

# Ohio PERS NEWS

YOUR BENEFIT CONNECTION

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

## Combined Plan

### Changes coming that will impact your Combined Plan

OPERS offers its members three different retirement plans - the Traditional Pension, Member-Directed and Combined Plans. These plans provide different features and

allow members to select a retirement plan that best fits their needs and retirement goals. an assessment of the Member-Directed Retiree Medical Account. These changes will go into effect July 1, 2015, and Jan. 1, 2016.

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The OPERS retirement plans are not static and the complex rules of each plan change periodically to reflect the changing demographics of our membership base, cost considerations, and federal and state law. Since OPERS was established in 1935, the Traditional Pension Plan has undergone such changes. The most recent were included in Sub. Senate Bill 343, effective Jan. 7, 2013.

OPERS continually examines the plans to ensure they are self-sustaining. Each plan is a separate legal entity which must be able to cover its own expenses. OPERS staff recently conducted a review of the plans and as a result, OPERS is making changes to the Member-Directed and Combined Plans. The review also included

an assessment of the Member-Directed Retiree Medical Account. These changes will go into effect July 1, 2015, and Jan. 1, 2016.

**The following changes will impact current and future Combined and Member-Directed Plan participants and will go into effect Jan. 1, 2016.**

Since the Member-Directed and Combined Plans were created, they have incurred ongoing, annual expenses that the existing fee structure has not adequately covered. These expenses include the costs for OPERS staff to administer the plans and a third party administrator to perform recordkeeping services. In order to provide adequate funds to cover these expenses, OPERS is changing the administrative fee structure of the Member-Directed and Combined Plans.

#### Administrative fee

The current administrative fee, equal to 0.1 percent of a member's earnable salary, was originally set based on projections of participation in the Member-Directed and Combined Plans. Because fewer members than anticipated selected these plans, the fees did not cover the expenses.

*(continued on next page)*



## Changes coming *(continued)*

*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:**

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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.*

*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.*

Beginning Jan. 1, 2016, the 0.1 percent fee deducted from all incoming member contributions will be eliminated and all Member-Directed and Combined Plan participants will be charged a monthly flat fee of \$5. The administrative fee will be deducted from a member's investment account at the beginning of each month. The OPERS Board of Trustees will review the fees annually and make adjustments in future years as necessary.

This administrative fee will also replace the current inactive fee structure which is a monthly fee ranging from \$2 to \$6 for accounts with balances less than \$5,000. All inactive members will be assessed the \$5 monthly flat fee, regardless of account balance. Charging a flat fee to both active and inactive members, regardless of account balance, ensures that all members are contributing toward administrative costs.

### **Mitigating rate**

Under state retirement law, if the Member-Directed and Combined Plans have had a negative financial impact on the Traditional Pension Plan, a percentage of employer contributions, known as the mitigating rate, will be redirected to the Traditional Pension Plan to compensate for that negative impact. The money cannot be used to pay administrative expenses of the Member-Directed and Combined Plans.

The mitigating rate was first deducted from contributions in 2006 and has been 0.77 percent since 2008. The rate will increase in 2016 following a review by OPERS actuary. The Board reviewed the mitigating rate during their February 2015 meeting and approved increasing the rate incrementally over three years. The rate will increase to 1 percent Jan. 1, 2016, to 1.5 percent Jan. 1, 2017 and to 2 percent Jan. 1, 2018.

Additional changes were made to the Member-Directed Plan. Turn to pages 4 - 5 to view a chart outlining the changes.

**We will continue to educate our members on these changes through letters, upcoming member newsletters and PERSpective blog posts.**

## Leaving your OPERS account on deposit after termination of public employment

When you terminate public employment, you may leave your account on deposit with OPERS until you choose to take a refund of your account, receive a retirement benefit, attain age 70½ or until your death. If you leave your account on deposit, be sure to keep your personal information and beneficiary designations current with OPERS. If you leave your account on deposit after terminating employment, you may have the opportunity to receive certain benefits upon reaching the eligible age criteria. These benefits may be impacted by your years of service credit.

### Benefits of leaving your account on deposit

In each retirement transition group, you have earned a reduced retirement benefit with at least 60 contributing months of service credit in the plan. If you are in retirement group A and B, you may apply to receive a reduced retirement benefit at age 60. If you are in retirement transition group C, you may apply to receive a reduced retirement benefit at age 62.

With 18 months of contributing service credit in the plan and with three of those months occurring two-and-a-half years immediately before death, you have earned survivor benefit protection for qualified survivors.

With at least 60 contributing months in the plan, if you become permanently disabled within two years of termination of plan participation, you may file for disability benefits. Disability coverage only extends to illnesses and injuries that occur before you terminate your contributing service, as well as illnesses and injuries that result from your contributing service, but do not become evident for up to two years after you terminate contributing service. If approved for a disability benefit, your Combined Plan will be transferred to the Traditional Pension Plan to pay the benefit.

Under the defined benefit component of the Combined Plan, you continue to earn interest on amounts paid to purchase service credit. You can continue to direct your individual defined contribution account in the OPERS Investment Options you select.

Your individual account continues to be subject to investment gains or losses.

As a Combined Plan participant, if you are no longer contributing to the plan, you will be charged a monthly administrative fee of \$2 to \$6 for individual defined contribution account balances under \$5,000. This amount will change to a \$5 monthly flat fee beginning Jan. 1, 2016 for all accounts, regardless of the balance (see page 2).

### At retirement, you may select from the following payment options for your individual account:

- Annuitize 100 percent of your account to receive a monthly benefit
- Annuitize a partial amount and elect to have the remaining account balance rolled over to another company, or sent to you directly with taxes withheld
- Have your entire account balance rolled over to another company, or sent to you directly with taxes withheld

### If you choose to terminate public employment and refund your account, the following requirements do apply:

- Three months must pass from the date you terminated public employment as certified by your employer.
- If you return to public employment before the refund is issued, you are not eligible to receive a refund.
- If you are eligible to retire and are legally married at the time you request a refund, spousal consent is required. OPERS will provide you with a spousal consent form.

Keep in mind, to be eligible to refund your account, you must completely separate from public employment.

You can log into your OPERS online account to run an estimate of the benefits you may forfeit by refunding your account. For more information, visit [www.opers.org](http://www.opers.org) to read the "Terminating Public Employment" and "Retiring From Public Employment - The Combined Plan" leaflets.

## Member-Directed and Combined Plan changes summary chart

Current Feature	Effective July 1, 2015	Impacted Members/Timing
<b>CHANGING PLANS</b>		
<p>Eligible members are permitted up to three plan change opportunities during specified service credit windows:</p> <ul style="list-style-type: none"> <li>• Once after initial plan selection and before attaining five years of service credit</li> <li>• Once between five and 10 years of service credit</li> <li>• Once after 10 years of service credit</li> </ul>	<p>Eligible members will have one plan change opportunity during their career.</p>	<p>All members eligible to change plans</p> <p>Plan change forms received at OPERS on or after July 1, 2015, will count as a member's one plan change opportunity.</p>
<b>COMPLETING PLAN CHANGE SERVICE PURCHASES</b>		
<p>Members have 180 days from their plan change effective date to complete the purchase of service in their new plan. Any remaining service that is not purchased is forfeited.</p>	<p>After OPERS transfers the prior plan funds to the new plan, members will have 60 months to make payments toward the service purchase. If all service has not been purchased after 60 months, members may make one payment on the balance before they retire. Any service they do not purchase will be forfeited.</p>	<p>All members eligible to change plans</p> <p>The new rules apply to plan change forms received at OPERS on or after July 1, 2015, for the following plan changes:</p> <ul style="list-style-type: none"> <li>• Member-Directed to Combined</li> <li>• Member-Directed to Traditional</li> <li>• Combined to Traditional</li> </ul>
<b>MEMBER-DIRECTED RETIREE MEDICAL ACCOUNT VESTING SCHEDULE</b>		
<ul style="list-style-type: none"> <li>• 1 year of participation = 20% vested</li> <li>• 2 years = 40%</li> <li>• 3 years = 60%</li> <li>• 4 years = 80%</li> <li>• 5 years = 100%</li> </ul>	<ul style="list-style-type: none"> <li>• Years 1-5 = 0% vested</li> <li>• Years 6-15 = 10% vesting per year</li> <li>• Full vesting at 15 years of participation</li> </ul>	<p>New members who begin employment on or after July 1, 2015, who select the Member-Directed Plan during their first 180 days of employment, and members whose plan change forms we receive on or after July 1, 2015</p> <p>Current members of the Member-Directed Plan as of June 30, 2015, will not be impacted.</p>

## Member-Directed and Combined Plan changes summary chart

Current Feature	Effective Jan. 1, 2016	Impacted Members/Timing																		
<b>MEMBER-DIRECTED RMA CONTRIBUTION RATE</b>																				
<p>Employer contributions equal to 4.5% of member's earnable salary are credited to the RMA.</p> <table> <tr> <td><u>Employer contribution</u></td> <td>14.00%</td> </tr> <tr> <td>Investment account</td> <td>8.73%</td> </tr> <tr> <td>Retiree Medical Account</td> <td>4.50%</td> </tr> <tr> <td>Mitigating rate</td> <td>0.77%</td> </tr> </table>	<u>Employer contribution</u>	14.00%	Investment account	8.73%	Retiree Medical Account	4.50%	Mitigating rate	0.77%	<p>Employer contributions equal to 4% of member's earnable salary will be credited to the RMA.</p> <p>Employer contributions equal to 0.5% of member's earnable salary will be used to pay a portion of the Member-Directed Plan's administrative expenses.</p> <table> <tr> <td><u>Employer contribution</u></td> <td>14.00%</td> </tr> <tr> <td>Investment account</td> <td>8.50%</td> </tr> <tr> <td>Retiree Medical Account</td> <td>4.00%</td> </tr> <tr> <td>Mitigating rate</td> <td>1.00%</td> </tr> <tr> <td>Administrative expense</td> <td>0.50%</td> </tr> </table>	<u>Employer contribution</u>	14.00%	Investment account	8.50%	Retiree Medical Account	4.00%	Mitigating rate	1.00%	Administrative expense	0.50%	<p>All current and future Member-Directed Plan participants</p> <p>Beginning Jan. 1, 2016</p>
<u>Employer contribution</u>	14.00%																			
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Administrative expense	0.50%																			
<b>MEMBER-DIRECTED RMA INTEREST RATE</b>																				
4% annually	<p>Interest rate will be tied to the annual investment return of OPERS' pension assets:</p> <ul style="list-style-type: none"> <li>If returns are greater than zero, the RMA will be credited with 4% interest the following year.</li> <li>If returns are zero or negative, no interest will be credited to the RMA the following year.</li> </ul>	<p>All current and future Member-Directed Plan participants</p> <p>Interest granted during 2017 and thereafter will be based on the new requirements.</p>																		
<b>MEMBER-DIRECTED AND COMBINED PLAN ADMINISTRATIVE FEES</b>																				
<ul style="list-style-type: none"> <li>Active members – 0.1% of earnable salary, deducted from member contributions</li> <li>Inactive members – monthly fee ranging from \$2 - \$6 for accounts with balances less than \$5,000</li> </ul>	<p>Monthly fee of \$5 deducted from the investment account of all active and inactive members</p> <p>For inactive members, the fee will be deducted until the balance is depleted.</p>	<p>All current and future Member-Directed and Combined Plan participants</p> <p>Beginning Jan. 1, 2016</p>																		
<b>MEMBER-DIRECTED AND COMBINED PLAN MITIGATING RATE</b>																				
Employer contributions equal to 0.77% of member's earnable salary are credited to the Traditional Pension Plan.	Employer contributions equal to 1% of member's earnable salary will be credited to the Traditional Pension Plan. The rate will increase to 1.5% Jan. 1, 2017, and to 2% Jan. 1, 2018.	<p>All current and future Member-Directed and Combined Plan participants</p> <p>Beginning Jan. 1, 2016</p>																		

# Legislative update

## New leadership in the Ohio legislature

In January, the OPERS Government Relations team welcomed back members of the Ohio General Assembly and U.S. Congress as they began new legislative sessions in Columbus and Washington, D.C.

Ohio's congressional delegation remains the same after the November 2014 election; however, there are a number of new faces at the Statehouse. In addition to 29 new state legislators, the Ohio House of Representatives ushered in new leadership. Representative Cliff Rosenberger (R-Clarksville) replaced term-limited Representative Bill Batchelder (R-Medina) as Speaker of the House.

Representative Fred Strahorn (D-Dayton) replaced term-limited Representative Tracy Heard (D-Columbus) as minority leader. On the Senate side, Senate President Keith Faber (R-Celina) remains in his leadership position, as well as minority leader Senator Joe Schiavoni (D-Boardman).

The OPERS Government Relations team continues to educate legislative leaders on important issues of interest in 2015 and beyond, such as:

- The implications of new GASB standards for public pension systems' and public employers' accounting

- OPERS' continued opposition to proposals requiring mandatory Social Security coverage for our members
- Advocacy on health care issues, such as biosimilar pathways, lower exclusivity periods and ways to reduce the cost of prescription and specialty drugs
- The multiple ways OPERS is good for Ohio's economy

**Visit the Government Relations page on [www.opers.org](http://www.opers.org) to view a complete list of legislation and issues OPERS is monitoring.**

## Ready to retire?

### Resources to help you prepare for retirement

**OPERS Medicare Connector: Connector Readiness Section of the OPERS Website** - In 2016, retirees and spouses age 65 and over and enrolled in Medicare Parts A and B will purchase health care coverage via the OPERS Medicare Connector. The Connector will provide retirees with affordable choices and one-on-one help in selecting an individual plan. Visit the Connector Readiness section of [www.opers.org](http://www.opers.org) for detailed information about the Connector, the basics of Medicare, and the Health Reimbursement Account (HRA) allowance.

**OPERS Health Care Plan 2016 Preview Guide** - This guide will help you understand the changes to the OPERS health care plan and answer many of your questions.

**2016 OPERS Medicare Connector Recorded Online Presentation** - This recorded presentation, featuring OPERS Health Care Director Marianne Steger, provides the most up-to-date information regarding the OPERS Medicare Connector.

**Ready to Retire: Learn, Plan, Act** - If you are eligible to retire on or before Jan. 7, 2018 (Group A) this section of [www.opers.org](http://www.opers.org) can help you identify the most ideal time frame for retirement and make an informed decision regarding your retiree health care coverage. These pages offer detailed information on the steps you need to take as you move toward retirement. You can also find a link to the OPERS Retirement Planner, an innovative tool that allows you to estimate both pension and health care costs at different retirement dates.

**Message about re-employed retirees** - OPERS is separating its health care plan between two groups: retirees and re-employed retirees. We will be discussing this with the OPERS Board of Trustees in upcoming months. After that we will know what type of options will be available to our re-employed retirees. Unfortunately there isn't much more information we can provide until after the Board meets.

## Changing retirement plans

OPERS offers its members three different retirement plans so they can choose a retirement plan that best fits their needs and retirement goals. OPERS also understands that your retirement goals and needs can change during your career, which is why members have the opportunity to change the retirement plan to which they contribute. Most members who had less than five years of service credit as of Dec. 31, 2002, and most members who began employment on or after Jan. 1, 2003, are eligible to choose to participate in a different OPERS plan.

Currently eligible members have three opportunities to change the retirement plan in which they contribute. In an effort to simplify the retirement plan change process for members, OPERS is reducing the number of plan changes from three to one effective July 1, 2015. Most members

do not change retirement plans. The overwhelming majority who change plans do so only once.

New rules, effective July 1, 2015, will allow members to make one plan change at any time during their career. All eligible members will have an opportunity to make one plan change no matter how many times they've changed plans prior to July 1, 2015. Plan change forms received at OPERS on or after July 1, 2015 - which will be effective Aug. 1, 2015, and after - will count as a member's one plan change opportunity during their career.

Also effective July 1, 2015, OPERS will eliminate the current, 180-day deadline to complete service credit purchases following a plan change.

The 180-day deadline will be eliminated for plan change forms

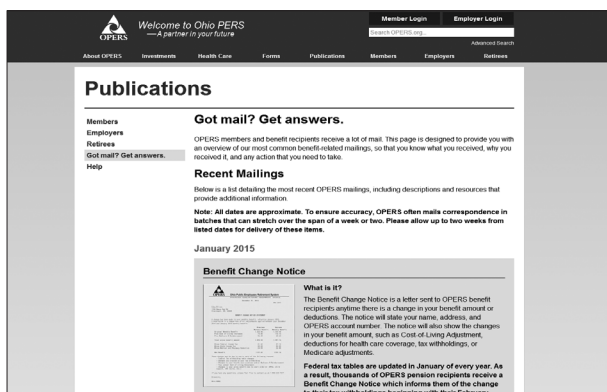
received at OPERS on or after July 1, 2015. Removing the 180-day deadline will reduce the possibility of members forfeiting service credit by providing more time to complete the purchase. Instead, and similar to other types of service purchases, members will have 60 months to make payments toward the service purchase and one final lump sum opportunity to complete it.

A change in your retirement plan should not be taken lightly and you should consider career and life changes that might occur in the future. If you previously inquired about changing plans and you're still interested, call OPERS to request an updated cost estimate.

For more information view the "Changing Your Retirement Plan for Members in the Combined Plan" leaflet available at [www.opers.org](http://www.opers.org).

## Got Mail? Get Answers.

A new section of [www.opers.org](http://www.opers.org) called "Got Mail? Get Answers" provides you with an overview of our most common account-related mailings, so you know what you received, why you received it, and any action that you need to take.



You can view a detailed list of the most recent OPERS mailings, including descriptions and resources that provide additional information. To access this page, simply click on the "Got Mail? Get Answers" quick link located on right side of the [opers.org](http://www.opers.org) home page.



Printed in Ohio on paper with a 10% post-consumer content

**Educational Webinars and Recorded Online Presentations** - OPERS offers targeted, educational webinars tailored to Combined Plan participants. To register for a live and interactive webinar, visit [www.opers.org](http://www.opers.org) and click on Seminar Options. Recorded online presentations can be viewed at any time and registration is not required. These presentations cover topics ranging from re-employment and refunding your account, to disability benefits and investment options. To register for a webinar or to view a recorded presentation, visit [www.opers.org](http://www.opers.org), and click on Educational Opportunities.

## 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

**Charles Latsa**  
State College and University Employees

**Sean Loftus**  
County Employees

**Christopher Mabe**  
State Employees

**John W. Maurer**  
Retired Members

**Cynthia Sledz Chair**  
Miscellaneous Employees

**Ken Thomas**  
Vice Chair  
Municipal Employees

**Steve Toth**  
Retired Members

### 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