

# Ohio PERS NEWS

## YOUR BENEFIT CONNECTION

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

Member-Directed  
Plan

## Changes coming that will impact your Member-Directed 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.

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 Member-Directed Plan participants and will go into effect Jan. 1, 2016.**

Plan changes summary chart

○ ○ ○ **4**

Legislative update

○ ○ ○ **6**

Changing retirement plans

○ ○ ○ **7**

OPERS on social media

○ ○ ○ **7**

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. 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 record keeping 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 and changing the Member-Directed RMA contribution rate.

### 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:

[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)

---

*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.*

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 Board 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.

### Member-Directed RMA contribution and administrative expenses

Beginning Jan. 1, 2016, OPERS will reduce the amount of the employer contribution credited to the Member-Directed Retiree Medical Account from 4.5 percent to 4.0 percent. The 0.5 percent contribution difference will be used to cover a portion of the administrative expenses of the Member-Directed Plan.

*(continued on next page)*

### Member-Directed Plan Contribution Allocation

|                               | Current       | 2016          |
|-------------------------------|---------------|---------------|
| <b>Employer Contributions</b> | <b>14.00%</b> | <b>14.00%</b> |
| RMA                           | 4.50%         | 4.00%         |
| Mitigating Rate               | 0.77%         | 1.00%         |
| Administrative Expenses       | N/A           | 0.50%         |
| Investment Account            | 8.73%         | 8.50%         |

| <b>Member Contributions</b> | <b>10.00%</b> | <b>10.00%</b>   |
|-----------------------------|---------------|-----------------|
| Administrative Fee          | 0.10%         | Flat \$5/mo.    |
| Investment Account          | 9.90%         | 10.00% -\$5/mo. |

### Total Available for Investment

|                    |        |                 |
|--------------------|--------|-----------------|
| RMA                | 4.50%  | 4.00%           |
| Investment Account | 18.63% | 18.50% -\$5/mo. |

## Changes coming *(continued)*

### RMA interest rate

OPERS will be changing how we determine the interest rate credited to the Member-Directed RMA accounts. Currently accounts are credited with a flat 4 percent interest rate. OPERS funds this interest by investing RMA contributions in the same manner as we invest the pension assets. Beginning Jan. 1, 2016, the interest rate will remain 4 percent if the annual return of OPERS' assets is greater than zero. If investment returns are zero or negative, no interest will be credited to RMA accounts the following year. This change mitigates OPERS' risk of paying interest on RMA accounts when OPERS' assets returns are less than zero.

### Mitigating rate

Under state retirement law, if the Member-Directed and Combined Plans have had a negative financial impact on the Traditional Pension Plan, then 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 the OPERS actuary. The OPERS Board of Trustees reviewed the mitigating rate during the February 2015 Board 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.

### RMA vesting schedule for new hires

The Member-Directed RMA vesting schedule is also changing. Effective July 1, 2015, full vesting in the Member-Directed RMA will take 15 years instead of five. **The new vesting schedule will NOT impact current Member-Directed Plan participants.** It will be in place for new members who begin working on or after July 1, 2015, and members who plan change into the Member-Directed Plan with an effective date of Aug. 1, 2015, or later. It also will apply to members who terminate public employment, take a refund, and return to public employment on or after July 1, 2015, if they choose the Member-Directed Plan during their first 180 days of employment.

### Example of contribution allocation with a monthly earnable salary of \$4,000 for a Member-Directed Plan participant

|                               | Current               | 2016                  |
|-------------------------------|-----------------------|-----------------------|
| <b>Employer Contributions</b> | <b>\$560 (14.00%)</b> | <b>\$560 (14.00%)</b> |
| RMA                           | \$180.00 (4.50%)      | \$160.00 (4.00%)      |
| Mitigating Rate               | \$30.80 (0.77%)       | \$40 (1.00%)          |
| Administrative Expense        | N/A                   | \$20.00 (0.50%)       |
| Investment Account            | \$349.20              | \$340.00              |

| <b>Member Contributions</b> | <b>\$400 (10.00%)</b> | <b>\$400 (10.00%)</b> |
|-----------------------------|-----------------------|-----------------------|
| Administrative Fee          | \$4.00 (0.10%)        | Flat \$5/mo.          |
| Investment Account          | \$396.00              | \$395.00              |

| <b>Total Available for Investment</b> |          |          |
|---------------------------------------|----------|----------|
| RMA                                   | \$180.00 | \$160.00 |
| Investment Account                    | \$745.20 | \$735.00 |

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

**Turn to pages 4 - 5 to view a chart outlining the changes.**

## 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 border="0"> <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 border="0"> <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%  |   |                    |       |                         |       |                 |       |  |                              |        |                    |       |                         |       |                 |       |                        |       |   |
| Investment account  | 8.73%   |   |                    |       |                         |       |                 |       |  |                              |        |                    |       |                         |       |                 |       |                        |       |   |
| Retiree Medical Account   | 4.50%   |   |                    |       |                         |       |                 |       |  |                              |        |                    |       |                         |       |                 |       |                        |       |   |
| Mitigating rate   | 0.77%   |   |                    |       |                         |       |                 |       |  |                              |        |                    |       |                         |       |                 |       |                        |       |   |
| <u>Employer contribution</u>  | 14.00%  |   |                    |       |                         |       |                 |       |  |                              |        |                    |       |                         |       |                 |       |                        |       |   |
| Investment account  | 8.50%   |   |                    |       |                         |       |                 |       |  |                              |        |                    |       |                         |       |                 |       |                        |       |   |
| Retiree Medical Account   | 4.00%   |   |                    |       |                         |       |                 |       |  |                              |        |                    |       |                         |       |                 |       |                        |       |   |
| Mitigating rate   | 1.00%   |   |                    |       |                         |       |                 |       |  |                              |        |                    |       |                         |       |                 |       |                        |       |   |
| 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).

Want to know which legislator represents you and your district in the Ohio House of Representatives or Senate? Visit [www.ohiohouse.gov](http://www.ohiohouse.gov) and [www.senate.gov](http://www.senate.gov) to view a district map and look up your state legislators.

### **The OPERS Government Relations team continues to educate legislators 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

The multiple ways OPERS is good for Ohio's economy, via benefit payments to retirees, ensuring they have income in retirement that keeps them from having to rely on other safety net programs like Medicaid or SNAP

OPERS' continued support for retirement options for all Ohioians in the workforce, both in the public and private sector

Visit the Government Relations page on [www.opers.org](http://www.opers.org) to view a complete list of the current bills OPERS is actively monitoring for its members. You can also find special reports and publications including, "I Am OPERS: Supporting the People Who Support Ohio," "Good for Ohio," and the monthly Government Relations newsletter, "OPERSource."



## 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 to 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 eligible 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 plan change service credit purchase 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 refer to the "Changing Your Retirement Plan for Members in the Member-Directed Plan" leaflet.

### OPERS on social media

#### **PERSpective**

*PERSpective* is the OPERS blog where we share our thoughts on important pension-related issues. Subscribe to *PERSpective* by clicking on the RSS feed logo on [www.opers.org](http://www.opers.org), or read it regularly at <http://perspective.opers.org>.



#### **YouTube**

The OPERS YouTube channel, "OhioPERS1," features a number of videos covering hot topics such as OPERS health care, finance and investments, and other OPERS news.

#### **Facebook**

More than 5,500 members and retirees "Like" our Facebook page, which uses the name "Ohio PERS." Be sure to "like" us on Facebook in order to receive updates from OPERS within your newsfeed.



#### **Twitter**

We also utilize a Twitter account under the name "ohiopers." Facebook and Twitter messages are used to inform people of news, events and items of interest. Follow us on Twitter by searching @ohiopers.





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

## 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