



Proper records retention may save employers thousands

The issue of records retention, especially the archiving of exemption records, is getting significant attention these days. To avoid future, and potentially large, financial liabilities, Employer Reporting encourages all employers to review policies and procedures to ensure all important employee documents are retained *indefinitely*.

The simple fact is that employers must keep exemption records indefinitely because former employees may request them *at any time* during their lifetime.

Potential employer liability

Here's why it's important: If an employee chooses to purchase credit for past service that had been exempted and the employer cannot produce that employee's signed exemption form, the employer may be liable for:

- The employee's portion of the exempted retirement contribution,
- The employer's portion of the exempted retirement contribution, AND
- Accumulated interest.

If that sounds expensive, it is. It is also the law. However, if employers have the correct records, this situation is completely avoidable.

Likely scenario

The situation of requesting to buy back exempted time often occurs with student workers. Frequently, student workers who meet specific exemption guidelines, and

who are not thinking of retirement, voluntarily choose to exempt their public service from retirement contributions. It follows that the employer contributions are therefore not required for exempted service. The appropriate documents are signed, approved by OPERS, and returned to the employer.

Now, flash forward 25 years. The former employee has had a full and rewarding career in the public sector and is now thinking about retirement. The individual now realizes the importance of the exempted service and has decided to purchase that service to enhance the overall retirement package. There are two potential conclusions to this scenario:

- If an employer has the OPERS-approved student exemption form on file, the employee is responsible for the employee portion plus the accumulated interest for the purchase of their exempted service. The employer is not responsible for any part of the cost.
- If the employer cannot produce the exemption form, the employee still receives the service credit, but the employer is paying the entire cost.

Which scenario would you prefer?

Electronic storage is acceptable

Employers who have chosen to archive documents electronically can rest easy. If a former employee requests documentation, the electronic archive of the OPERS-approved exemption form will

be accepted provided the OPERS approval stamp is legible. However, claiming that records have been destroyed for any reason, including a fire or natural disaster, does not relieve the employer of the potential liability.

Importance of retention

No one can accurately predict the future. Employers must archive exemption forms indefinitely to ensure they are available upon request. In short, proper document storage may save employers thousands of dollars in liability. 

In This Issue

- 1 Proper records retention
- 2 Retirement timeline facts
- 3 Health Care Update
- 4 Info to Go
- 5 Service purchase changes
- 6 Employer Spotlight
- 7 Employer Honor Roll
- 8 Mailbox

Tick tock: Retirement timeline facts*

“When should I start the retirement process?” Employers are constantly faced with that question. To positively position you with all the information you need to help your employees transition smoothly into the next phase of their lives, we’ve prepared a timeline so that you know what occurs—and when.

The basics

As a rule of thumb, a simple service retirement (one where an employee has worked an entire career in an OPERS-covered position) takes about 90 days to process from day one; in this case, day one means the first day paperwork has been received at OPERS. A more complex retirement could take up to six months to fully and accurately process. However, please know that OPERS will not leave an employee in the lurch; under certain circumstances, if an employee is retiring and all the paperwork has not been completed, an interim retirement amount can be generated pending the final calculations.

Day-by-day highlights

Retirement is an employee-driven event. Everything starts by the employee accessing, via the Internet or by calling the Member Services Center, the retirement application that’s appropriate for the retirement plan they’ve selected—Traditional, Member-Directed or Combined. When OPERS receives the completed retirement application, retirement processing begins.

- When the completed application is received, the funds in the employee’s account, contributed during the employee’s career, are earmarked to be transferred from the savings fund into the pension fund (with more than 350,000 active accounts, this is a perfect example of why timely and accurate reporting is required).
- Within two-three days, OPERS sends two letters to employers:
 - *The Certification of Employee’s Final Payroll (F-85)*, a letter asking you to

Quick review on disability retirements

Because disability retirement usually signals a health issue or unfortunate event has occurred, it’s always a jolt to have an employee apply for this benefit. However, public employees are fortunate to have an excellent disability retirement plan established if the unexpected strikes.

Here’s what employers need to know if a disability retirement event occurs:

Day one

To begin the process, the *Disability Benefit Application* (form DR-1) must be completed by the disabled employee or the employee’s proxy. This application is available via the opers.org Web site, or by calling the Member Services Center. Employers can access this document for a disabled employee, but the employee or the employee’s proxy must complete the form.

Days 3-5

Employers will need to access and complete a *Report of Employer for Disability Applicant* (form DR-4) to initiate or corroborate the employee’s application for disability. A written job description must also accompany this completed form. This form is available via the OPERS Web site, or by calling the Employer Call Center.

Days 5-90

In processing an application for a disability retirement, the following events will occur:

- An OPERS-appointed, independent examiner must examine the disability applicant and submit a medical report based on the finding,
- The finding of the independent examiner are reviewed by the Board of Trustees, and are subject to approval/denial,
- The Board of Trustees’ decision (approval or denial) is conveyed to the applicant, or the proxy.

Days 15-25 (this time begins at the day on which all case information has been completed, including Board of Trustees approval)

An effective date of disability retirement is established. This is based on the first of the month following termination of public service, or the date the employee became disabled—whichever is later. The first disability retirement check will be sent based on the effective date.

certify three items:

- Final day of earnable salary,
- Employee’s final three pay periods, and
- Amount earned in each of those pay periods.

Many employers are not certain of the above information when the employee initially notifies employers of the upcoming retirement, so we ask you

to keep the form until the requested information can be confirmed and certified. However, to permit OPERS to begin processing an interim benefit, you’ll need to send the...

- *Confirmation of Employee’s Final Day of Service (F-85A)*, requesting only certification of the last day the employee will receive pension-

Continued on next page

Continued ...

- eligible earnings. Returning this information quickly enables OPERS to begin calculating the benefit. The *Certification of Employee's Final Payroll (F-85)*, is still required to complete the retirement process.
- Within the following 5-20 business days the soon-to-be retiree's information, or case file, is processed. The amount of time needed here depends on a variety of factors including the accuracy of the retirement application and the volume of applications currently pending at the retirement system. As you can imagine, the number of retirement applications received each month varies greatly and is expected to increase as the number of baby-boomers retiring accelerates.
 - After review, a confirmation letter is sent to the employee that details the planned effective date and the plan of payment.
 - During the next 70 days, if OPERS has all necessary information AND if the *Confirmation of Employee's Final Day of Service (F-85A)* has been received, an effective date for the first pension payment will be established.
 - At that time, the employee/retiree will be notified that 60 days from the effective date, the retirement benefit will be received.
- As with most life events, planning makes perfect. As you can see, total time for processing a simple retirement is about 90 days. We urge you to encourage employees to recognize the process takes time to be done accurately—and to plan for that time as they plan for their retirement years.
- *Note: This information covers pension benefits only for service retirement. Health care coverage paper work is not reviewed here.*

Health Care Update

Keeping employers informed about health care coverage

We've said it before and we'll say it again...employers are an important retirement resource for employees. Employers are often the go-to source for important retirement questions such as when to start planning for retirement (see related article, page 2), and how to get information to smooth the transition into retirement.

Because you're a valued resource, it's important you have accurate information to help your employees. Here are some facts that you should have ready to share with all employees whether retirement is just around the corner, or several years away.

No surprises: Apples-to-apples, plans are not the same

Many soon-to-be retirees are surprised to discover that, although some level of health care coverage is provided in retirement (depending on length of service and retirement plan), *the health care plan is not the same as their employer's plan*. The fact that the health care plan from an OPERS retirement is different could result in significant differences in the co-pays, the drug formularies and how some situations are

handled (those with chronic illnesses may discover some medical items are no longer covered as a prescription). We ask that employers encourage all employees to be diligent and review the retirement health care coverage within a year of their planned retirement—OPERS counselors can help with this.

Control your destiny

All employees and retirees need to be aware that their behaviors can help control the rapidly escalating costs of health care. Healthy habits and lifestyles can contribute significantly to controlling health care costs—which will ultimately lead to extending the solvency period of the Health Care Fund. In addition, healthy employees typically become healthy retirees who fully enjoy their retirement years.

Encourage employees to embrace healthy lifestyles now by getting regular exercise, eating right, seeking regular medical and dental care and, of course, not smoking. Not only will embracing healthy lifestyles enhance their lives, it's anticipated that healthy lifestyles may enrich their lives. Some healthy habits may be rewarded with financial incentives

in the near future. For example, not only will non-smokers receive a preferred rate for health care premiums, they may also receive an actual financial incentive for their healthy choice. Other incentives are also under review to reward and motivate those who are actively making healthy lifestyle choices.

Be proactive

Employers need to help employees understand what they need to do to maximize the health care resources available. For example, employees need to know what their responsibilities are regarding eligibility for Medicare—in some cases, actually applying for coverage is necessary. Providing this information to active employees will give them a big advantage in retirement.

All questions are good questions

OPERS has counselors and specialists available to answer employee questions about retirement benefits and health care coverage both in person as well as over the phone. Encourage employees to contact the experts with their questions.

Info to Go

As tempting as it may be...do not modify forms

It's important employers realize that modifying OPERS forms is a no-win situation for everyone involved. This applies to forms that are sent via U.S. mail, downloaded from the OPERS Web site, or sent via email. It's important to realize that Employer Reporting forms are both extremely specific in requesting the information we're legally required to capture AND technologically tested so that information can be transferred quickly and accurately.

What happens when employers alter forms and submit? In some cases, Employer Reporting will perform a manual work-around, which can result in delays in processing the requested information. In other cases, the form is rejected, which can result in additional paperwork for employers.

In short, altered forms...

- Cause increased work for you and for us,
- Increase the chance for inaccuracies in your records and in your employees' accounts, and
- Cause delays in processing..

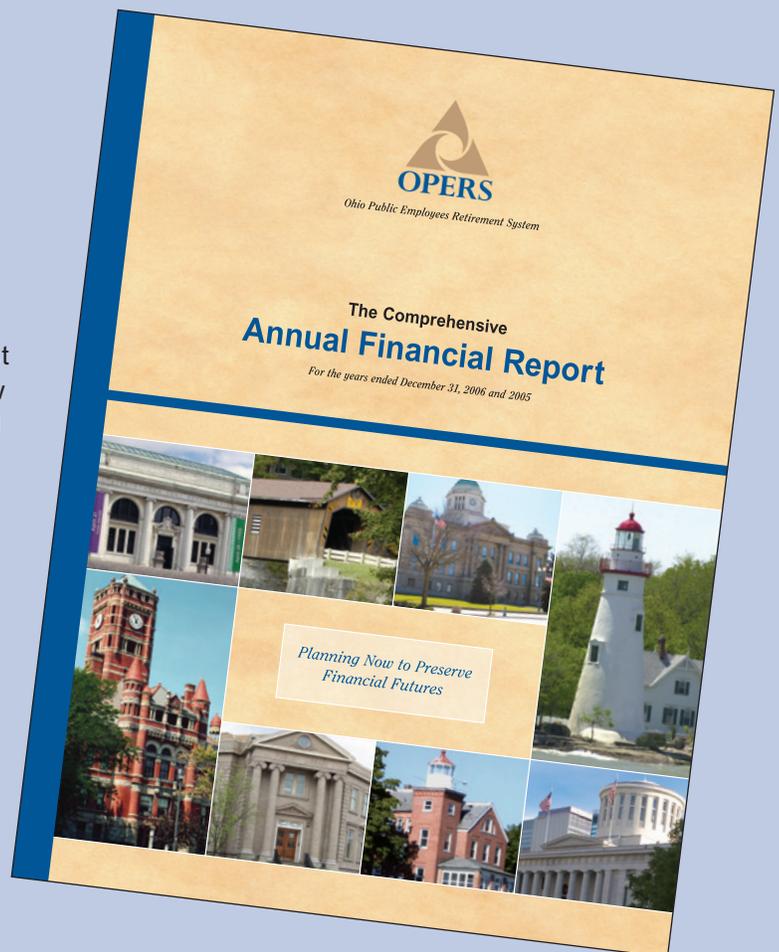
Clearly, no one emerges a winner.

Please help us, help you. Fill out standard forms as requested, without alterations, and return to OPERS within the timeframe requested.

Remember, OPERS provides a feedback tool for you to comment on forms that are difficult to understand or are confusing to complete. Just click on *Give us your feedback* on the Employer Forms and Publications page of the OPERS Web site.

OPERS' Comprehensive Annual Financial Report for 2006 now available

All employers are invited to review the latest *Comprehensive Annual Financial Report* (CAFR) now available electronically at www.opers.org. The annual report has information all employers should know including the latest actuarial reports, information on the funded status of the system and other post-employment benefits (OPEB). Because many employers use the OPERS annual report to complete specific financial statements and/or their annual reports, the OPERS annual report has been published two months prior to the deadline of July 1.



Service purchase changes slated

Very soon, employers will see the first of several changes being implemented throughout 2007 to the service purchase process. These changes will help employers more efficiently and accurately process service purchases for their employees. However, the enhancements may require changes to your processes and IT platforms.

To help employers transition to the new service purchase processes and familiarize you with the new forms, Employer Reporting is providing step-by-step guidelines. In July, all employers will receive a *Service Purchase Kit* that includes:

- *Special Edition Employer Notice*, with complete implementation information, including a calendar,
- Job aid that reviews the new forms,
- Revised *Employer Manual* pages, and
- File specification documents.

As a high-level overview, here are the changes employers will see:

- As of the July reporting period, the new *Reports of Service Purchase Deductions* (form 4710-3) must be used—two editions of this form are available, depending on whether the service purchase deductions are taken on a pre-tax or post-tax basis. As is done currently, the forms will continue to be pre-filled with employee-specific information.
- In addition, new Deduction End codes will be implemented as of July, when the new forms are required.

Also in July, new letters about service purchases will be generated that are easier to understand and provide more comprehensive information.

Changes to refunds

Employers should realize that if a refund situation occurs pertaining to service purchase reporting, the refund will always be sent to the employer who will then need to determine tax consequences, if any, and refund the deduction amount to the employee.

As always, ECS-reporting is easiest

It's anticipated that the ECS platform will be ready to accept *Reports of Service Purchase Deductions* electronically with the November 2007 reports. The electronic *Reports of Service Purchase Deductions* will be reviewed at the time of submission so that reports can be processed accurately and on time. 

Service Purchase Kit



277 East Town Street
Columbus, Ohio 43215-4642



OPERS

1-888-400-0965
www.opers.org

Your SERVICE PURCHASE KIT enclosed

OPERS

Service Purchase Reporting Kit

SPECIAL EDITION

July 2007

OPERS

EMPLOYER Notice

Ohio Public Employees Retirement System • 277 East Town Street • Columbus, Ohio 43215

Service purchase payroll deduction reporting changes

Who should read this notice
Payroll, human resources, and fiscal officers who manage, generate or complete service purchase payroll deduction requests from employees.

Situation Overview
Throughout 2007, changes will be made to processing of the *Report of Service Purchase Deductions* (form 4710-3, formerly known as the *Back Payment* report). Although it's anticipated the changes will help employers more efficiently and accurately process service purchases, the enhancements may require changes to your processes and IT programs. Therefore, this information is being disseminated now to give all employers ample time to accommodate these changes.

Changes impacting all employers include:

- The current paper form employers use to report service purchases will be changed; you will receive updated forms in the mail. Effective with the July 2007 report, the OPERS-issued *Report of Service Purchase Deductions* (form 4710-3) must be used. For your reference, sample forms have been included as a job aid. The forms are based upon whether the service purchase is on a pre-tax or post-tax basis.
- Also in July, revised letters about service purchases will be generated that are easier to understand, more comprehensive and will go directly to the individual in by payroll deductions.
- Although the *Report of Service Purchase Deductions* will continue to be pre-filled with the approved employee-specific information, new Deduction End codes will be required to be used on the July 2007 report.
- If a refund situation occurs (see inside pages for examples) the refund will always be sent to the employer who will have to determine tax consequences, if any, and then refund the amount to the employee.

Changes Impacting ECS-reporting employers:
It is anticipated that the OPERS systems will be ready to accept *Reports of Service Purchase Deductions* electronically via ECS with the November 2007 reports. And, will be required in early 2008. More information will follow as these requirements develop.

Note for all employers:
To eliminate duplication of effort, the service purchase system is designed to take the Pay Period End (PPE) codes from your regular *Report of Retirement Contributions*. Therefore, please realize that any error PPE codes on the regular report will flow through to your service purchase report.

Please see back for important information

Employer Spotlight: *Where in the world is...*

From small to large, the Ohio public employer ranks are extremely diverse; some even impact the lives of all Ohio residents. This quarter's spotlight shines on the Ohio Department of Natural Resources (ODNR).

As a state department, ODNR owns and manages more than 590,000 acres of land including 74 state parks, 20 state forests, 127 state nature preserves, and 120 wildlife areas. In addition, ODNR has control of 120,000 acres of inland waters; 7,000 miles of streams; 481 miles of the Ohio River; and 2.25 million acres of Lake Erie. ODNR licenses all hunting, fishing, and watercraft in the state and is responsible for overseeing and permitting all mineral extraction, monitoring dam safety, managing water

resources, coordinating the activity of Ohio's 88 county soil and water conservation districts, mapping the state's major geologic structures and mineral resources, and promoting recycling and litter prevention through grant programs in local communities.

Number of ODNR employees who are OPERS members: 1,500

Mission statement: To ensure a balance between wise use and protection of Ohio's natural resources for the benefit of all.

OPERS employer since: ODNR was established by the Ohio Legislature in 1949.

Where in the world is the Ohio Department of Natural Resources (ODNR)?

Actually, it's everywhere. Headquartered in Columbus, ODNR owns and manages some of the most stunning sights in Ohio; here are just a few:



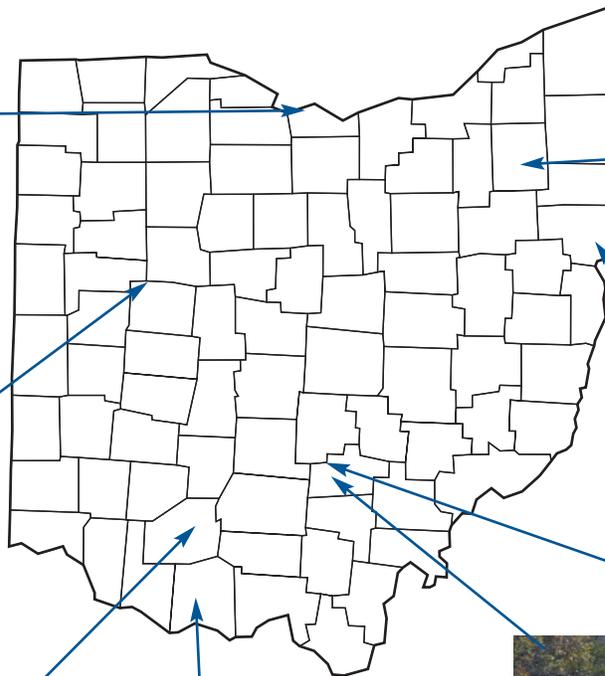
Marblehead Lighthouse, Ottawa County



Indian Lake, Logan County



Barrett's Mill, Highland County



Adams Lake, Adams County



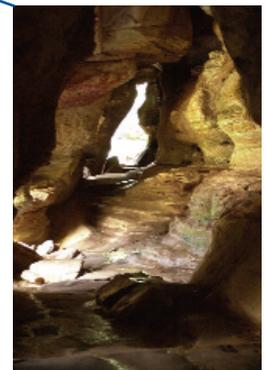
Conkle's Hollow State Nature Preserve, Hocking County



West Branch, Portage County



Beaver Creek State Park, Columbiana County



Hocking Hills Rock House, Hocking County

Images provided by ODNR 

Employer Honor Roll

Online enrollments will be the highlight for the 2007 Honor Roll:

Here's the listing of who's earning honor roll status:

EDEC as of January 2007: Here's a list of employers who signed up for the Electronic Distribution of Employer Communications (EDEC) program. We urge you to make sure your organization is on this list...perhaps as soon as the next quarter?

Lake County	Trumbull Metropolitan Housing Authority	Village of Adena	City of Upper Arlington
Trumbull County	Sherman Twp Huron County	Scioto County	Rockford Carnegie Library
Warren County	Tuscarawas Metro Housing Authority	Village of Winchester	Summit County
		Ohio Legal Rights Service	City of North Royalton

Keep up the momentum... more and more employers are discovering easy street...via ECS. This quarter's Employer Honor Roll salutes the employers who have joined the ECS roster since January 1, 2007. Currently, more than 95% of all public employees are reported via ECS. If you're not on this list...what's holding you back?

Brown County	Village of Meyers Lake	Ballville Township	Madison Township
Village of Baltic	Village of La Rue	Village of Magnolia	Village of Milan
Willshire Township	Newport Water and Sewer District	Village of Mogadore	Le-Ax Water District
Franklin Township	Wood County Law Library	Village of Mount Pleasant	Catawba Island Township
London Metropolitan Housing Authority	City of Garfield Heights	Village of Corning	Clinton-Warren Joint Fire and Rescue
Meigs County	City of Salem	Village of Rock Creek	Village of Farmersville
Village of South Amherst	Hamilton Township	Bennington Township	Clinton Township
Brimfield Township	Village of Patterson	Homer Township	Newberry Township
Village of Orwell	Napoleon Township	Sandusky Township Sewer District	Range Township
Ohio and Lee Township Water and Sewer Authority	Ironton Port Authority	Brown Township	Franklin Township
Village of Killbuck	City of Findlay	Benton Township	City of North Ridgeville
New Lexington Cemetery	Jefferson Regional Water Authority	Brown Township	Warren Township
Millwood Township	Village of Polk	Greenfield Township	Bristol Public Library
Logan County	Marion Township	Jackson City Library	New Lyme Township
Seneca County	Manchester Township	Amherst Township	Union Township
City of Pepper Pike	Mount Hill Union Cemetery	Hocking County District Library	Hartsgrove Township
City of Fostoria	Portage County Airport Authority	Pleasant Valley Regional Sewer District	Clinton-Highland Joint Fire District
Village of New Bremen	City of Bedford	Cardinal Joint Fire District	Southeastern Ohio Port Authority
Village of Enon	Cleveland Heights Public Library	Village of Perrysville	Green Township
Franklin Township	Village of Geneva on the Lake	Colerain Township	Cuyahoga Arts & Culture
Village of Vanlue	Wickliffe Public Library	Scott Township	Adjutant General
Bern Township	Village of Rockford	Northern Ohio Rural Water	Village of Mt. Gilead
Blanchard-Dunkirk Ambulance District	Perry Township	Mid County Joint Ambulance District	Deerfield Township
Dodson Township	Village of Russia	Village of Apple Creek	Petermann LLC Busdriver Carryovers
Meigs Township	WVIZ-PBS	Village of Bradford	Petermann LLC Busdriver Carryovers
Carroll County	Village of Plainfield	Barlow Township	Newton Township
Village of Oak Harbor	Put In Bay Township Port Authority	Bethlehem Township	Petermann LLC Busdriver Carryovers
Monclova Township	City of Medina	Marion Township	Andover Township
Salem Township Public Library	Village of Hamden	Village of Higginsport	Congress Township
Eden Township	Aurelius Township	Pebble Township	Mount Hill Union Cemetery - Medina County
Butler County Transportation Improvement	Woodville Township	Chester Township	Petermann LLC Busdriver Carryovers
Montgomery County Transportation Improvement	Transportation Research Center	Batavia Union Cemetery	Rushcreek Township
Perry Township	Granville Public Library	Sand Beach Conservancy District	Springfield Township
Chatham Township	Brown Township	Stillwater Hospital	Jackson Township
Village of Spencerville	Village of Wilkesville	City of North Royalton	Village of Eldorado
Earnhart Hill Water and Sewer District	Hillgrove Union Cemetery	Jefferson Metropolitan Housing Authority	Petermann LLC Busdriver Carryovers
Dover Township	Coshocton County	Village of Payne	Lake Township
Village of Bettsville	Harrison County	Village of North Randall	Village of Junction City
Liberty Township	Village of Fairport	Goshen Township	Alexandria Public Library
Mifflin Township	Village of Timberlake	Village of Piketon	Ottawa Township
Clinton County	Miami Valley Risk Management Associates	Green Creek Township	Hopewell Township
Highland County	City of Saint Mary's	Village of Holmesville	Licking Township
Village of Deshler	Village of Glouster	Franklin Township	Village of Summitville
Village of South Vienna	Nimishillen Township	Perry Township	Village of St. Martin
Village of Lower Salem	Village of Feltcher	Hancock County Law Library	Scioto County
Brown Township	Fulton County	City of Mentor-on-the-Lake	Medina Metropolitan Housing Authority
	Scioto Township	Harpersfield Township	
	Village of Gnadenhutten	Sterling Joint Ambulance District	





Mailbox

Q: I'm seriously thinking about signing up for the Employer Contribution System (ECS), but I don't want to sign up for online payment—can I sign up for reporting only?

We're glad you asked! Yes, you can. To clarify, ECS has three major roles/capabilities:

- Retirement contribution reporting (with automatic feedback regarding errors to help make your report accurate and timely),
- Online payment: To activate, you must perform an additional step to enter bank account information, although the role is assigned to the delegated administrator upon registration, and
- Online forms: The ability to complete and submit forms such as the *Personal History Record* and alternative retirement plan forms. (Additional forms will be rolled out in the future.)

Therefore, an employer can sign up for ECS reporting, but is not required to perform online payment. However, it's gratifying to note that most employers find ECS so user-friendly that once signed up for one function...they are quickly interested in the other capabilities as well.

Q: I want to make sure I'm doing my job. Who contacts OPERS about life-changing events such as marriage, divorce, or death of an employee? Is the employer supposed to do all that?

For significant events, it's best if employees notify OPERS directly via the Member Services Center at 1-800-222-7377 of any life-changing event that could affect their retirement decisions. Marriage and divorce can have a significant impact on beneficiary designations.

In the case of a death, the employee's family or attorney may have to handle the notification to OPERS by calling the Member Services Center.

Less-important events, such as a change of address, can be triggered by the

employer or the employee. However, don't let a change of address slip—your employees need to receive the personalized annual statement each year to help plan for retirement.



This newsletter 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 the Employer Outreach Office at 888-400-0965, or seek legal advice from your attorney.



BOARD of Trustees

Ken Thomas, Chair
Representative for Municipal Employees

Cynthia L. Sledz, Vice Chair
Representative for Miscellaneous Employees

Ronald C. Alexander
Representative for State Employees

Sharon M. Downs
Representative for Retirees

John W. Maurer
Representative for Retirees

Kimberly Ann Russell
*Representative for Non-teaching
College/University Employees*

Helen Youngblood
Representative for County Employees

Hugh Quill
Director, Department of Administrative Services

Robert C. Smith
Governor Appointed Investment Expert

James R. Tilling
General Assembly Appointed Investment Expert

Warren W. Tyler
Treasurer Appointed Investment Expert

Christopher M. DeRose
Executive Director