

EMPLOYER Outreach

OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM



Landmark pension legislation passes: thank you, employers

On September 12, 2012, the Ohio legislature passed pension legislation designed to strengthen the pension system well into the future. OPERS had been advocating this legislation since 2009 and worked to educate the legislative, employer and all stakeholder audiences about the necessity of the benefit changes. To ensure all members, residents and employers were educated about the importance of the landmark pension legislation, OPERS launched a multi-year, multi-faceted outreach effort—and employers were a critical element in our outreach effort.

What was accomplished—overview of changes

Simply put, the changes to pension benefits eliminate inequities and align the structure to address the fact that people are living longer in retirement and the benefits structure had to change. The approved changes will help stabilize and strengthen OPERS and help ensure important retirement benefits for public employees will continue.

The new pension plan structure will take effect on Jan. 7, 2013.

The exact changes are fully disclosed on the OPERS website and all members (your employees) will receive newsletters (printed or online) no later than the end of October.

Information to employees is always available

We know the decision to retire is an important one and we want to ensure your employees have all the accurate information necessary to make that decision. OPERS has multiple information outlets for your employees:

- The OPERS website, www.opers.org, has up-to-the minute information about the benefit changes. Through October, the information will continue to be updated, so encourage your employees to check back often.
- Via OPERS' online system, any member who has signed up for an online account has access to all personalized account information 24/7/365. The online calculator will put information in the hands of your employees—whenever it's needed.

- The website also lists what preliminary steps any employee contemplating retirement should be taking in terms of document retrieval, questions to ask and suggested timelines.
- Those within six months to one year of retirement might want to consider talking directly to an OPERS counselor either by phone or in person. Simply contact the Member Call Center to speak directly to a counselor—800-222-7377—or schedule through accessing your account online.

Requests for employers

Employers were extremely instrumental in getting the message out to the member audience via your communications, on-site meetings and engaging your employees. We thank you. Now, of course, the question is...where do we go from here?

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Karen Carraher, OPERS executive director, dots the i on pension legislation after Governor Kasich signed the bill.

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Landmark pension legislation passes (continued)

Employers are always a trusted information resource for employees and frequently for retirees. Because the business of pensions can be complex—and the legislation providing for the changes is especially complex—we are making two special requests to employers:

- *First...when employees ask you for an interpretation of the legislative changes and how the changes affect them, please refer those employees to OPERS-sponsored information available online or through contacting Member Services at 800-222-7377.*
- *Second...note the implementation timeline: January 7, 2013 is the effective date for pension changes—so employees wanting to retire under current eligibility rules must meet both age-and-service requirements and have terminated from employment no later than December 31, 2012. A complete and valid paper service retirement application must be received by close of business (4:30 p.m.), Friday, January 4. Completed electronic service retirement applications must be received by midnight Sunday, January 6. Disability applications (DR-1) for employees wanting to retain the "own occupation" standard must be received by close of business (4:30 p.m.), Friday, January 4.*

Special notes for employers

- **Remember...**health care changes will be initiated January 1, 2014.
- **Especially for employers...**you'll find employer-specific web-based seminar opportunities will be available to you fourth quarter. Check the website for exact times.

We know employers are members too—so make sure you understand how you'll be affected by the changes. Know about and review all the informational vehicles available to you. ▲

Changes to service purchase every employer should know

Although it only affected a small percentage of employers, all employers should realize OPERS no longer can offer the option for employers to purchase service credit via the pre-tax, fringe-benefit pick-up method.

This change was effective January 1, 2012. The change was made to align with Internal Revenue Code Section 414(h)(2), which states:

- In order for contributions to be picked up by an employer, the employer must specify that the contributions, although designated as employee contributions, are being paid by the employer in lieu of contributions by the employee, and
- Designated employee contributions to a qualified plan established by a state government are excluded from gross income as pick-up contributions that are treated as employer contributions only to the extent the contributions relate to compensation for services rendered after the date of the last governmental action necessary to effectuate the pick-up.
- The employee must not be given the option of choosing to receive the contributed amounts directly instead of having them paid by the employer to the plan.

In addition, OPERS has concluded that all previously approved employer-paid, pre-tax fringe-benefit service purchase agreements are no longer valid.

What this means to employers...

- If you are an employer who had a service purchase agreement in effect with the pre-tax, fringe-benefit method, that agreement is no longer approved.
- OPERS has contacted all affected employers regarding this issue. Those employers have been informed that employer payments submitted to purchase service credit as a fringe benefit will be returned.
- Going forward, employers should not offer the pre-tax, fringe-benefit pick-up method for service credit purchases.

...And to employees

Employees already enrolled in pre-tax service purchase by payroll deduction were contacted by OPERS and offered a one-time opportunity to terminate their pre-tax service purchase by payroll deduction agreements.

Employees wishing to purchase service credit with tax-deferred funds still have the option of rolling over funds from a qualified plan.

As always, Employer Outreach stands ready to help. Employers having questions on this information should contact Employer Outreach at 888-400-0965, or by email at employeroutreach@opers.org. ▲

Changes approved to retiree health care coverage

The recently passed pension legislation will help OPERS maintain some form of meaningful access to health care for retirees. However, even with the legislation—legislation that allows OPERS to allocate a portion of the employer contribution to the health care fund—more changes were required to further strengthen the Health Care fund.

Challenges today and tomorrow

We know the challenges we're facing are significant—too significant to allow us to maintain our current coverage levels. OPERS needed to make changes to health care coverage so that meaningful access to health care can continue for long-tenured employees.

Remember:

- OPERS is required by law to fund and provide pension benefits; health care coverage is not required by law. OPERS can allocate funding for health care only after pension obligations are met. In addition, OPERS cannot allocate any of the employee contribution to fund health care.
- The retirement of the baby-boomer generation means OPERS will experience an anticipated 40 percent increase in retirees in the next 10 years.
- Happily, retirees are living longer. The average OPERS member retires at age 57; most will access health care coverage for more than 21 years after that retirement date—far more than anticipated when OPERS first began providing health care coverage.

Pension legislation helped—but didn't solve

The legislation passed in September will allow OPERS to continue providing retiree health care coverage at some level. However, substantial changes to the current plan were necessary to help preserve the health care program for as long as possible. Our ongoing goal is to preserve access to health care coverage for career employees upon retirement.

Overview of changes

Some of the modifications recently passed by the OPERS Board of Trustees include:

- Minimum age of 60 and 20 years for retirees to become eligible for health care coverage (for those retiring after the implementation date); provide health care for those with 30 years of service at any age; for those currently eligible to retire—increasing to 32 years.
- Change OPERS-sponsored plan for Medicare-eligible participants to the OPERS Medicare Connector allowing participants more choices and greater affordability in the individual market.
- Transition to eliminate access to coverage and allowances for spouses.
- Limit the service credit eligibility for health care to contributing service, service transfers from other Ohio retirement systems, USERRA, unreported time and restored (refunded) service. The minimum earnable salary for health care is \$1,000 per month.
- Calculate retirees' share of premiums and allowance on age and years of service.
- Elimination of the Med B reimbursement.
- Allowance changes will be phased in over three years. The phase in will be completed in 2017.

We know access to health care is an important element to maintaining financial security in retirement, and so we are working hard today to meet the need of future retirees.

Information always available

Exact information will be available to all OPERS members via OPERS' newsletters, website and social media outlets by the end of October. [▲](#)

OPERS made decisions to strengthen the system. *You* are one of the voters who determines who serves on the Board – every member and retiree has a vote.

Employer Resources

Wellness programs reap benefits

Looking for a proven concept to improve your bottom line? Consider implementing or expanding employer-sponsored employee wellness programs. You'll be surprised at the impact an effective wellness program can provide. Take a look:

- Employer-sponsored wellness programs have been proven to reduce the cost of insurance payments for those employers that are self-insured.
- Organizations with wellness programs tend to keep employees longer—reducing recruitment and on-boarding costs.
- Employers with wellness programs tend to have much lower absenteeism.
- Employees involved in wellness programs have much higher productivity.

Worthy investment

In soft and hard dollars, wellness programs make sense. In fact, it's difficult to find a downside. Some employers have stated that the start-up cost of initiating a wellness program can be daunting. To those employers, we say...there is no need to reinvent the wheel...you do not need to initiate a wellness program in a vacuum. Much of the start-up work is available in the public domain. Although this is not an endorsement of content, OPERS' health care unit cites WELCOA.org, WellnessProposals.com and wellness-resources.com as examples of valuable websites.

Get started/stay current

Myriad resources are available. Here are a few ideas:

- Recognizing the possible cost savings, many insurance companies will work with their clients to help establish and/or help with some of the costs associated with implementing a wellness program.
- Many chronic conditions are supported by both local and national-based non-profit organizations that provide ongoing support, education, resources, and a network of individuals willing to share the preventative knowledge available.

Contact your local chapters of the American Heart Association, American Lung Association, and American Cancer Society—just to name a few—to request available resources that you can bring on site for your employees.

- Some hospitals, community-based health centers, clinics, health departments and nursing programs are willing to have health-care professionals deliver on-site seminars and screenings free of charge to the employer organization.

As with most topics, help can also be found via the Internet.

Include the target audience

The most successful programs involve significant employee input. A great first step—or for a quick update—is to establish an employee committee to hear from your employees what their concerns are, what timeframes work best and how to best communicate with them. Do an interest survey to see what motivates your group. Include a variety of communication methods and a wide range of events to give options for the best participation results.

Employers: Proactive outreach requires employer input

We believe there is simply no substitute for good communication. Good communication helps you handle all the pension processing required by law—and all the work you do ultimately helps your loyal employees enjoy a secure retirement. However, we can all agree that to have effective communications, we need accurate contact information.

OPERS is updating databases constantly and we make every effort to ensure your organization's contact information is accurate but we need your help.

Provide accurate, current contact information

Please make sure OPERS has all pertinent email addresses! As an OPERS-reporting employer, make sure OPERS has all pertinent emails so that proactive outreach on operations and informational items can be handled smoothly. Employers have indicated that the proactive outreach of notifications (rather than waiting until you sign on to ECS)

Employer Resources

is a great option. BUT, proactive outreach can only be effective when accurate email addresses are available to Employer Reporting. We'd like to increase the proactive outreach program—but can only do that with ongoing email accuracy. If you have new or terminated employers (or those with changed job responsibilities), or a new IT system—always remember to contact OPERS with those changes (or encourage employees to update information).

For employees, too

And, while we're at it...take every opportunity to remind employees to keep their personal information updated with OPERS.

Reminder on membership determination—streamlined process

Employers are encouraged to remember the process for membership determinations has been streamlined. The elimination of a middle step, defined timeframes for information and revised forms have all been implemented to streamline the process and to ensure appropriate decisions are made in a timely fashion.

When working on a membership determination anytime after August 1, employers need to remember:

- Use only updated forms (both worker and employer forms have been updated), and
- Know that either party involved must provide additional information within 30 days after receipt of the initial staff determination.

In addition, no second-level appeal with an OPERS issue resolution officer is available. All appeals are referred directly to senior staff.

Some things do not change

One requirement not changed is that forms must be certified by the public employer's fiscal officer or an employer contact of record as having signing authority for the employer.

Complete information can be found on the *Employer Notice* issued July 3, 2012—archived on the OPERS website for your convenience.

As always, the most up-to-date forms can be accessed via the OPERS website at www.opers.org.

As always, the most up-to-date forms can be accessed via the OPERS website at www.opers.org. Pension legislation has updated the time window for independent contractors to request a membership determination to within five years. More detailed information will be sent via *Employer Notices*. ▲

In the coming year, three Board positions will be up for election and two positions will be up for appointment. *Read* everything you can about the candidates.

OPERS' CEM scores are impressive

Each year, OPERS contracts with a third-party service to receive unbiased performance ratings. The information received from CEM, an internationally recognized pension consulting organization, is used to help OPERS:

- Manage costs and learn from other organizations' best practices,
- Help set realistic goals, and to
- Measure the impact of major operational changes—especially important as OPERS looks to invest in technology to ensure our service levels are maintained with growing number of retirees—without a commensurate increase in staff.

How CEM works

CEM benchmarks 67 pension systems around the world, although OPERS is compared only against a peer group of comparable systems. OPERS' peer group includes pension systems from Washington, Wisconsin, Virginia, and Michigan, among others. OPERS has total membership of 963,000, which includes members, retirees and inactive members. The peer average for total membership was 725,000.

Success indicators

Overall, OPERS attained high ratings from CEM—and the OPERS service score has improved since 2008. The benchmarking service ranked OPERS with an overall 78, as compared to the peer average of 77. OPERS was considered to be:

- **Cost effective**—OPERS' cost of administration is slightly less than average peer-group costs for similar services.
- **Effective**—OPERS rated higher-than-peers in providing service to members. Better service to members translates into faster turnaround times, more availability, more choice, and higher quality.

- **Reliable**—OPERS scored very highly in disaster recovery abilities, website capacity, member outreach, and accuracy and timeliness of member statements.
- **Communicative**—OPERS provides significant and timely outreach and communication options for members including a call center, one-on-one counseling, presentations, written pension estimates, a website, newsletters and personalized statements.

Employer-specific ratings

In general, employer service is excluded from the CEM total service score. However, OPERS rated very highly in efficiency for processing employer funds and/or data. OPERS' cost for employer-specific processing is significantly less than the peer group—meaning the technology innovations initiated to handle routine processes are an appropriate investment.

Still room for improvement...

Of course, no organization is perfect and the CEM ratings do indicate room for improvement in some areas. Specifically, in the coming year, OPERS can improve its scores by looking to:

- Improve the rating of service provided for incoming member calls,
- Consider ways to deliver better one-on-one counseling services,
- Improve the speed with which disability applications are decided upon, and
- Improve the response time to member emails.

...but always cost-effectively

Of course, to maintain a positive administrative cost ratio, OPERS will undertake improvement initiatives that are cost-effective. OPERS seeks a positive balance between prudent fiscal administration and providing the best possible services to all stakeholders. CEM ratings indicate OPERS is succeeding in maintaining that delicate balance. ▲

Info to Go

Poster series: Have you seen season 2?

Keeping retirement considerations in front of employees can be challenging. Top-of-mind status is important because decisions that can impact retirement (positively or negatively) need to be made at every step of an employee's career.

In addition, getting in front of employees—especially for your employees not usually reached via the electronic and print distribution channels—can be a challenge.

Working to keep ALL employees in the loop—because they are our future retirees, Employer Outreach continued the popular retirement path poster series to help get employees started on, or continuing on, the right path.



The poster reminds all employees (and employers) that everyday decisions can ultimately positively impact retirement.

All employers have been sent a poster; additional copies can be requested. Employer Outreach is encouraging all employers—especially those with multiple

sites—to place posters in high-traffic areas such as lunch or break rooms, garages, remote locations and even entrance halls.

The right path posters will help all employees make positive decisions for the future.

Transitioning employees correctly: Seasonal employee reminder

No one likes to say it, but summer is over; summer seasonal employees will be leaving. As always, it's important to remember to process seasonal employees accurately. Here are quick-hit reminders:

- Report final contribution with a Pay Period End (PPE) code of Q (for quit)—this is for employees who you do not anticipate returning to your employer organization within the year.
- 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? No action is necessary for those employees moving to a permanent position—unless the employee is changing to a different employer code within your employer family, or to a different pay schedule.

(continued on back)

Within the year, the OPERS Board will be reviewing health care options; options that will help ensure that retirees, your employees, will have meaningful access to health care in the future. *Know* the information about the issues on which your Board members are working.

Info to Go (continued)

Open enrollment in the fall—employers can help

We know many employers remain in contact with retirees. All employers are urged to continue to be a positive resource for retirees by knowing a few basic facts about open enrollment to share with retirees:

- Health care open enrollment for 2013 takes place in the fall of 2012.
- All eligible retirees receive packets at their home address in September 2012. If retirees do not receive informational packets, they should contact OPERS directly.
- Informational seminars are available in person (throughout the state) and via the Internet. Visit the OPERS website for exact information. Although free of charge, registration is required.

Employer Compliance Review program—one year anniversary

In 2011, Employer Outreach launched the Employer Compliance Review program. From the start, this voluntary program proved to be both beneficial and cost effective. Additionally, employers have enjoyed the peace of mind that comes with a completed review. Whether the review provided a green light for current processes or recommendations for changing processes to be compliant, all participating employers have reported the voluntary program to be beneficial.

Here's an overview of what's happened in the first year of the Employer Compliance Review program:

- Overall, 20 employers have requested reviews in the past year. These include:
 - Counties: 2
 - Villages: 9
 - Transit Authorities: 1
 - Cities: 3
 - Miscellaneous: 3
 - Townships: 2
- Most employers (62 percent) asked for a targeted review and selected one or two specific areas for review. All other requests were for a full compliance review (membership, earnable salary and reemployed retirees).
- Almost one-third of the requested reviews are still in progress. Of those reviewed, 23 percent had some level of non-compliance issues; 77 percent received an all clear. (Note: Those numbers do not separate full review and targeted review employers—so an employer could be compliant in one area, but not in others.)

For those employers who may be interested in volunteering for a compliance review but are concerned about the staff commitment, fear not. The process is less time-consuming for employers than was initially estimated. Once information is gathered (and some is already archived at OPERS), the average number of calls between employers and OPERS for refinement of information was only eight (many employers had only a couple calls). ▲

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 email address on file. If OPERS is not made aware of address changes, we cannot guarantee that you will receive important information pertaining to your OPERS account. This handbook 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. OPERS is not required to provide health care coverage to retirees or their dependents and will only do so at the discretion of the Board of Trustees.