

OPERS
EMPLOYER Notice

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

Note:

This *Service Purchase Reporting Kit* contains:

- *Special Edition Employer Notice* with an overview (page 1)
- Questions and answers to help you transition smoothly and accurately to the new requirements (pages 2-3)
- Important dates (page 4)
- Sample editions of the new forms that will be used (insert)
- Revised *Employer Manual* pages (enclosed)

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 your organization designated to receive communications about service purchases 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



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www.opers.org

Specific questions about *Report of Service Purchase Deductions*

The question posed was...	The OPERS response is...
<p>What if deductions are reported for an employee who is not contributing to OPERS?</p> <p><i>What happens when...</i> Deductions are reported after the employee's last month of employment (for any reason, including retirement or death)?</p> <p>What if deductions are reported for an employee who no longer appears on the report generated by OPERS?</p> <p>How are final deductions handled?</p> <p>Differences between reported deductions and payment:</p> <ul style="list-style-type: none"> • Pre-tax deduction does not equal employee-selected amount • Total reported deductions do not match payments • We reported a deduction for incorrect employee, or the amount is incorrect. • How do I request a refund of a deduction reported in error? 	<p>Service credit deductions are not accepted for non-OPERS-contributing employees. The last month of OPERS contributions is also the last month of service purchase deductions. Note that any Pay Period End codes (PPE) on a <i>Report of Retirement Contributions</i> will be applied to the <i>Report of Service Purchase Deductions</i>. The PPE code will determine if a service purchase deduction is accepted or refunded.</p> <p>Deductions reported for time periods after the last month of employment will be refunded to the employer to return to the employee.</p> <p>Usually, this means the employee's enrollment is no longer valid. This can happen for many reasons including the service purchase may be paid in full or a <i>Change Payment Option</i> form has been submitted by the employee directly to OPERS. The deduction will be refunded to the employer to return to the employee.</p> <p>This process has been simplified from the previous procedure. Now, approximately 90 days before the employee's final deduction, employers will receive a <i>Final Deduction Notice</i> telling you when the final payroll deduction should be taken for the employee's service purchase, and the amount. Overpayments will be refunded to the employer. Please note: Final payments are typically a different amount than what the employee had been deducting during the purchase, so adjustments may be necessary in your payroll system.</p> <p>If the final amount received for a post-tax service purchase is less than the final amount due, employers will be sent a <i>Final Deduction Underpayment</i> letter that includes the additional amount due, including interest.</p> <p>Pre-tax deductions must be taken for the amount specified on the <i>Service Purchase Enrollment Letter</i> sent to you from OPERS. This deduction will be reported in the Monthly Authorized Deductions column of the <i>Report of Service Purchase Deductions</i>. If the payment received is different from the amount listed, a refund will be generated for the employer to process back to the employee.</p> <p>Always verify the total deductions reported on the <i>Report of Service Purchase Deductions</i> with the payment being remitted. Underpayments will cause delays in processing the entire report and may cause penalties.</p> <p>Verify each employee's deduction. Remember that the employees listed on the <i>Report of Service Purchase Deductions</i> may be in different order than on your payroll report.</p> <p>Submit a corrected <i>Report of Service Purchase Deductions</i> with a written explanation of the error and deduction needing refunded.</p>

This Employer Notice reviews some of the most common questions and concerns employers may have regarding the new Report of Service Purchase Deductions.

Important Information for Employers Regarding *Report of Service Purchase Deductions*

General guidelines to remember...

Reports and payments must be submitted by the due date for all service purchase deductions withheld from your employees' paychecks.

If OPERS receives two reports for the same period, a *Duplicate Report Notice* will be sent to employers requesting clarification. If the duplicate report represents a different report period, a corrected report must be submitted to OPERS by the correct due date to avoid penalties.

As a time-saving convenience, the service purchase system is designed to pull the Pay Period End codes from the regular *Report of Retirement Contributions*. Therefore, you'll want to remember that if an error is made on your regular report, that error will flow through to your service purchase report as well.

Specific questions about *Report of Service Purchase Deductions*

The question posed was...	The OPERS response is...
<p>If the reports are still pre-filled with employee names, what are employers to fill out?</p>	<p>Employers will complete:</p> <ul style="list-style-type: none"> • The deduction amount withheld must be entered in the Service Purchase Deduction Taken column. • If applicable, the appropriate Deduction End (DE) code must be entered in the DE column. The Deduction End codes are listed on the form. • Sum total deductions, sign and date.
<p>What report period do I use?</p>	<p>Service purchase deductions must be reported for the monthly period when the deductions are withheld, regardless of when the earnings were paid. Refer to the Report for Month Ending date at the top left of the <i>Report of Service Purchase Deductions</i> to verify dates.</p>
<p>When is the <i>Report of Service Purchase Deductions</i> due?</p>	<p>You'll always be able to find the pre-filled Report Due Date at the top right of the report. Please remember late reports or payments are subject to penalties.</p>
<p>Do I submit a report if no deductions are withheld?</p>	<p>Yes. A completed report is required by the due date even if there are no deductions. You'll simply need to put a zero in the Service Purchase Deduction Taken column for each employee.</p> <p>Note: If a zero deduction is reported on the pre-tax report, a letter will be sent to the employer advising that pre-tax deductions must be taken.</p>
<p>What if I put the amount on the regular <i>Report of Retirement Contributions</i>?</p>	<p>Never report service purchase deductions on a <i>Report of Retirement Contributions</i>. If this inadvertently happens, the employee's earnings will be overstated, resulting in incorrect contribution amounts. In addition, the employee's service purchase will not be updated.</p> <p>If this happens:</p> <ul style="list-style-type: none"> • You'll need to request a refund by completing and submitting the <i>Employer Request for Return of Unauthorized Contributions</i> (form f-103). • You must correctly report the deductions by submitting a completed <i>Report of Service Purchase Deductions</i> with payment for the correct report period.

Implementation Calendar:

July:

New *Report of Service Purchase Deductions* forms sent to employers

July:

First report to be submitted on the new form

October:

Test site open for ECS-reporting employers to submit test files in the required format

November:

ECS available for electronic submission of *Report of Service Purchase Deductions*

What you need to do

Please review all information included in this kit. Careful review will help ensure your service purchase reporting processes are revised so that, going forward, these reports are accurately submitted in a timely fashion. As with all OPERS reporting, submitting required reports on time and accurately will help avoid penalties.

When you receive the updated *Report of Service Purchase Deductions*, review the document to ensure you have the correct document—some employers will receive both the pre-tax and post-tax versions; others will not. (OPERS generates forms based on the option employees selected on the *Payment Option* form included with their service purchase *Cost Statement*.)

- For pre-tax reports:
 - o Review employee names; only add an employee if you've received an enrollment letter from OPERS. (Adding employees prior to receipt of the enrollment letter will result in deductions being refunded to the employer as unauthorized.)
 - o Complete any applicable Deduction End codes, and
 - o Forward the report, with payment, to OPERS by the due date.
- For post-tax reports:
 - o Review employee names; only add an employee if you've received an enrollment letter from OPERS. (Adding employees prior to receipt of the enrollment letter will result in deductions being refunded to the employer as unauthorized.)
 - o Fill in the amount of the service purchase deduction for each employee,
 - o Complete any applicable Deduction End codes, and
 - o Forward the report, with payment, by the due date.

Paper *Reports of Service Purchase Deductions* may be sent to OPERS two ways:

- Via U.S. mail: OPERS, Employer Reporting, 277 E. Town St., Columbus, OH 43215, or
- Via fax: (614) 857-1095

Why this is important

OPERS is committed to partnering with Ohio's public employers to ensure all OPERS members, your employees, are well served by having accurate, complete, and timely deduction data and payments remitted. Inaccurate reporting or payment may result in unauthorized refunds, potential penalties and, ultimately, higher costs for employees.

Who to contact for more information

After you review this *Employer Notice*, contact your Employer Outreach representative with questions at 1-888-400-0965 or via the Internet at employeroutreach@opers.org.

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.



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Job Aid: **NEW** Report of Service Purchase Deductions—Pre-Tax

General comments:

- Do not begin deductions for any employee before you receive the official *Service Purchase Enrollment Letter* from OPERS. This letter lets you know the name, monthly amount and tax status you'll need to set up the deduction in your payroll system. An enrollment letter will only be sent after an employee's *Service Purchase Payment Option* form has been received and approved by OPERS.
- Deductions must begin within 60 days of receipt of the enrollment letter.
- A pre-printed *Report of Service Purchase Deductions—Pre-tax* will be mailed to employers the last week of the month for that month's payroll deduction reporting. The pre-printed report will have all employees who have enrolled in pre-tax payroll deductions.
- For these reports, the sixth digit of your employer code will be an eight.
- Employers will be notified when to stop deductions and the amount of the final deduction via a *Final Deduction Notice* that will be sent approximately 90 days prior to the employee's final deduction.
- Rules for pre-tax service deductions:
 - o Employees may not increase, decrease or terminate deductions.
 - o Employees may not submit additional payments, rollovers, or pay-in-full by lump-sum payment.
 - o Once begun, the deductions must continue until purchase is paid in full or the employee terminates.
 - o At no time can the employee opt to change to post-tax deductions.

Here are the Deduction End codes

Where necessary, a Deduction End code must be added to the employee's line on the report. OPERS has established two scenarios where a Deduction End code is required:

- Final Deduction and
- Insufficient Net Pay.

Report for month ending date

Due date

Here's where you'll list the appropriate Deduction End codes.

Amount remitted to OPERS must match the amount shown here.

REPORT OF SERVICE PURCHASE DEDUCTIONS - Pre-Tax						
REPORT FOR MONTH ENDING 2/28/2007		PAGE 1 OF 1		REPORT DUE DATE 3/31/2007		
Code 1111-18	Employer Name INCORPORATED					
Social Security Number	NAME (Last, First, MI)	Deduction Authorized Date	Monthly Authorized Deductions	DE	Service Purchase Deduction Taken	
111-11-1111	Doe, John Q	10/10/2007	\$200.00			
111-11-1111	Doe, John Q	10/10/2007	\$100.00			
111-11-1111	Doe, John Q	10/10/2007	\$300.00			
111-11-1111	Doe, John Q	10/10/2007	\$500.00			
111-11-1111	Doe, John Q	10/10/2007	\$250.00			
111-11-1111	Doe, John Q	10/10/2007	\$150.00			
111-11-1111	Doe, John Q	10/10/2007	\$100.00			
SAMPLE ONLY						
DE - Deduction End Codes		Mail To:		TOTAL THIS PAGE		
Z - FINAL DEDUCTION PER OPERS NOTICE		Ohio Public Employees Retirement System 277 E. Town St. Columbus, OH 43215		CUMULATIVE TOTAL		
G - INSUFFICIENT NET PAY FOR WITHHOLDING				Questions on using this form? Contact 1-888-400-0965		
				Certification of Payroll Officer		
				Signature _____ Date _____		
				For OPERS Use Only		
				Postmark Date _____ Report ID# _____		

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Job Aid: **NEW** Report of Service Purchase Deductions—Post-Tax

General comments:

- Do not begin deductions before you receive the official *Service Purchase Enrollment Letter* from OPERS. This letter lets you know the name, monthly amount and tax status you'll need to set up the deduction in your payroll system. An enrollment letter will only be sent after an employee's *Service Purchase Payment Option* form has been received and approved by OPERS.
- Deductions must begin within 60 days of receipt of the enrollment letter.
- A pre-printed *Report of Service Purchase Deductions—Post-tax* will be mailed to employers the last week of the month for that month's payroll deduction reporting. The pre-printed report will have all employees who have enrolled in post-tax payroll deductions.
- For these reports, the sixth digit of your employer code will be zero.
- Guidelines for post-tax service deductions:
 - Upon advising their employer, employees may increase, decrease or terminate deductions.
 - Employees may remit to OPERS additional payments, rollovers, or pay in full via a lump-sum payment at any time during the purchase process. If a lump-sum payment completes this purchase, OPERS will notify the employer to stop deductions.
 - Employees may submit a *Service Purchase Change Payment Option* form to OPERS to change the method of payment, or to change from post-tax to pre-tax (if applicable) at any time during the purchase process.
- Employers will be notified when to stop deductions and the amount of the final deduction via a *Final Deduction Notice* that will be sent approximately 90 days prior to the employee's final deduction.

Here are the new Deduction End codes

Where necessary, a Deduction End code must be added to the employee's line on the report. OPERS has established three scenarios where a Deduction End code is required:

- Final Deduction,
- Insufficient Net Pay, and
- Employee request to terminate deductions (*post-tax purchases only*).

Report for month ending date

Due date

Here's where you'll list the appropriate Deduction End codes.

Amount remitted to OPERS must be filled in monthly with the amount withheld from the employee for the service purchase.

REPORT OF SERVICE PURCHASE DEDUCTIONS - Post-Tax						
REPORT FOR MONTH ENDING 2/28/2007		PAGE 1 OF 1		REPORT DUE DATE 3/31/2007		
Code 1111-10	Employer Name INCORPORATED					
Social Security Number	NAME (Last, First, MI)	Deduction Authorized Date	Monthly Authorized Deductions	DE	Service Purchase Deduction Taken	
111-11-1111	Doe, John Q	10/10/2007	\$200.00			
111-11-1111	Doe, John Q	10/10/2007	\$100.00			
111-11-1111	Doe, John Q	10/10/2007	\$300.00			
111-11-1111	Doe, John Q	10/10/2007	\$500.00			
111-11-1111	Doe, John Q	10/10/2007	\$250.00			
111-11-1111	Doe, John Q	10/10/2007	\$150.00			
111-11-1111	Doe, John Q	10/10/2007	\$100.00			
SAMPLE ONLY						
DE - Deduction End Codes				TOTAL THIS PAGE		
Z - FINAL DEDUCTION PER OPERS NOTICE				CUMULATIVE TOTAL		
G - INSUFFICIENT NET PAY FOR WITHHOLDING				Questions on using this form? Contact 1-888-400-0965		
K - TERMINATED DEDUCTION				Certification of Payroll Officer		
Mail To: Ohio Public Employees Retirement System 277 E. Town St. Columbus, OH 43215				Signature _____ Date _____		
				For OPERS Use Only		
OPERS NO.4710-3 REV 7/2007				Postmark Date		Report ID#

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