

# Ohio PERS NEWS

Your Benefit Connection

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

## State budget passed without cut to OPERS contribution rate

A message from Chris DeRose, CEO

After an impasse lasting more than two weeks, the Ohio Legislature passed the state budget and it has been signed into law by Governor Strickland. The budget originally contained a proposal to reduce the state employers contributions to OPERS. We are pleased to announce that this proposal was not a part of the approved budget.

The Board of Trustees and I vehemently opposed this measure because it would have had a dramatic impact on members and retirees and had ramifications far



Chris DeRose

beyond the current fiscal emergency -- including increased costs to other public programs. The rest of this column summarizes why we opposed the proposal so strongly.

**Impact on retirees** – These cuts would have reduced the solvency of the fund that pays for all retiree health care. The result would have hurt current retirees and threatened the security of future retirees. The ultimate result would have been reductions in health care in the short run and the possible elimination of health care within 10 years. I believe this was short-sighted because if OPERS could not provide basic health coverage for retirees, the costs to other state and federal programs would have increased. Last year, OPERS covered approximately \$1.3 billion in costs for our retiree population.

With hard work and the support of many individuals and organizations, we successfully defended our members and retirees from one of the most significant threats we have faced as a system. If this proposal had been included, it would have reduced the funding from the state to your retirement system by 43 percent for two years with the potential of paying back OPERS over a 10-year period.

While we sympathized with the severity of the state's budget situation, we worked very hard to convey our position that the proposal would have severely compromised the solvency of the fund and could have threatened the security of our retirees for many years to come.

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# State budget passed without cut to OPERS contribution rate

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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.*

**Impact on public employees** – It's important to remember that Ohio is a non-Social Security state, meaning that public employees are not eligible for Social Security and are required to pay 10 percent of their salary toward their OPERS retirement. In 2008, the average OPERS' pension was \$20,522. Without OPERS, many public employees would not have a pension.

**Impact on OPERS** – Reducing contributions would have immediately put OPERS outside the 30-year period required by state law to fund pensions. This is a prudent limit which should not be exceeded. Once exceeded, pension plans need to take action to get within the 30-year period (see related story on pg. 4). Early estimates were that by the end of 2012, our amortization period under this proposal would have increased to 50 years. Further, we do not believe that future legislatures can be bound by the promise to repay these funds. We therefore would have seen this as a permanent reduction.

Even if the state would have found a way to repay the reduced contributions with interest, we estimated a shortfall of \$183 million after the loan was repaid. The shortfall at the end of the repayment period in 2022 could have been even greater, depending on investment returns.

OPERS has a 74-year history of prudent management to ensure the fund is sustainable for our members and retirees. Our ability to provide these benefits is dependent on employers and employees paying their equitable share of the costs. This proposal would have harmed the system and put it beyond its 30-year funding while reducing our health care solvency and benefits for retirees.

As we shared our opposition to this proposal with the Governor and Legislature, we received an outpouring of support from members, retirees, stakeholders and other interested parties. Thanks to this support and the hard work of so many, the proposal was dropped from consideration. We want to extend our sincere thanks to all those who became actively involved in this effort. The economic woes of our state and nation are far from over. We will continue to be vigilant in managing your retirement system and safeguarding your benefits.

# OPERS will continue using tax withholding tables effective April 1, 2009

OPERS will continue using tax withholding tables that became effective April 1, 2009 as part of the American Recovery and Reinvestment Act of 2009. The System has decided not to implement an optional tax withholding adjustment procedure offered by the IRS.

OPERS decided against using the adjustment procedure because many retirees had already contacted OPERS to make changes to their tax withholding based on the tax withholding tables effective April 1.

On May 14, 2009, IRS officials released an optional withholding adjustment procedure for pension plans that changed tax withholding amounts for their pension

recipients in compliance with the President's economic stimulus package. The adjustment is designed to help some pension recipients avoid a smaller refund next spring or even a balance due in limited situations. Organizations paying pensions have the option to enact this adjustment or continue to use the tax withholding tables implemented in April.

OPERS pension recipients with continuing concerns or questions about the new withholding amounts should consult a tax professional. For more information please visit [www.irs.gov](http://www.irs.gov).

## 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

terms beginning in January 2010. Any OPERS retiree receiving an age and service retirement benefit or a disability benefit is eligible for election as a retiree representative. Any active

five different counties must be represented by a minimum of 10 signatures each.

**2009 OPERS Board of Trustees election schedule**  
Voting materials mailed ..... **August 28**  
All votes must be received by ..... **October 2**  
Election count ..... **October 5**

OPERS member, with the exception of one receiving a disability benefit, is eligible for election to represent the

Any candidate successfully meeting the 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.

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

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

## Legislative update

### **ORSC requests review of contributions and benefits with the goal of strengthening Ohio's public pension systems**

With the debate over the state budget resolved, OPERS has returned our focus to a recent request made by the Ohio Retirement Study Council (ORSC). The ORSC asked that the Ohio retirement systems consider a number of options to help contain costs and strengthen the systems' funded status because of current overall economic challenges. Any changes to benefits provided in the law must be passed by the Ohio Legislature.

It is important to note that OPERS is within the statutory amortization window of 30 years. However, other Ohio systems are outside the 30-year window. The ORSC is working to bring all systems within the required timeframe.

The ORSC has requested that Ohio's public pension systems review the following list of benefit areas:

- Increase contribution rates/caps;
- Increase normal retirement age and service;
- Change final average salary;
- Eliminate, reduce or delay COLAs;
- Eliminate lump sum death benefit;
- Change purchase of service credit;
- Establish minimum retirement age regardless of service; and,
- Change the calculation of part-time/full-time service credit.

The OPERS' Board of Trustees will evaluate all the options on this list, as requested by the ORSC and consider whether any changes should be made. Each year, the OPERS Board reviews the benefits offered and makes incremental changes, as necessary, to support the system for our members.

That said, as a fiduciary, OPERS is always looking for efficiencies and ways to improve its long-term funding.

Proactive, insightful planning and tough decisions by the OPERS Board allow the fund to weather market volatility to ensure long-term solvency.

For example, in the last few years, OPERS has implemented the Health Care Preservation Plan, developed separate investment strategies for the pension and health care funds, approved changes to ensure that OPERS is within the statutorily mandated 30-year funding level, proposed increasing the cost of purchasing service credit to reflect its true cost, and proposed statutory changes to increase the minimum earnable salary required to earn full-time service credit.

### **Senate Bill 83**

On June 2, OPERS sent a letter to Senator Keith Faber (R - Celina) regarding SB 83 which would limit, in two ways, the amount of compensation that may be used in the calculation of a retirement benefit under OPERS. First, the bill imposes a limit on "earnable salary" for which contributions may be made to OPERS. Second, the bill includes a provision that would address a practice referred to as "spiking" final average salary by excluding from "final average salary" certain overtime and certain increases in earnable salary that occur during a member's two highest years of compensation.

No hearings were held on the bill throughout May and June. At the request of the sponsor's office, OPERS sent a letter in June outlining a number of changes to the bill designed to address our concerns with the legislation. Based on our discussions with the Senator's staff, a substitute bill will be drafted to address some of our concerns. Until the substitute bill is completed and we have analyzed the bill, OPERS will remain an interested party to the legislation.

***Please watch future newsletters and our Web site for updates on both of these important legislative issues.***

# The Express Scripts Step Therapy program

## Getting the most for your prescription drug dollars

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The Express Scripts Step Therapy program is all about value – about getting the most for your money. For people who have certain medication needs – arthritis, high blood pressure, and high cholesterol, for example – Step Therapy means getting a tried-and-true medication that is proven safe and effective for your condition, and getting it at the lowest possible cost.

### Step 1

Front-Line Medications: These are medications recommended for you to take first and they are usually generic. Step 1 medications are proven effective and often have a longer safety record than newer medications. You will pay the lowest copay for these medications.

### Step 2

Back-up Medications: These are brand-name medications, like the ones advertised on TV. Step 2 medications are recommended only if a Step 1 medication does not work for you. You will almost always pay more for these medications.

### How Step Therapy Works

- The next time your doctor writes a prescription for you: Ask your doctor if a generic medication, listed by our plan as a Step 1 (generic) medication, is right for you.
- If you have already tried a Step 1 (generic) medication, or your doctor decides one of these medications is not appropriate for you, then your doctor can prescribe a Step 2 (brand) medication. Ask your doctor if one of the lower cost, brand name medications listed by our plan is appropriate for you.
- You can always get a higher cost brand name medication at a higher copay if the Step 1 or Step 2 medications are not right for you.
- If your doctor prescribes a Step 2 medication, he/she must call Express Scripts to get approval before the medication will be covered by the plan.

### For more information, please contact Express Scripts at:

Within the U.S.

**1-866-727-5873** (toll free)

Every day, 24 hours a day

Outside the U.S.

**1-925-820-7000**

(ext. 37-8710)

Every day, 24 hours a day

[www.express-scripts.com](http://www.express-scripts.com)

## 2009 - 2010 health care seminars for retirees

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](http://www.opers.org) to register using MBS.

### 2009 OPERS health care seminars

<b>Athens</b> Nov. 20	<b>Independence</b> Nov. 13	<b>Ravenna</b> Dec. 11
<b>Cincinnati Sharonville</b> Nov. 13	<b>Lima</b> Dec. 4	<b>Youngstown</b> Sept. 11
<b>Huron</b> Aug. 21	<b>Newark</b> July 24	

### 2010 OPERS health care seminars

<b>Akron</b> May 13	<b>Columbus (OPERS)</b> Feb. 26	<b>Steubenville</b> June 18
<b>Athens</b> June 4	<b>Elyria</b> March 26	<b>Strongsville</b> Jan. 29
<b>Cambridge</b> March 19	<b>Findlay</b> April 30	<b>Toledo</b> Feb. 18
<b>Canton</b> March 11	<b>Mentor</b> May 6	<b>Youngstown</b> April 9
<b>Cincinnati East</b> April 16	<b>Miamisburg</b> Jan. 15	
<b>Columbus (Dublin)</b> May 24	<b>Portsmouth</b> June 25	

## Complete OPERS forms online

Completing an OPERS form just got a little easier. Now, when you use your computer to access a form, you can type your information directly onto the form. Due to signature requirements, forms cannot be submitted electronically. You should complete the forms online, print them and mail the completed forms to OPERS. Not all forms are currently available in a fill-in format, but more will be added throughout the coming months.

Fill-in forms are encoded to guide you through the process of entering necessary information, ensuring the form is completed correctly. This technology is convenient for you and provides OPERS with completed forms that result in fewer errors and readability issues when scanned electronically for your case file.

Access to these forms is available from the home page and also the Forms pages on [www.opers.org](http://www.opers.org). Detailed instructions including software requirements and a guide to entering information are also available on the site. If you have questions, please contact us at 1-800-222-7377.

## Member Benefits System (MBS) offers secure access to account information

The OPERS Web site, [www.opers.org](http://www.opers.org), is a great source of information about your pension benefits and health care coverage. The site also features the Member Benefits System (MBS). MBS offers secure access to your personal account information.

### MBS allows you to securely and conveniently:

- View your current gross pension amount
- View and print income verification letters
- View your beneficiary information
- Request your benefit payment history
- View and print Form 1099-R statements
- Check your eligibility date for your next COLA increase
- Change your address

## 2009 - 2010 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](http://www.opers.org).

### 2010 RETIREE SEMINARS

<b>Athens</b> April 27	<b>Mansfield</b> June 22
<b>Canton</b> June 8	<b>Strongsville</b> May 25

**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 - 2010 REMOTE COUNSELING SESSIONS\*

<b>Cincinnati Eastgate</b> Nov. 16-19, 2009	<b>Miamisburg</b> April 5 - 8	<b>Wickliffe</b> June 14 - 17
<b>Cuyahoga Falls</b> Jan. 4 - 7 April 19 - 22	<b>Perrysburg</b> Jan 25 - 28 May 3-6	<b>Wooster</b> June 28 - July 1
<b>Lima</b> Feb. 22 - 25	<b>Sidney</b> March 8 - 11	<b>Youngstown</b> March 22 - 25
	<b>Strongsville</b> Feb. 1 - 4 May 17 - 20	

\*Dates are in 2010 unless otherwise noted.

## Ohio PERS Board of Trustees

The 11-member Ohio PERS Board of Trustees is responsible for the administration and management of Ohio PERS. Seven of the 11 members are elected by the groups that they represent (i.e., college and university non-teaching employees, state, county, municipal, 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

**Eddie Parks**  
State Employees

**Sharon M. Downs**  
Retired Members

**John W. Maurer**  
Retired Members

**Kimberly Russell**  
State College and University Employees

**Cynthia Sledz**  
**Vice Chair**  
Miscellaneous Employees

**Ken Thomas**  
**Chair**  
Municipal Employees

**Helen Youngblood**  
County Employees

### Statutory Board Member

**Hugh Quill**  
Director, Department of Administrative Services

### Appointed Board Members

**Lennie Wyatt**  
Investment Expert  
Governor Appointee

**Charlie Adkins**  
Investment Expert  
Treasurer of State  
Appointee

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

**Chris DeRose**  
*Chief Executive Officer*



Ohio Public Employees  
Retirement System

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# Ohio PERS NEWS

YOUR BENEFIT CONNECTION

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## OPERS' Summary Comprehensive Annual Financial Report available online

A summary of the OPERS Comprehensive Annual Financial Report (CAFR) for the years ended Dec. 31, 2008 and Dec. 31, 2007 is available to view and print from our Web site, [www.opers.org](http://www.opers.org). The full CAFR is available on the site as well.

The 8-page summary presents the highlights of the full report in a smaller format which is easier to print and read. Both versions of the report can be found within the 'Investments' section of OPERS Web site.

