

EMPLOYER Outreach

OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM



Smart money: Online Payments

Looking for ways to save money, increase security and manage money better? Look into the online payment option for retirement contributions. Currently, about 31 percent of all employers use this function.

What paperless employers know

Basically, your peers who have opted for the online payment function are enjoying enhanced security, reduced late payment risk and more control. These employers are even saving money. Sound too good to be true? Take a look:

■ Better security

Tradition has it that signed bits of paper floating about in the U.S. mail are secure. And, many are. However, some are not—checks really can and do get lost—and sometimes getting lost is the best thing that can happen to a check that's never delivered because checks can also be misdirected, stolen or altered.

Smart money solution: Online payment provides an encrypted transfer that occurs in seconds.

■ Controlled delivery

A paper check can be lost in space for days. You think you've done your job—out of sight, out of mind. However, your job really isn't complete until payment is received. (OPERS is not unusual in this regard, financial institutions everywhere insist on actual payment on liabilities—rather than the intent to pay—to complete the the circle.)

Smart money solution: The online payment function gives employers complete control to decide exactly:

- How much to apply to each liability, and
- When the funds can be released. This means the uncertainty created for those of you using float time is eliminated. Because you can keep the funds exactly where you want them until the very last minute, and then have certain and confirmed delivery, you can compound daily interest while still eliminating the risk of late payments.

■ Dollars and cents sense

Paper checks are not cost efficient—a fact universally recognized. The cost of an ACH debit transfer is about two cents and eliminates all paper—envelope and check.

Smart money solution: First class stamps are 44 cents; ACH debit transfer is two cents. Yes, we're talking about less than a dollar—but over time, costs really do matter and incremental savings yield big dividends.

Working smarter

Employer Reporting provides the tools employers need to be working smarter—and to help ensure your costs are minimal. Remember, online payments for retirement contributions mean you continue to control the date, the account, and amount of each transfer each month—you simply eliminate risk and cost. We think it just makes sense.

Special Election Insert Please Post

Special Election Update

OPERS ELECTION NEWS

Employers have multiple responsibilities for Board elections

Traditionally, employers have stepped up to handle multiple responsibilities during Board elections. The 2010 election will again bring multiple tasks to employer groups, starting this year:

- **Simply put, employer responsibility now:**
 - To support and promote the 2010 Board of Trustees election, considered to be vital to securing a strong member vote scenario.
 - To encourage interested and qualified candidates to run for OPERS' Board of Trustees by providing information in a prominent place and having positive media, social, and
 - Of course, as a member, to vote if your employee group representative is up for election this year. Remember, your vote is your single best way to provide equal an opportunity and influence your retirement benefits—meeting OPERS' Board of Trustees election.

Employer responsibility: Promoting voter turnout

After participation in the 2009 Board election averaged only about 10 percent for active members, if your group fails to get up for election this year, be sure to call your vote and encourage others to exercise their right to vote.

- **Who are you?**

Because some employees do not fully understand which employer group is theirs, employers may be asked for verification or clarification. If employees ask you for this information, direct them to the OPERS Website, membership.org. There, each OPERS member can follow a link to an election information page. On the election page, you and your employee will find a list of OPERS employees and their corresponding employer group.
- **2010 election facts**

The OPERS Board consists of 11 trustee-member individuals selected by the specific group each represents (see employer group responsibilities and see below responsibilities).

Each employee in a part of a specific employer group, the their name up for election in 2010 include one representative for each of the following groups:

 - **State employees**—Representing those working for the state of Ohio (approximately 55,137 employees)
 - **State college and university**—Representing approximately 25,111 non-teaching employees of state colleges and universities in Ohio
 - **Municipal employees**—Representing approximately 65,763 employees working for Ohio municipalities
 - **Retirees**—One of two seats representing approximately 150,000 age and service and disability retirees.

Employer responsibility: Encourage interested and qualified candidates

Any active OPERS member is eligible to represent their employer group on the OPERS Board of Trustees. OPERS retains an age and service benefit, disability benefit or benefit paid under the Combined or Member Benefit plan, no eligible to run for the retiree seat. Candidates with an election poster nomination package sent will all the necessary forms sent to employers (see calendar or website) for distribution. Package are also available at the OPERS office, 277 East Town Street, Columbus, Ohio, and via the OPERS Website.

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Resources for Employers

Plan selection for seasonal/intermittent employees

If you're an employer with seasonal, part-time or intermittent employees, this information will help you understand your retirement contribution responsibilities for these employees.

As an employer, you are responsible for:

- Submitting a *Personal History Record* (PHR) for new employees, and
- Withholding and remitting employee and employer retirement contributions.

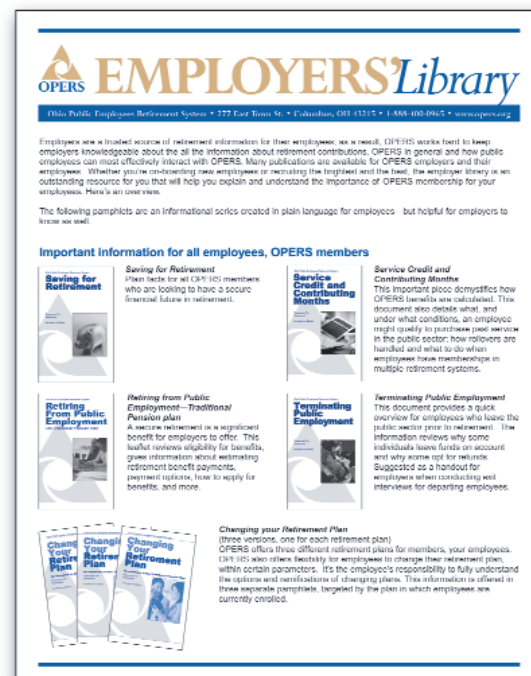
OPERS membership is an important benefit. To help your employees get the most from this benefit, employers are asked to brief new employees during the orientation process that:

- All new OPERS members have 180 days to select one of the three OPERS retirement plans. (OPERS will send information to your employees, but we need the information on the PHR to do so.)
- Seasonal, part-time and intermittent employees should fully understand the Member-Directed and Combined Plans are subject to inactive account balance fees. This means your employees who select the Member-Directed Plan or Combined Plan—and then leave public employment with an account balance of less than \$5,000—will incur fees. The fees will be charged to the employee's account each month after 90 days of no contributions.

A secure retirement is an important benefit; encourage your new employees to understand this benefit before they select a plan by reading the information in the packet they receive OR by signing on to the OPERS website at www.opers.org; then, [Members > Selecting a Plan > General Information](#).

Employers' Library: Welcome packet for new employers

Helping employers start right will save time and money in the long run. A *New Employers' Welcome Kit* has been developed and will be available starting third quarter 2010. Research shows new employers felt overwhelmed with information—making onboarding more challenging than necessary. To help new employers, a welcome packet has been developed to clearly define what is necessary to do immediately—and what can be deferred. In addition, the packet gives new employers a catalog of materials to review—so that the most useful items can be viewed online or ordered.



Website updates: What's new??

Unlike many websites that require you to search for the most current news, the OPERS website home page features prominent headlines that point you directly to the newest information available. All employers, as OPERS members, will be interested to know that the most recent postings can easily be located within the following sections:

- Recent Site Updates
- Special Coverage
- Latest Additions
- News Releases

Proposed pension plan design changes

OPERS constantly looks for ways to strengthen the pension fund to ensure pensions are secure. Simply put, our goal is to work to preserve pension benefits for members. With this in mind, the OPERS Board of Trustees recommended changes in the pension plan design to the Ohio Retirement Study Council (ORSC) in response to an ORSC request that all of Ohio's public pension systems examine their benefit plans.

What we know

Things have changed since OPERS was established 75 years ago. Specifically,

- Retirees are living longer;
- Since 2008, the economic environment continues to be a challenge;
- The unfair subsidy of certain benefits needs to be eliminated; and
- Changes are needed to allow continued funding of the health care benefit.

Recommended changes

The recommended changes are designed to strengthen the overall stability of the System by finding the right balance that minimizes the impact on members. Part of the recommended approach is to implement most changes over a period of time. The changes will require enactment by the Ohio General Assembly. The recommended changes include:

- Adding two years to age-and-service retirement eligibility,
- Modifying the benefit formula,
- Tying the Cost of Living Adjustment (COLA) to the Consumer Price Index (CPI),
- Extending the final average salary calculation from three to five years, and
- Eliminating unfair subsidization of benefits.

Working to provide retirement security

OPERS has a long tradition of providing Ohio's public employees with a secure retirement. OPERS also has a history of working with our members to ensure smooth transitions for any change. This will continue with approved changes to OPERS' pension plan design. In order to recognize those who are near retirement and have less time to prepare for change, a transition plan was approved by the Board providing for a tiered approach—meaning members, your employees, with a certain number of service years will be less affected by the proposed changes. A more detailed explanation of the recommended changes can be found in the Special Coverage section of our website, www.opers.org.

Outreach to all stakeholders

True financial security takes planning and fully understanding your retirement benefits while employed. OPERS is using a variety of outreach methods to ensure the straight facts about the proposed changes are communicated to all stakeholders. In addition to website information, OPERS hosted meetings across the state. Our goal was to ensure OPERS members understood the proposed changes, and provide the opportunity to ask questions and hear the facts directly from the subject matter experts.

In addition to meetings scheduled at the request of specific groups, a Town Hall meeting will be scheduled for Columbus. Visit www.opers.org for details

Project status

The recommended plan design changes must be enacted by the Ohio General Assembly prior to actual implementation. Currently, the ORSC is working to draft plan design legislation. Once drafted, and if approved by the ORSC, the bill will be officially introduced—and then must be reviewed by Ohio's House and Senate committees.

Timely reporting

Remember, the Special Coverage section on the OPERS website will be updated with reports on the progress of this important legislation. Employers are encouraged to monitor the website often to keep up to date on proposed plan design changes.

Requesting information for annual report or audit? Here's what you need to do...

As a benefits plan administrator for employers, OPERS is required to provide employers with many types of information. Some information is required by the Governmental Accounting Standards Board (GASB) and assists employers with full disclosure in financial reporting. Please refer to the *Employer Notice* dated February 18, 2010, which describes GASB Statements 12, 27 and 45 reporting requirements.

In addition, when employers are being audited—either internally or externally—requests for information are often sent to OPERS. Both types of requests are completely appropriate. However, we're finding that sometimes employers don't always know exactly what is needed and who to ask for this information. Here's what employers need to know about financial information requests:

GASB 12, 27 and 45 requirements for employer financial reporting

GASB specifies required retirement contribution information for which employers are required to disclose. As your retirement benefit administrator, OPERS can provide you with the information needed to help you compile your annual report and respond to internal and external auditors so that you are in compliance with financial disclosure principles.

Auditors and employers requesting information to help compile financial documents typically ask OPERS to send the information directly to them. Internally, we

handle the request to verify contributions reported or paid by opening a request file for you; then we'll notify our Accounts Receivable unit to verify information and generate a letter directly to the requesting employer. Employers should expect this process to take about two business days from the receipt of the request.

Independent confirmation of contributions paid

Whether for an auditor or for compiling an annual report, sometimes employers need verification of contributions paid. If the financial information requested needs to be sent to a third party, including an auditing agency or firm, a written request from you, as the employer entity, is necessary. Here's what you need to do:

- As the employer, you must submit a written request on your letterhead that includes:
 - The time period being audited,
 - Whether the auditor is requesting a confirmation for liabilities paid *during* the period (cash basis) or *for* the period (accrual basis), and
 - The auditor's contact information (address, email, fax number) where the confirmation information should be sent. Typically, the external auditors request the information be sent directly to them.
- Send your request via fax 614-857-1152 or mail to OPERS' Accounts Receivable.

Employer Payment Remittance Advice (E-3 form): A cautionary tale

Imagine, if you will, sitting down to pay your monthly bills. You've assembled your usual invoices and statements (mortgage, credit cards, kids' education accounts) from your usual suspects and you have your checking account ready to access (electronic or paper). You realize that three liabilities are from xyz financial institution. In a burst of efficiency, you decide to write one check to xyz and off it goes.

Satisfied, you move on to the next task. Job done? Not so much... When your payment arrives at its destination, the financial institution has no way of knowing how you wanted your payment to be applied. Yes, the funds have arrived. Yes, you have the amount in your account. But the financial institution is forced to determine how you want the payment to be split. Are you paying off your mortgage or just the usual monthly amount? Paying the entire credit card balance? How much goes into savings? The decisions the institution makes for you could trigger further liabilities in the form of penalties or interest accruals. The clock is ticking on due dates, so a representative applies your payments using a pre-established hierarchy.

So it goes

Take the cautionary tale above and layer 3,400 employers—all of whom are paying and reporting retirement contributions—some of whom are paying additional liabilities. To avoid this scenario, the *Employer Payment Remittance Advice* was created.

Employer Payment Remittance Advice: Hero of our tale

The *Employer Payment Remittance Advice* is a vital informational resource; it tells OPERS exactly how you want funds distributed. Without the E-3 form, funds will be allocated based upon the pre-established hierarchy and may not be allocated as you intended.

Why we care

Let's face it, without an accurate E-3 form, OPERS must apply a pre-established hierarchy to work through the information—which increases the probability of OPERS not applying the payment as you intended.

Accuracy counts

Many employers submit the *Employer Payment Remittance Advice* (E-3 form), but have completed it with low accuracy.

Here are the most common errors found on the *Employer Payment Remittance Advice*:

- Unusable employer code data:
 - Using an incorrect code,
 - No code filled in, or
 - Using another retirement system's employer code;
- Noting funds incorrectly—all lumped together in a common group so that usual monthly contributions are listed with other liabilities. For example, service purchase by payroll deduction liabilities lumped together with your Regular Report of Retirement Contributions liabilities;
- Funds listed on the form do not match checks sent; and
- Using an older version of the form.

Don't risk it

It's in everyone's best interest to get the information right the first time and avoid errors by submitting the *Employer Payment Remittance Advice* on ECS. Simply choose to pay your net liability, or select the charges you wish to pay. Either way, the information is transmitted to OPERS and when your payment arrives, it will be applied just as you have intended.



Mailbox:

Q: What am I supposed to do with the *Employer Account Summary* that comes every month? Is this an invoice?

A: Your question gives us an excellent opportunity to reinforce why the *Employer Account Summary* was created and what function it serves.

The *Employer Account Summary* is sent to all OPERS-contributing employers. Beginning in 2008, the document was prepared and sent monthly, rather than quarterly, reflecting the monthly requirement for remittance of employer liabilities. The *Employer Account Summary* is an important informational tool for finance directors and payroll professionals. Because the individualized summary supplies a recap of your employer retirement contribution payment activity with OPERS, it can

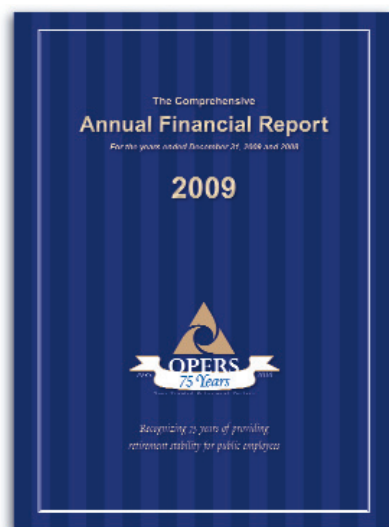
be used as a supporting schedule in your annual audit, and to track year-long forecasting. A few important reminders to know about the document:

- The *Employer Account Summary* is not an invoice and should not be used as such. Here's why: Employers who wait until the end of the month (close to the due date) to forward their *Report of Retirement Contributions*, may find that the related employer-liability charge will not appear on their summary until after the due date. Therefore, if you wait to receive the *Employer Account Summary* to remit your employer liability payment and the payment is received after the due date, you'll be assessed a late payment penalty and interest charges.
- The *Employer Account Summary* has detailed information including due dates of outstanding liabilities.
- Penalties, interest charges, and service purchase billings for elected officials, interrupted military service and delinquent contributions are invoiced via a letter.

Info to Go

Comprehensive Annual Financial Report 2009

OPERS is committed to providing all employers, members and stakeholders complete and accurate financial information. To that end, the *Comprehensive Annual Financial Report* for the years ending 2009 and 2008 is now available. Employers will find the annual report especially useful because it has important information including the latest actuarial reports, information on the funded status of the System and other post-employment benefits (OPEB).



OPERS is required to publish the annual report prior to July 1 for the preceding year. However, because the annual report is used by many employers to complete specific financial statements and/or to create organization-specific annual reports, the OPERS annual report is usually available well in advance of that mandated dead-

line. All employers are encouraged to review the OPERS annual report, available electronically at www.opers.org. Requests for printed documents or additional financial information should be sent to OPERS, Director—Finance, 277 E. Town St., Columbus, OH 43215.

PHR online saves time

Remember, the *Personal History Record (PHR)* is online and saves you time. How? Well, employers capture important employee information only once because the online PHR only captures information that is part of the new-hire process. In addition, tracking down signatures is no longer necessary because submitting the PHR electronically provides automatic authorization. Employers who report electronically are required to submit their PHRs electronically.

Conversion plan submissions reminder...

Remember new requirements for conversion plans became effective March 31. At that time, any employer with an annual conversion plan from which retirement contributions are withheld and remitted to OPERS was required to have the conversion plan pre-approved by OPERS prior to annual payouts. This is an important check to ensure retirement accounts and benefit calculations are accurate—vital to the financial security of your employees.

As a reminder, as of March 31, 2010, employers are required to:

- **Annually** submit current conversion plan documentation to OPERS for approval (after approved by employer's governing body), and
- Submit supporting documentation each time conversion payments are made and reported. Specifically, employers must include:
 - A list of all employees receiving payments under each conversion plan (some employers will have more than one conversion plan for different types of employees), and
 - Information on each employee's annual leave accruals.

Thanks to all employers who have complied...



Pam Bailey

Special recognition and a gold star to Pam Bailey, representing Butler County. Her *Annual Conversion Plan* submission was the first submitted to Employer Reporting to be within the stated deadline and 100 percent compliant with all aspects of plan execution. *Please accept our thanks.*

ECS Update

Feel like we haven't talked about ECS lately? That's because 81 percent of all employers are now reporting via ECS—meaning 99 percent of all OPERS-contributing employees are reported via ECS. Employers agree—online saves time.

Training options: 3Q and 4Q training lineup

Employer Outreach has many training options available to help make all aspects of retirement contribution reporting accurate and efficient for those employees in your organization responsible for these functions. Here's an overview of employer-specific training options coming your way through the end of the year.

Employer Contribution System (ECS) Workshop:

If you're currently using ECS to submit the *Report of Retirement Contributions*, this workshop is designed to help you learn more about ECS and continue to invest in your productivity.

| Date | Time | Location |
|------------------------|---------------------|--------------|
| Tuesday, August 10 | 10 A.M.-12:30 P.M. | Westlake |
| Thursday, September 23 | 10 A.M. -12:30 P.M. | Warren |
| Tuesday, October 19 | 10 A.M. -12:30 P.M. | North Canton |
| Thursday, November 4 | 10 A.M. -12:30 P.M. | Cambridge |

Retirement Overview for Employers

Employers will receive an overview of OPERS' retirement and health care so that you're better able to handle your responsibilities. This course is offered as a *Web-based seminar through the remainder of the year.*

| Date | Time |
|------------|---------------|
| July 20 | 10-11:30 A.M. |
| August 24 | 2-3:30 P.M. |
| October 14 | 10-11:30 A.M. |
| November 9 | 2-3:30 P.M. |

ECS Demonstration

The Employer Contribution System (ECS) is safe, efficient and convenient. Currently, 81 percent of OPERS-reporting employers use ECS. Learn more about it in this one-hour Web demonstration available on *Wednesdays*:

| Date | Time |
|--------------|------------|
| August 18 | 10-11 A.M. |
| September 15 | 10-11 A.M. |
| October 13 | 2-3 P.M. |

Retirement Plans and Service Credit

This is an interactive seminar for payroll and human resources professionals with a detailed overview on OPERS' retirement plans and service credit.

The final regional Retirement Plan and Service Credit seminar for 2010 will be Thursday, August 26 at 9:30 A.M. in Springfield.

Web-based seminars for Retirement Plans and Service Credit offered:

| Date | Time |
|-----------------------|----------------|
| Wednesday, July 14 | 10 -11:30 A.M. |
| Thursday, September 9 | 2-3:30 P.M. |
| Wednesday, October 6 | 12-1:30 P.M. |

Complete details and information on signing up can be found on the website at www.opers.org.

Health Care Update

Changes to health care costs for spouses

Employers remain an important resource for retirees—sometimes well into the retirement years. The following information about health care costs for spouses was announced some time ago, and now the implementation date is getting close. Because this is a change, it's important for current retirees, and those employees who are contemplating retirement, to fully understand any health care changes. Please review carefully so that, as an employer, you are fully knowledgeable about this change.

Spouses under age 55

Effective Jan. 1, 2011, OPERS will not subsidize the monthly health care premium cost for covered spouses under the age of 55. Retirees may continue to cover a spouse under the age of 55, but the full cost of the health care premium must be paid by the retiree. This change applies to spouses of current and future retirees.

If a spouse is enrolled in the OPERS health care plan, OPERS will resume subsidizing their health care coverage premium beginning the month they reach age 55. However, if the spouse is not enrolled in the health care plan, reaching age 55 will not be considered a qualifying event that would allow for immediate enrollment in the plan. Retirees will have the opportunity to enroll spouses during the next open enrollment period.

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Not everyone is affected

Here's a breakdown of who is and who is not affected by this change. Take a look:

Who is affected?

Those who are under age 55 as of Jan. 1, 2011 and who are spouses of:

- Age-and-service retirees,
- Retirees who converted from a disability benefit to an age-and-service benefit, and
- Survivor benefits recipients whose health care coverage subsidy has been grandfathered.

Who is NOT affected?

In general, the individuals NOT affected by the change are:

- Spouses of disability benefit recipients,
- A spouse who is receiving a benefit as the surviving spouse of an age-and-service retiree (joint and survivor annuity), or as the surviving spouse of a deceased active member (receiving a survivor benefit);
- Spouses with early Medicare, and
- Dependent children.

Costs available

Information is always the key to making a good decision. The costs for continuing a spouse's coverage will be listed in the *2011 Open Enrollment Cost Statement*. Cost statements will be mailed to retirees in September.

As always, visit the OPERS website, www.opers.org, for more information.

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.