

# Changing Your Retirement Plan

*For Members in the Member-Directed Plan*



The 11-member OPERS Board of Trustees is responsible for the administration and management of OPERS. Seven of the 11 members are elected by the groups that they represent (i.e., college and university non-teaching employees, state, county, municipal, and miscellaneous employees, and retirees); the Director of the Department of Administrative Services for the State of Ohio is a statutory member, and three members are investment experts appointed by the Governor, the Treasurer of State, and jointly by the Speaker of the Ohio House of Representatives and the President of the Ohio Senate.

For a current listing of OPERS Board members, please visit [www.opers.org](http://www.opers.org)

It is your responsibility to be certain that OPERS has your current 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 booklet is written in plain language for use by members of 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.

# Changing Your Retirement Plan - Member-Directed Plan

Members who are eligible to select one of the OPERS retirement plans are also eligible to change their plan once during their public employment.

Members who are not eligible to change their retirement plan selection include those who had accrued five or more years of total service credit as of Dec. 31, 2002, OPERS law enforcement and public safety officers (regardless of the amount of accrued service credit) and OPERS retirees and other state retirement system retirees who return to OPERS-covered employment and contribute to a Money Purchase Plan.

## Eligibility to Change Retirement Plans

If you are actively contributing to the Member-Directed Plan, you have one opportunity to change your retirement plan to the Traditional Pension Plan.

Each eligible member actively contributing to OPERS has one plan change opportunity which can be done at any time during their career, regardless of how many times they've changed plans prior to

It is important to note that changing your retirement plan is not a retroactive change of your initial retirement plan selection; it is a change in the retirement plan you will contribute to going forward. A change in retirement plans will impact OPERS benefits that may be available to you. This leaflet provides only general information about changing from the Member-Directed Plan. Your situation is unique.

July 1, 2015, and regardless of their amount of total service credit.

Keep in mind, once you change your retirement plan, the change is **irrevocable** and you will not be permitted to change your retirement plan again.



**Before changing your retirement plan, you should meet with an OPERS counselor, over the phone or virtually, to make sure you fully understand how your benefits are affected. Call 1-800-222-7377 to set up an appointment.**

# Changing Your Retirement Plan - Member-Directed Plan

## Should You Change Retirement Plans?

Reviewing your original plan selection process and reassessing your retirement goals may help you make a decision about whether to change your retirement plan. Each of the OPERS retirement plans offers many features and benefits (refer to the *Plan Selection Workbook* and *Benefits of Membership Handbook* available at [opers.org](http://opers.org)).

A number of factors went into your decision to select the Member-Directed Plan and those same factors will also impact your decision to change your retirement plan. For example:

- Do you plan to take a refund or retire from public service in Ohio?
- How long do you plan to be employed in public service in Ohio?
- What benefits are important to you?
- Do you want to continue directing investments in an OPERS individual account?
- Do you have service credit available to purchase?

**You should seriously consider the potential consequences involved with a retirement plan change. Before you make a change in your retirement plan, you should consider all of your alternatives. If you are concerned about possible losses in the investment market, a change in asset allocation among the OPERS Investment Options may be an alternative to changing retirement plans. You also may want to consult a financial advisor to review your financial goals before you make a decision about changing retirement plans.**



# Changing Your Retirement Plan - Member-Directed Plan

## Two Options for Changing Retirement Plans

Changing your retirement plan has important consequences that will impact both the benefits you have accrued under your current retirement plan and the benefits you will accrue under your new retirement plan.

Each of the OPERS retirement plans is a separate, qualified retirement plan. Contributions and service credit under the OPERS retirement plans are not combined for purposes of determining eligibility for, or calculating, benefits under any of the OPERS retirement plans. Except in certain instances, contributions and service credit accrued under each plan are administered under the terms of that plan.

If you change to the Traditional Pension Plan, your benefits under the Member-Directed Plan will stop accruing. You have two options to consider.

### **Option 1: You can elect to change plans prospectively and start over in the new plan.**

Benefits under the Member-Directed Plan will be based on the contributions and contributing months you have accrued as of the date you cease active participation in the Member-Directed Plan. As long as you have contributions on deposit in the Member-Directed Plan you can continue to direct their investment and your benefits under the Member-Directed Plan will continue to be administered under that plan.

A monthly administrative fee of \$6 will be charged on all accounts, regardless of the balance. This fee is subject to change. Since you are no longer contributing to the plan, this fee will first be deducted from your member contributions, then your employer contributions, and voluntary contributions and roll over deposits.

**Note: Each of the OPERS retirement plans is a separate, qualified retirement plan. Contributions and service credit under the OPERS retirement plans are not combined for purposes of determining eligibility for, or calculating, benefits under any of the OPERS retirement plans. Except in certain instances, contributions and service credit accrued under each plan are administered under the terms of that plan.**

# Changing Your Retirement Plan - Member-Directed Plan

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## Two Options for Changing Retirement Plans Continued

### **Option 2: You can elect to purchase your Member-Directed Plan service in your new plan.**

If you change your retirement plan to the Traditional Pension Plan, you have the option to purchase your Member-Directed Plan service in the Traditional Pension Plan. The purchased service would represent your contributing service from the Member-Directed Plan, referred to as plan change service credit.

If you were eligible to select a retirement plan between Jan. 1, 2003 and June 30, 2003 and you transferred your accumulated contributions and service credit (which included any purchased service credit) in the Traditional Pension Plan to the Member-Directed Plan, this service credit is referred to as "transferred" service credit. If this applies to you, you may purchase this credit in the Traditional Pension Plan.

If you decide to purchase plan change service credit and, if applicable, transferred credit in your new plan, the vested portion of your individual account balance in the Member-Directed Plan will be applied toward the cost of the service credit. The vested portion of your individual account will first be applied toward the purchase of transferred service (if applicable). Any remaining amounts will be applied toward the purchase of plan change service credit. Other restrictions also apply to this purchase.

If you change to the Traditional Pension Plan and purchase your Member-Directed Plan service in your new plan, there will be a one-year waiting period from the effective date of the plan change before you can apply for a disability benefit or your survivors can apply for a survivor or death benefit, assuming you meet all other requirements.

## How your Retiree Medical Account will be impacted if purchasing plan change service credit in your new retirement plan

### **If You Purchase Plan Change Service Credit**

If you elect to purchase service in the Traditional Pension Plan representing your time in the Member-Directed Plan, the purchase is irrevocable and all contributing months in the Member-Directed Plan will be cancelled. In addition, all vested and non-vested amounts in your Retiree Medical Account will be forfeited. The non-vested portion of the employer contributions under the Member-Directed Plan will also be forfeited.

### **If You Do Not Purchase Plan Change Service Credit**

If you elect not to purchase this service credit, only the contributions and service credit you earn or purchase in your new retirement plan after the plan change effective date will be used to determine eligibility for benefits under your new plan. Any benefits you have accrued under the Member-Directed Plan will still be administered by that plan and, similar to the non-vested portion of your individual account, only the non-vested amount in your Retiree Medical Account will be forfeited upon refund or retirement from the Member-Directed Plan.

# Changing Your Retirement Plan - Member-Directed Plan

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## Consequences of Purchasing Plan Change Service Credit in Your New Retirement Plan

### Transferred Service Credit

If you have transferred service credit and you elect to purchase it in the Traditional Pension Plan, it is important to understand how this service credit will be used to determine your benefits.

If you change your plan to the Traditional Pension Plan and purchase transferred service credit, it is:

- Used to determine **eligibility** for and the **calculation** of retirement, disability, and survivor benefits under the Traditional Pension Plan.
- Used to determine **eligibility** for access to the OPERS health care program.\*
- Used to determine **eligibility** for an additional amount upon a refund from the Traditional Pension Plan.

### Plan Change Service Credit

Again, plan change service credit represents your contributing service under the Member-Directed Plan. It is important for you to understand how plan change service credit will be used to determine your benefits under your new retirement plan.

In the Traditional Pension Plan, plan change service credit is:

- Used to determine **eligibility** for and the **calculation** of retirement, disability, survivor, and death benefits.
- Used to determine **eligibility** for access to the OPERS health care program.\*
- **Not** used to determine **eligibility** for an additional amount upon a refund from the Traditional Pension Plan. Only contributing service and certain other types of purchased service credit in your new plan may be used to determine eligibility for an additional amount on a refund.

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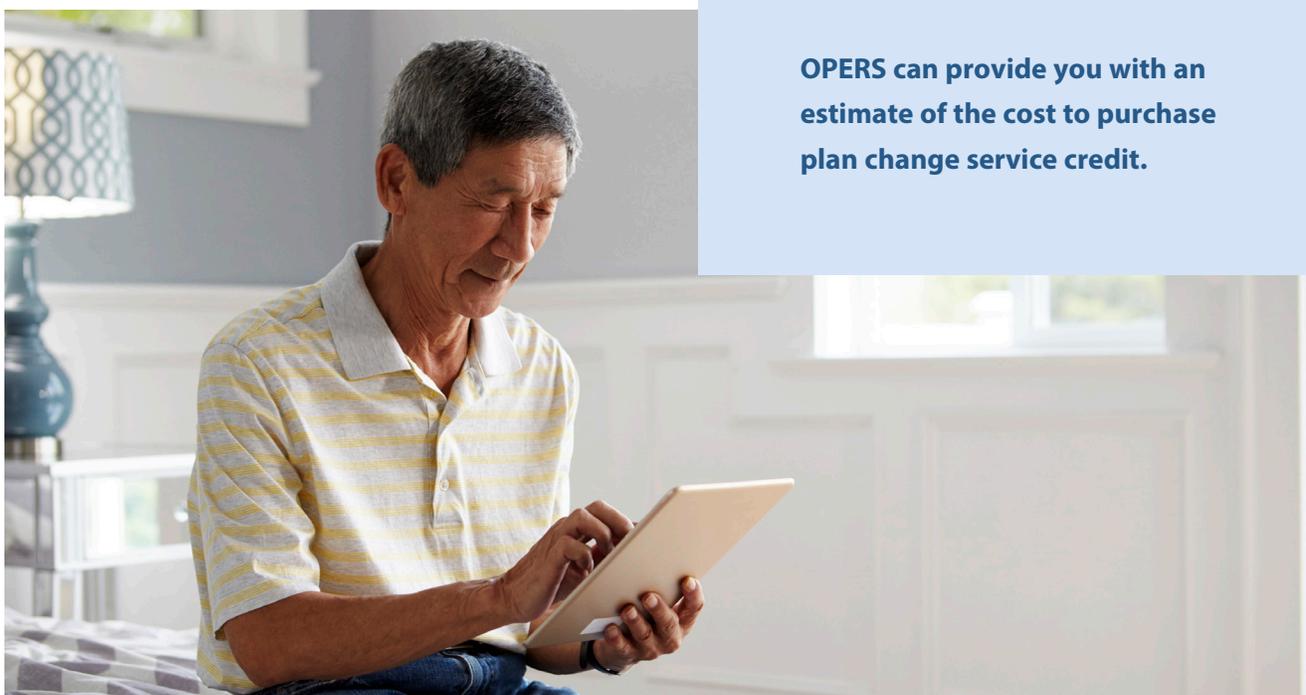
*\*While OPERS is not required to provide health care coverage by law, OPERS recognizes the important role it plays as part of a secure retirement for participants in the Traditional Pension Plan and the Combined Plan. Not all types of service credit are used to determine eligibility for the OPERS health care program. Refer to the Service Credit and Contributing Months leaflet for details. Refer to the OPERS Health Care Program Guide or [opers.org/health-care](http://opers.org/health-care) for details on the program and eligibility.*

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## The Cost to Purchase Service Credit in the Traditional Pension Plan

The cost of plan change service credit is determined by an actuarial calculation that represents the additional actuarial liability to your new plan and provides for an equivalent amount of service credit to be purchased in your new plan. It also takes into consideration whether the purchase allows an earlier retirement with an unreduced benefit. All cost calculations are subject to change by the OPERS Board of Trustees. Upon request, OPERS will provide you with an estimate of the cost to purchase plan change service credit and, if applicable, the cost to restore any transferred service. Keep in mind the value of your Member-Directed Plan account fluctuates daily, so the actual dollar amount you will have available to apply toward the purchase cannot be determined until the vested account balance is liquidated in the Member-Directed Plan.



**OPERS can provide you with an estimate of the cost to purchase plan change service credit.**

## Changing Your Retirement Plan - Member-Directed Plan

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### Paying for Service Credit in the Traditional Pension Plan (for plan changes after July 1, 2015 )

If you are plan changing to the Traditional Pension Plan and the vested portion of your individual account balance is insufficient to pay the full cost of the service purchase, you will have 60 months to make payments toward the service purchase after OPERS transfers the prior funds to the new plan. After the 60-month period, you will be permitted to make one payment to purchase any remaining service credit. Any service that is not purchased is forfeited.

If the amounts available in the Member-Directed Plan are more than the cost of the service credit in your new plan, **you have two options:**

- First, you may leave the remaining balance in the Member-Directed Plan and continue to direct the investments of those funds within your individual account. The remaining balance in the Member-Directed Plan will be reclassified as a rollover and will have no corresponding contributing months. A monthly administrative

fee of \$6 will be charged on all accounts, regardless of the balance. This fee is subject to change. Since you are no longer contributing to the plan, this fee will first be deducted from your member contributions, then your employer contributions, and voluntary contributions and roll over deposits. Also, your account will continue to be subject to investment gains and losses.

- Or, you may transfer the remaining balance to the Traditional Pension Plan. The excess money will be deposited into the Additional Annuity Program and managed by OPERS. Please see the *Additional Annuity Program* leaflet, available at [opers.org](http://opers.org) for details.

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## Paying for Service Credit in the Traditional Pension Plan by Post-Tax Payroll Deduction

### Requirements for Post-Tax Payroll Deductions for Plan Changes Effective on or Before July 1, 2015

*Term of payments* - If you elect to pay for your remaining service credit using post-tax payroll deductions, the minimum monthly payment must be the greater of \$100 or the amount necessary to purchase your service credit over a period of 60 months. The duration of your payments is the lesser of 60 months or the time it takes to purchase your service. The 60-month term starts with the date you make an initial payment. An initial payment is either your first payroll deduction or your first partial lump sum payment, whichever comes first.

*Minimum payment amount* - Interest begins accruing from the date the initial payment is made. Every monthly payroll deduction must be an amount necessary to pay the monthly interest and purchase a minimal amount of service credit. Any payroll deduction that does not purchase a minimal amount of service credit will result in your payroll deductions ceasing and you will forfeit the remaining amount of service credit and will not be permitted to purchase it at any point in the future.

*Consequences of stopping payroll deductions* - You must make continuous monthly payroll deductions in order to purchase all the service credit. If you elect to stop your deductions or if the deductions stop for any reason beyond your control, such as termination of your current OPERS-covered position or a decrease in your pay, you will forfeit the remaining amount of service credit and will not be permitted to purchase it at any point in the future.

### Requirements for Post-Tax Payroll Deductions for Plan Changes Effective Aug. 1, 2015 and Later

*Terms of payments* - If you elect to pay for your remaining service credit using post-tax payroll deductions, the minimum monthly payment must be the greater of \$100 or the amount necessary to purchase your service credit over a period of 60 months. The duration of your payment is the lesser of 60 months or the time it takes to purchase your service. The 60-month term begins with the transfer of funds from your prior plan. After the 60-month period, any remaining service credit can be purchased by one additional payment that will be based upon a recalculation of cost at the point in time of the request. Any service credit not purchased is forfeited.

*Minimum payment amount* - Interest begins accruing from the date the transfer of funds is applied.

Every monthly payroll deduction must be an amount necessary to pay the monthly interest and purchase a minimal amount of service credit. Any payroll deduction that does not purchase a minimal amount of service credit will result in that deduction being returned.





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