

News and information for active members of the Ohio Public Employees Retirement System

Member-Directed Plan

State budget passed without cut to OPERS contribution rate

A message from Chris DeRose, Ohio PERS CEO

After an impasse lasting more than two weeks, the Ohio legislature passed the state budget and it has been signed into law by Governor Strickland. The budget originally contained a proposal to reduce the state contributions to OPERS. We are pleased to announce that this proposal was not a part of the approved budget.

With hard work and the support of many individuals and organizations, we

successfully defended our members and retirees from one of the most significant threats we have faced as a system. If this proposal had been included, it would have reduced the funding from the state to your retirement system by 43 percent

for two years with the potential of paying back OPERS over a 10-year period.

While we sympathized with the severity of the state's budget situation, we worked very hard to convey our position that the proposal would have severely compromised the solvency of the fund and could have threatened the security of our retirees for many years to come.

The Board of Trustees and I vehemently opposed this measure because it would

have had a dramatic impact on members and retirees and had ramifications far beyond the current fiscal emergency -- including increased costs to other public programs. The rest

of this column summarizes why we opposed the proposal so strongly.



Chris DeRose

Impact on retirees – These cuts would reduce or eliminate all contributions being made by Member-Directed Plan participants into their Retiree Medical Account, which threatens the security of future retirees for years to come.

Impact on public employees – It's important to remember that Ohio is a non-Social Security state, meaning that public employees are not eligible for Social Security and are required to pay 10 percent of their salary toward their OPERS retirement. These cuts would have reduced the amount of employer contributions made to the individual accounts of Member-Directed Plan participants, greatly reducing their retirement savings.

Legislative Update

○○○ 2

Did you know you have a Retiree Medical Account?

○○○ 3

Summary Annual Report

Web video offers new way to learn about OPERS retirement plans

○○○ 3



State budget passed without cut to OPERS contribution rate

(continued from page 1)

Impact on OPERS – We do not believe that future Legislatures can be bound by the promise to repay these funds. We therefore would have seen this as a permanent reduction.

Even if the state would have found a way to repay the reduced contributions with interest, we estimated a shortfall of \$183 million after the loan was repaid. The shortfall at the end of the repayment period in 2022 could have been even greater, depending on investment returns.

OPERS has a 74-year history of prudent management to ensure the fund is sustainable for our members and retirees. Our ability to provide these benefits is dependent on employers and employees paying their equitable share of the costs. This proposal would have harmed the system and put it beyond its 30-year funding while reducing our health care solvency and benefits for retirees.

As we shared our opposition to this proposal with the governor and legislature, we received an outpouring of support from members, retirees, stakeholders and other interested parties. Thanks to this support and the hard work of so many, the proposal was dropped from consideration. We want to extend our sincere thanks to all those who became actively involved in this effort. The economic woes of our state and nation are far from over. We will continue to be vigilant in managing your retirement system and safeguarding your benefits.

Legislative update

With the debate over the state budget resolved, OPERS has returned our focus to a recent request made by the Ohio Retirement Study Council (ORSC). The ORSC has asked that the Ohio retirement systems consider a number of options to help contain costs and strengthen the systems' funded status in light of current overall economic challenges. Any changes to benefits provided in the law must be passed by the Ohio legislature.

(continued on page 4)

Ohio PERS NEWS – Your Benefit Connection is a quarterly newsletter providing news and information to more than 374,000 active members of the Ohio Public Employees Retirement System. An active member is anyone currently contributing toward an Ohio PERS retirement benefit. This publication allows us to communicate vital information concerning retirement benefits to our active members and also educate them on the services we provide.

CONTACT INFORMATION:

www.opers.org
1-800-222-7377
newsfeedback@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 newsletter 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.

Did you know you have a Retiree Medical Account?

As a Member-Directed Plan participant, you know you have an individual account that will provide income during your retirement. Did you know you also have a Retiree Medical Account (RMA)?

The RMA is not a comprehensive health care insurance plan. Instead, it is an account you can use to pay for qualified health, dental and vision care expenses not otherwise covered by insurance plans. Because of this, your distributions from the RMA are not subject to federal income taxes. To access your RMA, you must terminate OPERS-covered employment and take a distribution of your individual account.

The RMA is funded by employer contributions. Currently, the amount credited equals 4.50 percent of your gross salary. Unlike your individual account where you choose investment options, OPERS manages and directs the investment of the contributions made to your RMA. The account currently earns a fixed annual rate of 4

percent interest, which is credited at the end of each year based on the previous year's ending balance. (Contribution and interest rates are subject to change based on the Retirement Board's recommendation.)

When you terminate OPERS-covered employment, the amount of money in your RMA that you can use for medical expenses will be based on the number of years you participated in the Member-Directed Plan. The higher the number of years, the more you are "vested" in or entitled to.

Your RMA can only be used to pay health care expenses for you and your qualified dependents. If you die while contributing to or receiving a payment from your RMA, your qualified dependents may use the remaining vested portion of the account for the payment of qualified health care expenses. A list of these expenses is available at www.opers.org.

OPERS sends RMA account statements on a semi-annual basis, in

January and in July. These statements reflect all account activity that took place during the statement period and provides you with an up-to-date account balance. Please pay

Years of Participation in the Member-Directed Plan	Percentage vested
0	0%
1	20%
2	40%
3	60%
4	80%
5	100%

close attention to your statements so you can become familiar with the benefits your RMA provides. You also can access your RMA balance by logging onto our Member Benefits System (MBS) and clicking on the "View your Retiree Medical Account information" link.

For more details please see the Retiree Medical Account for Member-Directed Plan Participants fact sheet available at www.opers.org.

Web video offers new way to learn about the three OPERS retirement plans

There is a new way for members to learn about the three OPERS retirement plans. The *How To Select Your OPERS Retirement Plan* seminar is available for viewing on www.opers.org under "Seminars" in the Member section. Don't let the name of the video fool you – the seminar is full of relevant information for all members.

The seminar has been divided into eight video chapters, so you can watch any or all of the segments depending on your interests and time. This is just one more way to make OPERS retirement plan information convenient for you to access, anytime day or night.



Legislative update *(continued from page 2)*

It is important to note that OPERS is within the statutory amortization window of 30 years. However, other Ohio systems are outside the 30-year window. The ORSC is working to bring all systems within the required timeframe.

The ORSC has requested that Ohio's public pension systems review the following list of benefit areas: increase contribution rates/caps; increase normal retirement age and service; change final average salary; eliminate, reduce or delay COLAs; eliminate lump sum death benefit; change purchase of service credit; establish minimum retirement age regardless of service; and change the calculation of part-time/full-time service credit.

The OPERS Board of Trustees will evaluate all options, as requested by the ORSC and consider whether any changes should be made. Each year, the OPERS Board reviews the benefits offered and makes incremental changes, as necessary, to support the system for our members.

That said, as a fiduciary, OPERS is always looking for efficiencies and ways to improve its operations. Proactive, insightful planning and tough decisions by the OPERS Board allow the fund to weather market volatility to ensure long-term solvency.

Please watch future newsletters and our Web site for updates on this and other important legislative issues.

Ohio PERS Board of Trustees

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 retired members); 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.

Elected Board Members

Eddie Parks
State Employees

Sharon M. Downs
Retired Members

John W. Maurer
Retired Members

Kimberly Russell
State College and
University Employees

Cynthia Sledz
Vice Chair
Miscellaneous
Employees

Ken Thomas
Chair
Municipal Employees

Helen Youngblood
County Employees

Statutory Board Member

Hugh Quill
Director, Department
of Administrative
Services

Appointed Board Members

Lennie Wyatt
Investment Expert
Governor Appointee

Charlie Adkins
Investment Expert
Treasurer of State
Appointee

James R. Tilling
Investment Expert
General Assembly
Appointee

Chris DeRose
Chief Executive Officer