

Ohio PERS NEWS

Your Benefit Connection

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

Answers to your questions regarding recent OPERS investment performance

A message from Chris DeRose, Ohio PERS CEO

In the last issue of Ohio PERS NEWS, we addressed the fact that retiree pensions remain secure despite a significant decline in value for the OPERS investment portfolio in 2008. The message addressed fears regarding our continued ability to support pension payments, but also prompted retirees to ask additional questions about OPERS' financial status. Because it's important for our entire membership to have a clear understanding of the market downturn's impact, we have compiled the answers to some of the most common questions we've received.



Chris DeRose

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How did OPERS perform in 2008?

For the first time in five years the pension fund experienced a decrease in fund assets in 2008 ending the year with \$59.0 billion in assets compared to \$82.9 billion at the end of 2007. This decrease represents a negative 26.9 percent return. In the previous five years the returns were 8.9 percent in 2007, 14.7 percent in 2006, 9 percent in 2005, 12.5 percent in 2004 and 25.3 percent in 2003.

sector of the economy and are unprecedented for OPERS. However, it's important to understand that the system remains strong and stable due to our diversified portfolio, disciplined investment approach and experienced investment staff.

What impact will the decrease in fund assets have on OPERS members and retirees?

At this time we do not anticipate the downturn will affect current or future pension benefits. That said, OPERS will continue to monitor all aspects of the pension and health care plans and take appropriate steps to support the sustainability of each plan. For example, at their March meeting, the OPERS Board of Trustees acted to increase the percentage of employer contributions currently dedicated to funding pensions.

Has OPERS ever experienced a market downturn to this degree?

No. The lows that we witnessed in the investment market over the last several months have impacted just about every

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Answers to your questions

(continued from page 1)

How is the OPERS investment portfolio positioned to weather the economic downturn?

Regardless of the economic climate, OPERS adheres to an investment plan specifically designed to withstand market fluctuations. We invest for the long term and maintain a diversified portfolio spread over many asset classes, market sectors and geographies.

As a long term investor, we aim to achieve an average return of 8 percent over time. Periodic market downturns occur and are incorporated into this average as are periods of positive returns. OPERS will continue to monitor all aspects of the pension system, including investment returns, and make adjustments as necessary.

Do you see the pension system rebounding and, if so, when?

No one knows when the market will rebound, and it may take several years to regain the losses we have sustained. We are optimistic about the financial future of OPERS. During its 74-year history, OPERS has positioned its investments with a disciplined approach to respond to market downturns and volatility. Our approach to investing has and will continue to be long term. We remain focused on providing a secure retirement benefit for public employees in Ohio.

Ohio PERS NEWS – Your Benefit Connection is a quarterly newsletter providing news and information to more than 150,000 age and service retirees, disability benefit recipients and survivor benefit recipients of the Ohio Public Employees Retirement System. This publication allows us to communicate vital information concerning retirement benefits and health care coverage to our retirees 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.

Elections to be held for three positions on the OPERS and Ohio Deferred Compensation Boards of Trustees

Elections for three seats on the OPERS and Ohio Deferred Compensation Boards of Trustees will be held in September. Retirees, active county employees, and active miscellaneous employees will have the opportunity to elect one candidate for representation on the Boards. Individuals elected to the OPERS Board also automatically serve on the Ohio Deferred Compensation Board. Those elected will serve four-year terms beginning in January 2010.

an employee member seat is required to obtain a minimum of 500 signatures from active members of their employee group. At least 10 different counties must be represented by a minimum of 20 signatures each.

Nominating petition packets will be available to interested candidates beginning Friday, June 12 at the OPERS office at 277 East Town Street, Columbus, Ohio. Nomination packets can also be downloaded from

our Web site, www.opers.org as of June 12. These packets contain official nominating petitions and all other necessary forms to be completed by the

OPERS 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 (college and university non-teaching employees, state, county, municipal and miscellaneous employees, and retirees); 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.

OPERS Board of Trustee members receive no compensation for their service, but reimbursement is made for necessary expenses. All meetings of the OPERS Board are open to the public. All Board meeting agendas and materials are available on our Web site, www.opers.org.

2009 OPERS Board of Trustees election schedule

Nominating petitions available	June 12
Completed petitions due	August 3
Voting materials mailed	August 28
All votes must be received by	October 2
Election count	October 5

Any OPERS retiree receiving an age and service retirement benefit or a disability benefit is eligible for election as a retiree representative. Any active OPERS member, with the exception of one receiving a disability benefit, is eligible for election to represent the employee group in which they belong.

Under Ohio law, a retiree seeking nomination must obtain at least 250 signatures from retirees receiving an age and service retirement benefit or disability benefit from OPERS. At least five different counties must be represented by a minimum of 10 signatures each. A candidate seeking

candidate. Completed nominating petitions and forms are due at the OPERS office no later than 4:30 p.m., Monday, Aug. 3; petitions postmarked on this date, but received later, will be invalid.

Any candidate successfully meeting the above nomination criteria will be placed on an official ballot. Every effort is made to ensure that each candidate is given equal space and placement on the ballot. Voting materials will be mailed to qualified voters at the home address of record on Aug. 28, 2009. Eligible retirees and employee members will be able to vote until Oct.

2, 2009. The election count is scheduled for Monday, Oct. 5. The final results will be certified by the Secretary of State's office.

OPERS implements new federal tax withholding law

An increased benefit amount now could mean a larger tax bill later

To comply with new IRS rules, OPERS has changed the withholding amounts for all retirees, effective April 1, 2009. Retirees may have noticed a larger monthly benefit beginning with their April payment.

OPERS began using new federal tax withholding tables developed as part of the American Recovery and Reinvestment Act of 2009. The "Making Work Pay credit," a provision of the legislation, provides a federal tax credit for 2009 and 2010. For individuals, the credit can be up to \$400 and up to \$800 for married couples. The credit is given in the form of a reduced federal income tax withholding, which has increased after-tax payment amounts for many OPERS retirees.

The IRS has mandated that all federal withholding amounts must be reduced, even if a retiree's pension does not

qualify for the credit. Although the new law calls for a reduced federal tax withholding for all taxpayers, retirees are not eligible for the credit unless they receive other earned income through an employer or self-employment. OPERS implemented the new tax withholding tables in compliance with the law.

Depending on the circumstances, some OPERS retirees could be faced with larger than expected tax bills next year. Because pension payments are not eligible for the credit and federal withholding must be reduced regardless, the change could result in retirees having less tax withheld than they will be responsible for paying in 2010.

The IRS and OPERS recommend retirees evaluate their expected tax liability for the year. Retirees concerned the new withholding could

cause them to owe additional taxes next year can make estimated tax payments or submit a revised *Withholding Certificate for Pension and Annuity Payments* (Form W-4P) to increase their withholding amount. Retirees with additional questions should consult a tax professional.

Form W-4P is available on the OPERS Web site, www.opers.org. More information is available in IRS Publication 919 "How Do I Adjust My Tax Withholding?" (<http://www.irs.gov/pub/irs-pdf/p919.pdf>) or by visiting the IRS Web site, www.irs.gov which features a withholding calculator. You can also reach the IRS by phone at 1-800-829-1040.

Legislative update

Social Security Fairness Act of 2009 House Resolution 235 and Senate Bill 484

Federal legislation (HR 235) to amend Title II of the Social Security Act to repeal the Government Pension Offset and Windfall Elimination provisions was introduced in the U.S. House of Representatives on Jan. 7, 2009 and has been referred to the House Ways and Means Committee. The bill has 244 co-sponsors including 12 from Ohio. Identical legislation (S 484) was introduced in the U.S. Senate on Feb. 25, 2009 and was referred to the Senate Committee

on Finance. S 484 currently has 17 co-sponsors. Neither bill is scheduled for a hearing at this point.

Please watch future issues of your OPERS newsletter for updates on the progress of this legislation. More information is also available on the Library of Congress (Thomas) Web site, <http://thomas.loc.gov>, where progress on current federal legislation is recorded and can be looked up using the bill number.

OPERS to select medical plan administrator this summer

In early 2008, OPERS began a process to select a vendor (or vendors) to administer the medical coverage portion of our retiree health care plan. This process is in keeping with a business practice that has been in place since OPERS began offering health care coverage in 1974.

Approximately every three to five years, OPERS releases a Request for Proposal (RFP) allowing vendors to bid on the opportunity to administer the medical portion of our retiree health care plan. The RFP process ensures that we periodically evaluate the marketplace and our vendor relationships to be certain we contract with an administrator that provides the best available health care coverage and services and also allows us to strengthen the solvency of our health care fund.

The RFP process to select a medical plan administrator involves the expertise of OPERS staff, the Board of Trustees, consultants and attorneys. The project team for this process spent the better part of a year writing the RFP and evaluating the proposals received using a highly detailed and standardized scoring process.

The overall goal is to determine which medical coverage vendor is best prepared to meet our needs and the needs of our retirees relative to:

- Providing retirees with every opportunity to improve their personal health
- Improving clinical outcomes for our retirees and their covered dependents
- Achieving excellence in customer service
- Allowing us to strengthen our health care fund now and for the future

Factors including the current economy, health care inflation, a growing retiree population and the fact that OPERS paid more than \$735 million in medical claims and premiums last year combine to make the selection of a medical coverage administrator more crucial than ever before. We are confident that the process we've designed will allow us to select an administrator to be our partner in providing quality health care coverage while facing a unique set of challenges in the coming years.

We are in the final stages of the process and have not yet selected a medical plan administrator (or administrators). We anticipate announcing the results of the process this summer in order to allow retirees to prepare for open enrollment in October. The selected vendor will begin administering the medical portion of the OPERS health care plan on Jan. 1, 2010. Our prescription drug coverage with Express Scripts will not be affected by this process.

Please read your summer issue of Ohio PERS NEWS and visit our Web site, www.opers.org, in the coming months for the most updated information available.

2009 health care seminars for retirees

New in 2009, the retiree-specific health care seminar is designed to address the needs and concerns of those receiving an OPERS benefit and participating in the OPERS health care plan. The seminar will address details of the OPERS health care plan coverage options and the OPERS wellness programs. Retirees will also learn about retiree medical accounts (RMA) and the open enrollment process.

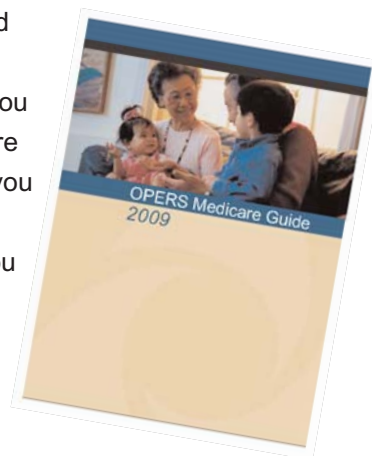
All retiree health care seminars begin at 10 a.m. and last approximately two hours. Registration is required and seminars do fill quickly. Please call 1-800-222-7377 or visit www.opers.org to register.

2009 OPERS Health Care seminars

Athens November 20	Mansfield June 19
Cincinnati November 13	Newark July 24
Columbus OPERS September 18	Portsmouth July 10
Dayton August 28	Ravenna December 11
Huron August 21	Steubenville June 25
Independence July 16 November 13	Toledo September 4
Lima December 4	Youngstown September 11

Introducing The OPERS Medicare Guide

OPERS is pleased to introduce a brand new publication, the OPERS Medicare Guide. The guide is designed to help you understand how the OPERS health care plan works with Medicare and to help you navigate the Medicare enrollment process with Social Security. When you become eligible for Medicare, it is extremely important for you to understand how your Medicare health insurance benefits will coordinate with the OPERS health care plan.



Medicare is a federal health insurance program for people:

- Age 65 or older
- Under age 65 with certain disabilities
- With End-Stage Renal Disease (ESRD) (permanent kidney failure requiring dialysis or a kidney transplant)

The guide provides an overview of the different parts of Medicare coverage, enrollment and coordination of benefits as well as answers to a list of frequently asked questions. The OPERS Medicare Guide is available to view, print or order via our Web site, www.opers.org or by contacting us at 1-800-222-7377. Retirees not yet eligible for Medicare will automatically receive a Medicare Guide prior to their 65th birthday.

Express Scripts, Inc. Formulary Update

Updates have been made to the Express Scripts Formulary (preferred drug list) as of Feb. 15, 2009. A new formulary summary is available on the OPERS Web site, www.opers.org or by contacting Express Scripts at 1-866-727-5873.

2009 calendar of educational seminars

Our seminars fill up quickly, so please register as early as possible. All dates and locations are subject to change. Seminar registrants will be notified of any changes at the earliest possible time.

RETIREE SEMINAR – This three-hour seminar is designed exclusively for OPERS retirees and benefit recipients. Topics range from taxation of your pension benefits and re-employment to health care coverage and Social Security. There is no cost to attend and you may bring a guest. Please register your guest's name when you enroll yourself. You can also register for this seminar using the Member Benefits System (MBS) at www.opers.org.

2009 RETIREE SEMINARS

Boardman Oct. 6	Cuyahoga Falls Nov. 17	Strongsville Aug. 18
Columbus (OPERS) Oct. 14	Perrysburg Sept. 2	

REMOTE COUNSELING SESSIONS – If you live outside the Columbus area and wish to discuss your pension benefits with a benefits counselor, you can schedule a remote counseling session. Counseling sessions are also available by phone. Call 1-800-222-7377 to make an appointment.

2009 REMOTE COUNSELING SESSIONS

Cincinnati Eastgate Nov. 16-19	Dover/New Philadelphia Sept. 21-24	Youngstown Aug. 31- Sept. 3
	Strongsville Nov. 2-5	

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General Assembly
Appointee

Chris DeRose
Chief Executive Officer



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The Express Scripts Prior Authorization Program

The right medication at the best price

The Express Scripts Prior Authorization program checks prescription medications and their costs so you can get the right medication at the best price. Like health care plans require pre-approval of certain medical procedures, some medications also need “prior authorization.” The prior authorization program ensures you get an effective medication that has been determined to be safe and also serves to help manage costs.

How Prior Authorization Works

When your pharmacist tells you that your prescription needs Prior Authorization, it means more information is needed before the prescription can be filled. Your doctor will need to contact Express Scripts and will be asked questions about your specific condition. If the information provided meets the plan’s requirements, you pay the appropriate co-pay.

If you are told your home delivery medication requires Prior Authorization:

- The Express Scripts Home Delivery Pharmacy will try to contact your doctor. (You may call your doctor to inform him or her of this call.)
- If your doctor says you need this medication, he/she must talk with the Home Delivery Pharmacy representative about approving it before the medication will be considered for coverage under our plan.

If you are told at a retail pharmacy that your medication requires Prior Authorization:

- Ask your doctor to contact Express Scripts at 1-866-727-5873.
- Contact your doctor’s office immediately or ask your pharmacist to contact your doctor.
- If your doctor says you need this medication, he/she must talk with an Express Scripts representative about approving it before the medication will be considered for coverage under our plan.