

Ohio PERS

NEWS

YOUR BENEFIT CONNECTION

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

Combined Plan

OPERS plans important changes to the Combined Plan investment options

The OPERS Board of Trustees has voted to change the OPERS investment option lineup to continue providing plan participants with a variety of high quality investment choices to help reach their retirement objectives.

The following modifications will take place during December 2010:

- The six core OPERS investment options will become primarily passively-managed (index) funds. The OPERS Stable Value Fund is the only option that will remain actively-managed. Passively-managed (index) funds provide plan participants with less active risk and lower fees.

- Some of the core OPERS investment options will be re-named to include the word "index," which reflects the change in how they will be managed.

- To provide broader diversification, the asset allocations of certain OPERS Target Date Funds will include Treasury Inflation-Protected Securities (TIPS) and long duration bonds.

These changes will occur automatically and no action is required on your part. However, you are encouraged to review your account periodically to be certain that your portfolio's asset allocation continues to be appropriate for your age, the amount of time left before you expect to retire, and the level of risk you can tolerate.

In addition, the following changes to the fund line-up will also take place in December:

- The OPERS Target 2010 Fund will be phased out as part of the normal allocation rebalancing process. Assets will be automatically transitioned to the OPERS Target Payout Fund unless otherwise directed by the plan participant.
- As the OPERS Target 2010 Fund is removed, the new OPERS Target 2055 Fund will be added. The OPERS Target 2055 Fund may be appropriate for investors who have a long investment period (planning to retire between 2053 and 2057) and are comfortable with fluctuations in the value of the investment.

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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.

OPERS to introduce Self-Directed Brokerage Accounts

Because some plan participants prefer to actively manage their own investment options, OPERS will introduce the option of a self-directed brokerage account (SDBA) to the Combined Plan. The SDBA will offer only mutual funds for purchase and will broaden the amount of active management available to interested plan participants.

The new SDBA option will feature the following parameters:

- Individual account minimum of \$5,000 is required before SDBA can be used
- Maximum of 50 percent of the member's core portfolio can be invested in SDBA

Introduction of the self-directed brokerage account option is scheduled for the first quarter of 2011. OPERS will provide plan participants with more detailed information about these changes in the coming months. Please see future issues of this newsletter, the OPERS website, www.opers.org, and "The Ohio PERSONal Investor" for further information and updates.

You can also register for My Benefits System (MBS) and get 24/7 secure access to your account. Take advantage of the MBS self-service features, and avoid long phone wait times, by managing your investments and reviewing your account online. Register today at www.opers.org.

Why Index Funds?

The asset allocations of all OPERS Target Date Funds have included actively-managed funds in the large cap, small cap, non-U.S. stock, and bond asset classes. These actively-managed funds will be replaced by passively-managed (index) funds in December.

Index funds offer a low-cost, efficient way to invest in these asset classes. They keep management fees, transaction costs, and other expenses to a minimum because there's no active management.

Index funds attempt to invest in exactly the same securities and in the same proportions as the holdings of the index. The best known index is the Dow Jones Industrial Average that follows 30 of the largest U.S. companies. An index is not managed and cannot be invested in directly.

Proposed pension plan changes support our goal of a secure retirement for all

A message from Chris DeRose, CEO

Last year, the OPERS Board of Trustees proposed a set of pension benefit plan design changes to the Traditional Pension Plan. The Board recommended raising the retirement eligibility age, altering the formula to calculate benefits, adjusting the Cost of Living Adjustment (COLA) to tie it to the consumer price index, and increasing the final average salary calculation from 3 to 5 years. This spring, the Board also voted to make these changes applicable to the Combined Plan, once enacted.

These changes are part of a comprehensive funding plan designed to strengthen the pension system, adjust for the increased longevity of our retirees, and allow us to continue to provide access to retiree health care coverage for as long as possible. These and other modifications will help maintain our ability to provide pensions and health care without seeking contribution rate increases from employers or members in a challenging economic environment.

The proposed changes must be enacted by the Ohio General Assembly before they can be implemented. We have strongly advocated for the introduction of pension legislation and we look forward to its passage. We are hopeful that a pension bill can still be introduced following the November elections and passed prior to the end of 2010. We are concentrating our efforts toward that end. However, if legislation is not introduced and passed this year, we will begin 2011 with an aggressive campaign to have the pension changes enacted as early in the year as possible.

Our work to advocate changes to our benefit plan demonstrates our belief that everyone deserves a secure retirement. As the process of enacting pension changes moves forward and in light of recent media coverage of Ohio public pensions, it is important to reiterate that the long-term sustainability of OPERS is not in question. For 75 years, we have provided retirement security to our

members and demonstrated our responsibility to remain well-funded during turbulent times.

All public pension plans including OPERS have been the subject of media scrutiny in recent months. As the state deals with an expected budget deficit in the next biennium, we know that contribution rates and retirement benefits for public workers will remain a focal point in the news. While most of the media coverage has not been focused directly on OPERS, we continue to use our interaction with the media and the legislature to share the value we provide to our members and the state as well as details about our pension fund and the proposed plan design changes. We have also corrected the record any time the media incorrectly reported information about OPERS.

To keep you informed, our responses to recent media coverage and the most up-to-date information on the proposed pension design changes are posted on our web site, www.opers.org. The site features two narrated PowerPoint presentations addressing the proposed changes and the reasons why benefit changes are being recommended.

If you have comments or questions, please feel free to send them to: giveusyourthoughts@opers.org. Thank you for your continued support of OPERS.



Chris DeRose

All OPERS members can receive an online annual statement via My Benefits System (MBS)

All OPERS members have the option to view their annual benefits statement online via My Benefits System (MBS). MBS is a secure site that allows members to view and update their personal OPERS account information. Annual statements are an extremely valuable retirement planning tool. The statements contain all the information necessary to track the progress of your account and receive basic estimates for planning purposes during your career as a public employee. While these statements are a valuable tool, they are also the most costly publication we produce and mail. In light of rising costs and the availability of an online alternative, we strongly encourage all of our members to receive their annual statement via My Benefits System (MBS). Online statements are highly cost-effective and are delivered more promptly than the printed version.

To help members make the transition to an online annual statement, we will generate an online 2010 statement for all members. If you are registered for MBS, you will receive an e-mail notification of your statement's availability in March 2011. When you receive the e-mail, simply log in to MBS and view your statement. If you have not elected to receive an online statement via MBS, you will still receive a paper copy in the mail.

Please be certain that OPERS has your current e-mail address within MBS to ensure timely notification of your statement. You can update your contact information, including your e-mail address, by logging onto MBS. If you are not a registered user of MBS, we encourage you to register today and get 24/7 secure access to your account. Take advantage of the MBS self service features, and avoid long phone wait times, by managing and reviewing your account online.

MBS Registration is quick and easy

1. Log on to www.opers.org
2. Click on the MBS 'Register' button in the top, right corner of the home page. You will need your social security number and an active e-mail account. MBS will guide you through the registration process.

Selecting Online Publications

Once registered, it's simple to select online publications which save time and paper/postage costs:

1. Log in to MBS and select the "My Contact Info" tab. The first box on the page allows you to be sure your e-mail address is correct. If not, click on "Edit" (on right side of box) and enter the correct one.
2. The second box on the page contains your correspondence preferences. Click on the word "Edit" on the right side of the box to adjust your preferences to online publications.
3. Check the box next to "Annual Statement" that reads, "I elect to be notified via email when my most recent annual statement is available in MBS." Below the annual statement box is one you can check to begin receiving this newsletter online as well.

Your Voice, Your Choice

2010 OPERS Board of Trustees Election

Four seats on the OPERS and Ohio Deferred Compensation Boards of Trustees were up for election this year. Those elected will serve four-year terms beginning in January 2011. The seats up for election this year included one representative for each of the following groups: State employees, State colleges and universities, municipal employees and retirees.

A candidate nomination process took place earlier this year and as a result, three of the four representative seats up for election to the OPERS Board of Trustees were

uncontested. Consequently, State college and university employees, municipal employees and retirees did not receive a ballot. State employees were the only constituent group to receive a ballot and have the opportunity to elect a representative this year.

The election count was scheduled for Monday, Oct. 4. The final results have been certified by the Secretary of State's office and will be posted to the OPERS website, www.opers.org.

New health care eligibility rule for spouses effective Jan. 1, 2011

Effective Jan. 1, 2011, OPERS will no longer subsidize the monthly health care premium cost for spouses of retirees who are under the age of 55. This change will affect spouses of retirees who are currently retired and those who will retire in the future. Retirees may continue to cover their spouse under the OPERS health care plan, but they will be responsible for the full health care premium. Once their spouse reaches age 55, OPERS will again subsidize their health care coverage premium.

In response to rising health care costs and our rapidly growing retiree population, changes such as this are necessary to keep health care coverage affordable for our retirees who have paid into OPERS and rely on our health care coverage throughout their retirement.

Below is a detailed list of those spouses who are and are not affected by the new policy:

Who is affected:

- Spouses of age and service retirees who are under the age of 55 as of Jan. 1, 2011
- Spouses, under the age of 55 as of Jan. 1, 2011, of retirees who converted from a disability benefit to an age and service benefit and
- Spouses, under the age of 55 as of Jan. 1, 2011, of survivor benefit recipients whose health care coverage subsidy has been grand-fathered

Who is **NOT** affected:

- Spouses of disability benefit recipients
- Any 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
- Dependent children

We want to allow our members plenty of time to plan for this change. To give a general idea of plan cost, we are providing below the monthly premiums for coverage with Medical Mutual in 2011.

2011 Monthly Premium for Spouses Not Yet Eligible for Medicare

Enhanced	Intermediate	Basic
\$814.82	\$733.34	\$562.22

Health care seminars for active members

Our member-specific health care seminar is designed to address the needs and concerns of active members within five years of retirement. The seminar will help prepare members for the transition from employer-sponsored health care coverage to the OPERS retiree plan. Members will learn the details of their coverage options and how to navigate the application process.

All active member seminars begin at 1:00 p.m. Registration is required and seminars do fill quickly. Please call 1-800-222-7377 or visit www.opers.org to register via MBS.

2010 OPERS health care seminars

Cincinnati (Sharonville) Nov. 12	Independence Nov. 12	Lima Dec. 3
Columbus (OPERS) Nov. 19	Mansfield Nov. 19	Ravenna Dec. 10
	Mentor Dec. 3	

2011 OPERS health care seminars

Akron Jan. 28	Lima April 1	Miamisburg March 18
Cambridge May 20	Mansfield (Bellville) Feb. 25	Portsmouth June 3
Huron June 10		

2010 and 2011 calendar of educational seminars

OPERS offers a wide variety of educational seminars

To register online, log onto My Benefits System (MBS) or call 1-800-222-7377 to register. Additional dates and locations will be announced as bookings become available. Please check our website, www.opers.org, for the latest information. Seminars fill up quickly, so please register as early as possible.

Note for Combined Plan participants:

We invite and encourage you to attend any of the educational seminars listed here. Although the information will be beneficial, we want you to be aware the current focus of these seminars is on the defined benefit portion of your individual account. We plan to add information about the defined contribution portion for Combined Plan members as more members begin to retire under the Combined Plan. Please indicate that you are a member participating in the Combined Plan when registering for a seminar. This will allow us to have materials and staff available to address your specific needs and concerns.

One-on-one retirement counseling close to home

You can now have your questions about preparing for retirement or changing plans answered close to home. OPERS counselors travel to various locations around Ohio for remote counseling sessions specifically for our Member-Directed and Combined Plan participants.

If there isn't a session scheduled close to where you live, you have other counseling options. You can set up an in-person counseling session in Columbus or you can have your questions answered over the phone from the comfort of your own home. Call 1-800-222-7377 to register for a remote seminar, schedule an in-person appointment with a counselor at the OPERS office or set up a time for a counseling session over the phone (approximately 30 minutes).

Retirement Awareness Program (RAP) – A seminar for members who are within five years of retirement. Topics include OPERS benefits, deferred compensation and Social Security. During this full-day seminar you will be provided with supplemental reference materials. You are welcome to bring one non-member guest with you. **Registration is required.**

2011 RETIREMENT AWARENESS PROGRAM

Boardman April 6	Columbus OPERS Jan 12 Feb. 17 March 29 May 11 June 29	Independence March 2
Cincinnati East April 13		Perrysburg March 24
Cincinnati North May 18	Dayton Feb. 23 June 16	Strongsville May 4

Retirement Readiness – A seminar for members who are within 18 months of retirement. Your Ohio PERS benefits are discussed, along with time frames and details of paperwork needed for processing your pension benefits. You may bring one non-member guest with you. **Registration is required.**

2011 RETIREMENT READINESS

Boardman April 7	Columbus OPERS Jan. 13 March 30 May 12 June 30	Independence March 3
Cincinnati East April 14		Perrysburg March 25
Cincinnati North May 19	Dayton Feb. 24	Strongsville May 5

Legislative update

OPERS will modify our retiree health care plan in response to federal health care reform legislation in 2011.

Earlier this year, a comprehensive federal health care reform bill was passed and signed into law by President Obama. OPERS has spent the last few months conducting an in-depth analysis to determine what impact the many provisions would have on the OPERS retiree health care plan. We examined all aspects of the legislation in collaboration with actuaries and legal counsel. With our initial analysis complete, OPERS will comply by making three modifications to our retiree health care plan for 2011.

Effective Jan. 1, 2011:

- 1.** Retirees participating in our health care plan may cover eligible children up to age 26 regardless of marital status or enrollment as a full time student.
- 2.** OPERS will remove the lifetime maximum for medical/pharmacy coverage currently in place for retirees not yet eligible for Medicare.
- 3.** OPERS will make slight modifications to our current coverage structure for preventative tests and procedures to align with the provisions of the legislation.

We have received questions from retirees regarding whether the health care reform legislation will require workers to pay income tax on the value of their employer-provided health insurance. This is a rumor generated by a misinterpretation of the new rules. The legislation requires employers to display the value of health insurance on employees' W-2 forms for information purposes, but it will not be considered taxable income.

Listed previously are the modifications we will make to our health care plan in 2011. Other provisions are scheduled for implementation over a period of years. Please continue to read issues of this newsletter and check our website for further updates on our implementation of federal health care reform legislation.

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.

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Sharon M. Downs
Retired Members

John W. Maurer
Retired Members

Kimberly Russell
State College and
University Employees

Cynthia Sledz
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Municipal Employees

Helen Youngblood
County Employees

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Appointee

Chris DeRose
Chief Executive Officer



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National Save for Retirement Week - Oct. 17 - 23, 2010

Are you prepared to meet your retirement goals? OPERS encourages you to take time during National Save for Retirement Week, Oct. 17-23, to evaluate your plans for income during retirement. National Save for Retirement Week is the first congressionally endorsed, national event formally calling on employees to learn about and take full advantage of their employer-sponsored retirement savings programs.

Increased life expectancy coupled with rising health care costs could mean you'll need additional savings to ensure a comfortable retirement. Use this event as a reminder to review your OPERS account, as well as your personal savings and investments, to determine if your financial picture is in line with your goals for retirement.

Your OPERS pension benefit is a key piece of your future financial security, but it should only be one part of a larger financial picture. Although the largest portion of your retirement income may come from your OPERS retirement benefit, it is recommended you not depend on it

exclusively. Your OPERS benefit, coupled with personal savings and investments, will constitute a more complete retirement income.

As a public employee of Ohio, you have access to supplemental savings programs such as the Ohio Deferred Compensation Program (1-877-644-6457, or visit www.ohio457.org) and voluntary contributions to the defined contribution portion of your OPERS account. For more information on these opportunities, visit www.opers.org to access our Saving for Retirement leaflet. If you have questions regarding a potential Social Security benefit, contact the Social Security Administration at 1-800-772-1213 or visit www.ssa.gov/gpo-wep/.

No matter your age or the number of years you are from retiring, now is the time to become more engaged in planning for your retirement. It's never too early – or too late – to start saving.