

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

Member-Directed Plan

### Cost to purchase service credit increasing: Act now to purchase service at current cost

Due to a combination of changes to Ohio retirement law and actuarial cost calculations, the cost to purchase some types of service credit is increasing to better represent the actuarial cost of the benefit. However, you do have a window of opportunity to make a service purchase at the current cost if you initiate the purchase through post-tax payroll deductions or make a valid payment between **Jan. 7, 2013**, and **July 7, 2013**.

You may be eligible to purchase service credit toward to calculation of your retirement benefit if you were granted a leave of absence or changed your OPERS retirement plan.

**To make a payment**, the payment accompanied by the *Service Purchase - Payment Option Form* must be received by OPERS on or before **July 5, 2013** - the last business day prior to the end of the six-month period.

You will then have until July 7, 2018, to complete the purchase before the cost will be recalculated and any remaining

service credit to be purchased is calculated under the new cost calculation.

#### Your action is required

If you intend to initiate a service purchase prior to the July 7, 2013 deadline, please begin the process as soon as possible. Some service purchase types require paperwork from third parties and OPERS cannot intervene to obtain any necessary documentation from other entities. Please visit [www.opers.org](http://www.opers.org) for a complete listing of requirements for each type of service purchase.

#### The following types of service purchases are affected by the cost increase:

**Leave of absence II:** This covers employer-approved leaves of absence. Members may buy service credit or contributing months if the purchase is completed within one year of the beginning of the period of leave. If you are interested in calculating the cost to purchase leave of absence II service under the new cost calculation, log into your online account or contact us at 1-800-222-7377.

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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](http://www.opers.org)

1-800-222-7377

Monday - Friday

8 a.m. to 4:30 p.m.

[newsfeedback@opers.org](mailto:newsfeedback@opers.org)

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*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.*

## **cost to purchase service credit increasing** *(continued from page 1)*

**Plan change service:** If you change from the Member-Directed Plan to the Traditional Pension or Combined Plan, or from the Combined Plan to the Traditional Pension Plan, in some instances, you may be able to use the vested portion of your Member-Directed Plan account balance or your Combined Plan account value to purchase equivalent service in the Traditional Pension or Combined Plan. Contact OPERS at 1-800-222-7377 to request a cost estimate under the new cost calculation.

### **Elected officials - denied in-term salary increase**

Elected officials who were denied an in-term salary increase, may at any time prior to retirement, elect to pay employee contributions on the amount of the additional salary. Sub. Senate Bill 343 amended this provision to require that the official pay both the employee and employer contributions on the additional salary and restricted this payment to the period of the denied salary. After July 7, 2013, elected officials will no longer be able to make the payment at any time prior to retirement.

**Visit the Special Coverage section of [www.opers.org](http://www.opers.org) for additional information.**

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## **Stay in touch**

Giving your latest contact information to your employer does not mean it is updated with OPERS. It is your responsibility to let OPERS know of any changes in your personal data including your address or beneficiary designation. By keeping your personal information current, you will receive accurate information from us in a timely manner. The easiest way to make changes to your personal data is to access your account online at [www.opers.org](http://www.opers.org). Registration is quick and simple:

1. Go to [www.opers.org](http://www.opers.org).
2. Click on the Register Now button in the Access Your Account section (top, right corner of the home page). You will need your Social Security number and an active e-mail account.

## Information about your Retiree Medical Account

A Retiree Medical Account (RMA) is an account you can use to pay for qualified health care expenses you incur after you have terminated OPERS-covered employment. If you participate in the OPERS Member-Directed Plan, you automatically have contributions made to an RMA. As you plan and save throughout your working life, the RMA may be one of several ways you prepare for health care expenses in retirement, or it could be your primary method of paying for health care expenses.

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 RMA may be one of several ways you prepare for health care expenses in retirement, or it could be your primary method of paying for health care expenses.**

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 OPERS Board of Trustees' 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.

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

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, such as copays and coinsurance, dental treatments and physical therapy. To see a complete list of these expenses, visit [www.opers.org](http://www.opers.org).

RMA account statements are sent in January and July and reflect all account activity that took place during the statement period and provide you with an up-to-date account balance. You also can access your RMA balance by logging into your online account and clicking on "View your Retiree Medical Account information."

**For more details, please see the Retiree Medical Account fact sheet and the RMA-covered medical expense listing available at [www.opers.org](http://www.opers.org).**

### Mitigating rate to remain unchanged in 2013

After its annual review of the mitigating rate, the OPERS Board of Trustees has determined that there will be no change for 2013 to the employer contribution rate of 14 percent and the mitigating rate for employees of both state and local government agencies will remain 0.77 percent.

# Time limit for membership determination requests

## New forms and deadlines as a result of legislative changes

OPERS provides benefits to members who have earned service credit under guidelines set in state law. Newly enacted Ohio Revised Code Section 145.037 governs the service credit eligibility of individuals hired as independent contractors or other classifications other than public employee for which no retirement contributions were or will be remitted to OPERS. Ohio R.C. Sec. 145.037 creates a specific window for individuals classified as such who may wish to request a membership determination.

In most cases, independent contractors and those who work in certain other employee classes do not earn membership in OPERS. However, in some cases OPERS members are incorrectly classified as contractors. These individuals have the opportunity to ask OPERS for a determination of membership and in some cases can claim unreported service time.

Legislative changes enacted under Sub. Senate Bill 343, created a one-year window from the effective date of legislation, which is Jan. 7, 2013, for individuals classified as contractors, or other employee classifications for

which retirement contributions were not withheld, to seek a membership determination from OPERS. No requests for determinations for personal services provided before Jan. 7, 2013, will be accepted after Jan. 7, 2014, unless individuals are able to demonstrate through medical records to the OPERS Board of Trustees' satisfaction, they were physically or mentally unable to submit the request before the deadline.

To help ensure compliance with the new provision, OPERS created two new forms for these individuals and employers (please see below for more information). To request a membership determination from OPERS, please complete the *Notice of Right and Request for: Determination for OPERS Membership* (Form PEDREQ) and return it to OPERS prior to the Jan. 7, 2014 deadline\* (or alternative deadline within H.B. 67, if enacted - see next page for more details). Upon receipt of a properly completed form, OPERS will begin its review and may request additional information from the individual and/or public employer before making a membership determination.

*(continued on next page)*

### **Notice of Right and Request for: Determination for OPERS Membership (Form PEDREQ):**

Employers are required to send this form to the last known address of any individual who provided services prior to Jan. 7, 2013, as an independent contractor, or another classification other than a public employee, and for which no contributions were made to OPERS for the services. Employers must send these forms to the last address on record to any affected individual **not later than 60 days after Jan. 7, 2013** (or Sept. 7, 2013, if H.B. 67 is enacted). The form also states these individuals have **one year from Jan. 7, 2013**, to request a determination as to whether they should have been classified as a public employee eligible for OPERS membership for these services whether or not they receive notification. *If H.B. is enacted prior to March 7, 2013, this form will be changed to include the extended deadlines of Sept. 7, 2013 and Aug. 7, 2014.*

**Independent Contractor Acknowledgment (Form PEDACKN):** This form must be completed by any individual who provides services as an independent contractor, or another classification other than a public employee, on or after Jan. 7, 2013. The form must be completed **within 30 days of the date on which the individual commences the services**. The form requires the individual to acknowledge that the employer has notified the individual that he or she has not been classified as a public employee and that no OPERS contributions will be made on his or her behalf for these services. The individual may, **within five years of beginning the services**, request a determination as to whether he or she should have been classified as a public employee for these services. Employers must retain this form and forward a copy to OPERS. If an employer fails to retain the signed acknowledgment, the individual's right to request a determination will extend beyond the five-year time frame referenced above.

# Time limit for membership determination requests

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For more information, or to obtain a membership determination form, visit [www.opers.org](http://www.opers.org), or contact OPERS Employer Outreach at 888-400-0965.

**\*Important Notice:** On Feb. 20, 2013, to address some employers' concerns about a relatively short notification window, the Ohio House of Representatives introduced House Bill 67, which would extend timelines currently

within the law. If passed as introduced, the bill would become law immediately upon the Governor's signature.

H.B. 67 would require employers to notify individuals of their rights to request determination of membership by Sept. 7, 2013. It would extend the time frame for individuals to request determinations to Aug. 7, 2014, with the exceptions previously noted.

# Inactive account fees

## What you can do to avoid a monthly fee

If you become an inactive member of OPERS, you will be charged a monthly fee if your individual OPERS account falls below \$5,000. This low balance fee is charged to help pay the costs to maintain your account, print and mail quarterly statements, and to produce *The Ohio PERSONal Investor* newsletter, included with your statements.

Your account is considered inactive if OPERS has not received a contribution for a period of at least 90 days. There are a number of reasons why this may occur:

- You terminated service with your OPERS-covered employer and therefore your employer no longer submits contributions to OPERS.
- You are a seasonal employee who works only a few months each year or someone whose employer submits contributions to OPERS on an infrequent (quarterly, semi-annual or annual) basis.
- You may have changed retirement plans and left a balance in your Member-Directed Plan account that is less than \$5,000 in value.

Low balance fees for inactive accounts go into effect 90 days after your last contribution. The schedule of fees is as follows:

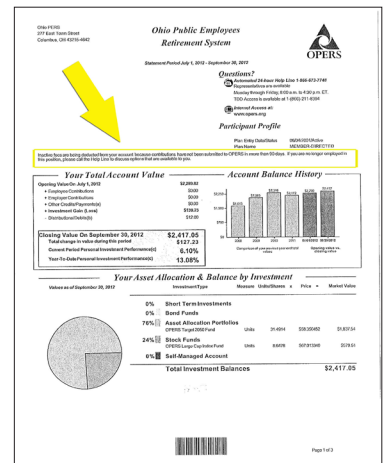
Account Balance	Fee
Less than \$1,000	\$6
\$1,000 to \$1,999	\$5
\$2,000 to \$2,999	\$4
\$3,000 to \$3,999	\$3
\$4,000 to \$4,999	\$2
Greater than \$5,000	no fee

OPERS informs plan participants when inactive fees are being taken from their account by including a message on the front page of the quarterly statements.

There are a couple of ways you can avoid this monthly fee:

- If you have terminated all OPERS-covered employment, you can take a refund of your Member-Directed Plan account or roll over the account balance to another qualified retirement plan.
- You can increase your account balance over \$5,000 by rolling over funds at any time into your Member-Directed Plan account from another qualified retirement plan. To make a rollover into your account, go to [www.opers.org](http://www.opers.org) and complete the *Voluntary Deposit Form-Member-Directed Plan Participants (VOL-MD)* form.

If you are being charged these low balance fees and would like to take steps to avoid this situation, or if you have any other questions regarding these fees, please contact a counselor at the OPERS Help Line at 1-866-673-7748 (1-866-OPERS-4-U).





# Supplement your retirement income

## Voluntary contributions and Ohio Deferred Compensation

As you consider making the transition to retirement, many issues emerge. Among the most significant uncertainties is the question of retirement income – will it be enough? As you consider your retirement situation, can you answer that question? With the rising cost of living and health care, it's important to start saving now as an active employee. If you're uncertain that you'll have enough in retirement, you can supplement your mandatory contributions through two different programs. One is offered by OPERS and the other is through a Section 457 (b) deferred compensation program such as the Ohio Public Employees Deferred Compensation Program (Ohio DC).

### Voluntary Contributions

As a Member-Directed Plan participant, you may make additional, after-tax contributions to your individual defined contribution account. These contributions will be invested in the OPERS investment options you selected for your individual defined contribution account. These deposits are limited by federal tax law to 100 percent of your annual income from all public employers contributing to OPERS, or to \$51,000, whichever is less. In addition to voluntary after-tax deposits, other retirement accounts you have may be rolled over to your individual OPERS account. For example, retirement savings held in a traditional IRA, SEP, SIMPLE, Section 401(k), Keogh, or Section 401(a) retirement plan may be rolled over at any time with no maximum deposit limits. Section 403(b) or Section 457(b) accounts also may be rolled in subject to certain limits. These funds will retain their tax-deferred status as long as they remain with OPERS.

If you would like to make a deposit by personal check, money order or cashier's check into your individual defined contribution account, please use the appropriate Voluntary Deposit form. To roll over eligible retirement accounts, in addition to the Voluntary Deposit form, complete and submit any transfer or rollover distribution form(s) required to your current plan administrator.

### Ohio Deferred Compensation

Ohio DC provides a tax-deferred, supplemental retirement income plan that can help bridge the gap between what you

have and what you will need. Ohio DC is tax-deferred—the money that goes into your account comes out of your paycheck before State and Federal income taxes. Plus, the assets in your account, including any earnings, will have the opportunity to grow tax-deferred until you decide to withdraw them—usually in retirement. Withdrawals will be taxed as ordinary income. Remember, there are no guarantees. Investing involves risk, including possible loss of principal.

Ohio DC does not pay commissions or use investments that charge front or back-end loads, and there are no surrender fees. You may also take advantage of rolling your Traditional IRA, 401(k), 401(a), or 403(b) account into the Program. You may choose from a variety of investment options, including a stable value option, mutual funds, and professionally managed asset allocation portfolios to simplify investing.

Contact Ohio DC today. Visit [www.Ohio457.org](http://www.Ohio457.org) or call 1-877-644-6457 to enroll, check yearly deferral limits, or to get more information by using our planning tools.

For more information, visit [www.opers.org](http://www.opers.org) to access our *Saving for Retirement* leaflet. The leaflet can be found under the heading of "Information Series Publications (leaflets)" on the member publications page.

**Please Note:** *Not all Ohio public employees are eligible to participate in the Ohio DC Program. Some employers have adopted other deferred compensation programs for their employees. Please check with your employer to confirm in which plan your employer participates.*

### Did you know?

The top three reasons workers give for not being financially successful are: 1. not saving enough (49 percent), 2. having too much debt (27 percent), and 3. not saving early enough (23 percent).

# Applying for a refund online

## What you need to know if you are planning to refund your contributions

If you are planning to terminate employment under an OPERS-covered position and want to refund your contributions, you can apply for a refund of your account by simply logging in to your online account. The online account log in link is located on the upper right-hand corner of the [opers.org](http://opers.org) home page. If you are registered, enter your user ID and personal identification number (PIN), and then click the log in button. If you do not remember your user ID and/or PIN, use the help link below the log in button or contact us by phone at 800-222-7377.

Once you have logged in to your account, select the "Apply for Refund" link from the online account menu and follow the steps.

In order to receive a refund of your contributions, you must apply for a refund after you have terminated public employment. State law requires that three months must elapse from your last day of public service before a refund can be made. This date is the date that is reported or certified

by your employer. However, you can apply for a refund any time after your last day of employment.

By taking a refund of your account, you forfeit all contributing months and future retirement benefits with OPERS. If you return to public employment before the refund is issued, you will not receive a refund of your account. Once your refund application is processed and at least three months have elapsed from your last day of employment, your refund check will be mailed through the U.S. Postal Service. Refunds cannot be direct deposited.

While you are employed with an OPERS-covered employer, you cannot make any withdrawals or borrow against your account for any reason.

Unless you elect to roll over your account to another qualified retirement plan or IRA, your account may be subject to federal and/or state taxes. If you elect to roll over your refund into another qualified retirement plan or IRA you will defer paying income taxes

on the rollover amount until future distribution from the other qualified retirement plan or IRA is made.

If you elect to roll over your refund to a Roth IRA, OPERS will not withhold taxes at the time of the refund, but will issue a *Form 1099-R* to be filed with your income tax return, which will indicate the full rollover amount as taxable income.

OPERS is required to withhold federal taxes from the taxable portion of your account value if you do not roll the funds over to another qualified retirement plan or IRA. For more information, please review the *Special Tax Notice Regarding Ohio PERS Payments*, which addresses your refund payment and direct rollover rights. This notice is available at [www.opers.org](http://www.opers.org), under the Legal tab and when you apply for your refund online.

If you have questions regarding your individual tax liability, please contact a professional tax advisor, the IRS, or your state's department of taxation.

### Coming in May 2013 - Your OPERS ID

#### A unique identifier to increase the security of your personal information

Starting in May 2013, OPERS will be increasing the security of your personal information by providing you with an OPERS ID. This unique identifier will be used in many instances from verifying your identity over the phone to submitting OPERS forms. **Your 11-digit OPERS ID will be issued beginning in May 2013 and will be available to you on the home page of your online account and on correspondence you receive from OPERS.**

This ID will remain with you throughout your entire OPERS membership. A field will be added to existing member forms for the OPERS ID however, the Social Security number (SSN) field will not be removed. You will have the option to use your OPERS ID if you are not comfortable using your SSN, or you can continue using your SSN as your identifier. Note: OPERS can still identify you by your SSN should you forget your OPERS ID.



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## Board elects new leaders

### Welcomes new member

The OPERS Board of Trustees voted longtime member **Cynthia Sledz** as chair of the Board and elected **Sharon Downs**, also a member for many years, as vice chair. **Robert Smith** also joined the OPERS Board as an investment expert appointed by State Treasurer Josh Mandel. Congratulations to our new Board Chair Cynthia Sledz, Vice Chair Sharon Downs and new member Robert Smith.

## 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

**Sharon M. Downs**  
Vice Chair  
Retired Members

**John W. Maurer**  
Retired Members

**Vacant**  
State College and  
University Employees

**Matthew Schulz**  
State Employees

**Cynthia Sledz**  
Chair  
Miscellaneous  
Employees

**Ken Thomas**  
Municipal Employees

**Helen Youngblood**  
County Employees

### Statutory Board Member

**Bob Blair**  
Director, Department  
of Administrative  
Services

### Appointed Board Members

**Vacant**  
Investment Expert  
Governor Appointee

**Robert Smith**  
Investment Expert  
Treasurer of State  
Appointee

**James R. Tilling**  
Investment Expert  
General Assembly  
Appointee

**Karen Carraher**  
Executive Director