarifications in ECS* webinar. Webinars are scheduled through the end of the year.

Make plans for National Save for Retirement week: October 21-27

With summer just begun, it's hard to think about autumn. However, all employers are encouraged to get a plan in place so your organization can feature National Save for Retirement Week, slated for Oct. 21-27, 2012.

Resources available

Pension systems have been a focus for media, legislatures and your employees, our members, for the last several years. Why not take the time in the spotlight to help your employees positively position themselves for a secure retirement? One of the best resources available is the National Save for Retirement Week website at www.nagdca.org/content.

There, you'll find almost everything you need to make your organization's National Save for Retirement events successful including:

- A month-by-month countdown calendar starting with steps to take as early as July,
- Communication support in terms of scripted presentations and outreach email messages,
- Marketing support including prototype posters, Web banners, media/legislature outreach tips and brochures,
- On-site event activity ideas to bring visibility and engagement to all employees.

Why should employers get involved?

National Save for Retirement Week is a congressionally endorsed, national event that encourages employers to promote the benefits of saving for retirement so your employees are positioned to become fully involved in planning for retirement—in addition to featuring the importance of employer-sponsored plans.

Employee involvement in planning for retirement is critically important; statistics show many employees save virtually nothing outside of employer-sponsored plans. Through well-planned National Save for Retirement Week activities, you can help make your

employees more aware of the importance of saving now for their financial future.

Most financial experts agree that all individuals need to realize the importance of preparing for retirement

during their working years. Experts recommend that, even with a secure pension as the framework, individuals should take additional steps to ensure the retirement years are as secure and as care-free as anticipated.

Although planning for retirement is a

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highly individualized, all employees should be aware of certain steps that are considered to be universally good ideas. Those steps include:

- Starting healthy lifestyles now so that healthy habits are carried over to retirement (see related article on page 3),
- Maximizing personal savings,
- Checking pension accounts (including OPERS account) for accuracy in terms of accounting and years of service (this can be done online 24/7 or by reviewing the *OPERS Annual Statement* sent each year); and
- Reduce expenses by paying off all debt prior to retirement. 

Info to Go

Employers asked to promote outreach opportunities on proposed pension and health care changes to employees

The business of pensions can be complex. We know that. To help you and your employees fully understand the full impact of the proposed pension and health care changes, OPERS offers a variety educational opportunities. We need all employers to know about and promote the many outreach opportunities available:

- ▶ **Town Hall Meetings**—These in-person meetings have proven to be popular and provide an opportunity for employees to interact with a representative of OPERS. Afternoon and evening meetings are scheduled at locations around the state. The Town Hall Meeting schedule can be found on the OPERS website Special Coverage Section at www.opers.org.
- ▶ **Retirement Education Fairs**—OPERS has always sponsored educational opportunities to help your employees on their path to retirement. While these seminars are tailored to educating members close to retirement on the retirement process they will include in-depth presentations on the proposed changes to health care coverage and pension benefits. Three types of seminars are regularly offered:
 - *Planning to Retire/Active*—for those planning to retire within a three-year timeframe,
 - *Ready to Retire*—for those within six months of retirement, and
 - *Retiree*—for those already retired.

Registration is required—All members (employees, employers and retirees) can find the most current schedule and register on the OPERS website at www.opers.org, or by calling 1-800-222-7377. Seminars are free of charge but registration is required to ensure materials are available.

Check the website frequently; dates and locations may be added as needed.

Information always available

OPERS works to provide you with complete information on all topics important to you and your employees. We ask that you remind your employees to visit the OPERS website at www.opers.org regularly for the latest legislative updates, presentations, information and tools—including benefit calculators.

Employer Customer Service: All answers with one call

Employer Reporting's individualized service via the Employer Account Representative concept is proving to be extremely popular. Employers are responding well to the service experience that provides for one call handles all an employer's issues or questions.

One call? Yes. Remember that the Employer Outreach on-hold call technology has been upgraded. To make the best use of your time, employers are encouraged to use the prompt for an automatic call back from your dedicated employer account representative if your call goes to voicemail. Automatic call back eliminates the never-ending game of voicemail tag because your virtual on-hold choice keeps your place in the call line—without you staying on the line. Especially important during times of heavy call volume. ▲

Healthy employees make healthy retirees *(continued)*

the Center for Disease Control/National Institutes of Health, the risk for type 2 diabetes can be reduced a whopping 58 percent simply by:

- Losing seven percent of body weight (that translates into 15 pounds on a 200-pound adult), and
- Exercising moderately (such as brisk walking) 30 minutes a day, five days a week

The facts are clear

Prevention represents the best opportunity to impact future health care costs. The only way to reduce future health care expenditures is to focus efforts on lowering the incidence of new chronic ailments over time so the number of super-costly multiple chronic conditions is reduced.

Employers are strongly encouraged to make one more investment to help prepare employees for retirement—encourage the necessary behavior changes through wellness initiatives and educational programs so your employees can choose healthy lifestyles during the working years. Remember, healthy employees make healthy retirees—and those retirees enjoy life longer and better. Start today. 

Coleman tapped for OPERS' Assistant Director—Finance

Effective January 2012, Chuck Coleman stepped into the role of OPERS' assistant director of financial reporting and, as such, he steers the efforts of the teams charged with financial accounting, financial analysis and financial services. What this means specifically is that his group is in charge of budget coordination, monitoring actuarial valuation schedules, and implementation of financial accounting and reporting systems.

Especially important to employers, Coleman's office generates and disseminates GASB interpretations and changes—including those with employer impact. Those employers who use the OPERS annual report to complete specific financial statements or to create organization-specific annual reports will be interested to know Coleman's office also handles the production of the Comprehensive Annual Financial Report (CAFR).

Coleman then...

With 30 years of public-sector experience, Coleman is uniquely qualified to serve as OPERS' assistant director

of financial reporting. His experience spans an array of OPERS-reporting entities including state, county and municipality employer organizations. Although Coleman began his career with the Ohio auditor of state, his most recent employer prior to joining OPERS was the Franklin County auditor. Coleman was with the county auditor's office for 14 years in a variety of positions, but most recently as director of fiscal services



Chuck Coleman

A graduate of Bowling Green State University with a specialization in accounting, Coleman is also a certified public accountant and has attained his Government Finance Officers Association certification through the GFOA.

And now...

Why did Coleman choose to come to OPERS? In his words, "It is an extremely professional environment; I viewed the assistant director position as a real opportunity to provide quality financial information in an easily readable format for all OPERS audiences."

When not in the office, Coleman can be found spending time with his family, exercising, biking or swimming. 

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 e-mail address on file. If OPERS is not made aware of address changes, we cannot guarantee that you will receive important information pertaining to OPERS public employers. This Employer Notice 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.