

New members on the OPERS Board of Trustees

Whether at the local or national level, it's always a good idea to know the individuals who represent you and your interests. Taking that one step further, it's also important to know those who represent you on the OPERS Board of Trustees.

The OPERS Board is made up of 11 members. Seven of those members are elected by the constituent groups they represent: college/university employees, state employees, county employees, municipal employees, miscellaneous employees, and retirees (two board members). Three individuals with financial expertise are appointed by Ohio's governor, treasurer, and jointly by

the Ohio Senate and House. The OPERS Board is completed with the director of the Ohio Department of Administrative Services also serving.

In 2010, four seats on the OPERS Board of Trustees were up for election; only one was a contested seat and was won by Matthew Schulz, representing state employees. Schulz, who was sworn in at the January Board meeting, began serving his four-year term Jan. 1, 2011 (photo right).

Also new to the Board is Robert Blair, who was appointed Director of the Department of Administrative Services in January 2011.



None of the seven elected seats are up for election in 2011—making this year an ideal time for all OPERS employers and members to get to know their representative. ▲

Update on employer health care survey

Over the past weeks, employers were asked to complete a health care survey. The survey was designed to gather information on health care initiatives and programs employers have in place today. Our aim? We hope to identify partnership opportunities so we can work together toward the goal of healthier retirees.

Rationale for survey

The actual survey was designed to solicit feedback from the 3,700 OPERS-reporting employers regarding their health care programs and initiatives. We believe healthier employees will make healthier retirees. We believe the survey information will help OPERS with

future health care plan design considerations and help determine the potential for alignment of wellness efforts for OPERS retirees with active employees. Ultimately, the information will enable OPERS to make decisions on the health care plan design, health care options, vendor selection, wellness programs and perhaps purchasing coalitions.

Status update

At the time of publication, OPERS was compiling the survey information submitted by employers. We anticipate results of the survey will be presented at the May 2011 Health Care Committee meeting. ▲

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Employer Resources

Simple equation: Reports + remittances = compliant retirement procedures

Sounds simple, but just like any equation, one missing element results in confusion. This is especially true with OPERS, as we try to reconcile more than 3,700 employer entities' contribution reports and remittances every month.


Some employers have been sending the monthly remittances (form E-3) without the contribution report. Let's look at what's wrong with that equation:

- Although funds need to be remitted on time, an employer remittance cannot be processed until the contribution report is
- Funds without reports mean your organization has not completed its legal requirement. Even though the funds have been sent, your organization is at risk for penalties because an accurate, timely contribution report is necessary for compliance. Every month, every time.
- To ensure proper allocation, remit your *Report of Retirement*

received as well. The report provides the necessary payroll detail for allocation of the payment. So, until both the report and funds are received, OPERS cannot process the funds.

Contributions with your form E-3 at the same time.

At-risk behavior


We find this issue most often with employer organizations large enough to have two separate offices generating reports and remittances. Many organizations may not know this is an issue. Avoid being at risk for penalties—if your entity has two separate offices handling these important processes, please review your business processes and procedures to make sure your monthly reports and the remittances are in sync. It's just good business to make sure everything adds up. 

Training available for new administrators

Many employers have new administrators beginning in April. Employer Outreach is ready to help you learn the rules, processes and procedures of reporting and remitting retirement contributions. A complete schedule of employer-specific training seminars is available online—featuring cost- and time-saving online seminars through June 2011.


Tailored training available: Online not your learning style? Specific challenges for which you need

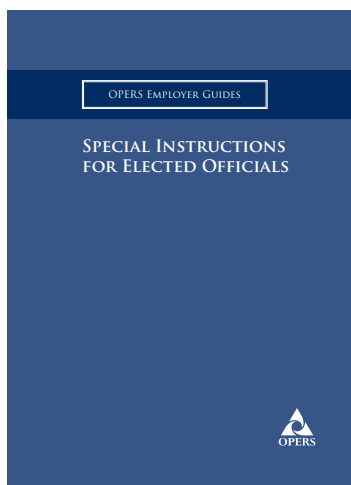
assistance? Remember, Employer Outreach will come to you for a training site visit. Demand for on-site training can get heavy, so we encourage you to schedule with as much lead time as possible.

Review the online employer-specific offerings first. If you determine your organization would benefit from a tailored site visit, contact Employer Outreach to schedule. 

Employer Guide available

The first in the 2011 Employer Guide series is now available. The employer-specific guides are designed to walk employers through some of the more complex processes for retirement contribution reporting. The first guide, now available, is the *Employer Guide: Special Instructions for Elected Officials*. The guide will be available hard copy April 1, 2011 and will be online shortly after that release date.

Additional guides in the works especially for employers include a general guide on Employer Reporting services, early retirement incentives, pick-up plans and annual conversion plans. 



Health Care Update

The 2010 Patient Protection and Affordable Care Act (usually referred to as health care reform) has numerous provisions that may impact the OPERS health care plan from 2011-2018. OPERS is analyzing this complex legislation for impact on our health care plan. Following are some of the most common questions OPERS has received from retirees and members. We know employers have been and will continue to be an important resource for retirees. Therefore, this information is reprinted here in the Employer Outreach newsletter to help positively position employers to help retirees and soon-to-be retirees.

Q: How is OPERS assessing how the new health care legislation will impact retirees and OPERS?

A: OPERS has spent months analyzing the legislation in collaboration with actuaries and legal counsel to recognize the impact on OPERS. The welfare of our retirees and the solvency of the OPERS health care fund are our main priorities when analyzing the legislation. Our Board's intent is to continue providing a plan which helps improve or maintain the health of current and future OPERS retirees while complying with all applicable provisions of the legislation.

Q. Will the health care reform legislation require retirees to pay tax on their health insurance?

A: No. Health care reform legislation will not require retirees receiving health care through a retirement system to pay taxes on their health insurance. The current legislation requires employers to display the value of health insurance on employees' W-2 forms for information purposes, but it will not be considered taxable income. This provision will only affect retirees if they are re-employed, either in the private or public sector, and receiving a W-2 form. More information can be found on the OPERS website or by visiting www.irs.gov.

Q: I understand that Medicare Advantage Plans may experience changes in 2012. What will the OPERS Medicare Advantage Plan look like in the future?

A: At this time, we are unable to provide a complete answer to this question. OPERS continues to be in close contact with Humana, our Medicare Advantage Plan administrator, and we are continuously monitoring federal health care and budget legislation in order to determine Medicare Advantage Plan designs, funding levels and network requirements for 2012 (and beyond).

Q: What is the Early Retiree Reinsurance Program?

A: As part of the Patient Protection and Affordable Care Act, the federal government will provide \$5 billion to be used by the Centers for Medicare and Medicaid Services (CMS) to reimburse claims for early retirees (age 55 – 64) and their dependents, who are otherwise not eligible for Medicare. This program will reimburse 80 percent of annual claims dollars between \$15,000 and \$90,000 per year for services that Medicare Parts A, B, and/or D would cover. Once the \$5 billion have been dispersed there will be no further reimbursements from this program.


Q: Is OPERS part of the Early Retiree Reinsurance Program?

A: Yes. OPERS submitted its application on the very first day CMS accepted applications and we received notice in the initial release from CMS that OPERS had been approved (with 3,600 other organizations) to participate in the Early Retiree Reinsurance Program. We have already received a check for \$70.5 million.

Q: What are the health care exchanges that I have heard about?

A: Health care reform legislation includes a requirement for health care exchanges to be up and running by Jan. 1, 2014. The intent of these exchanges is to reduce the number of uninsured by providing individuals one place to compare health care coverage levels and prices and then choose the plan that's best for them.

Q: Will these health care exchanges be available to OPERS health care program participants?

A: The health care exchanges are to be up and running no later than Jan. 1, 2014 for those purchasing individual health care plans or who are participating in plans with less than 100 people. Exchanges may be available to companies with more than 100 employees by 2017. It is not yet clear if and/or when those currently participating in the OPERS health care plan may participate in these health care exchanges. 

EDEC helps employers save time...and the environment

Employer Outreach is committed to providing employers with all the necessary information that will help you process retirement contributions quickly and accurately. In 2011, Employer Outreach will be working to encourage all public employers to sign up for the Electronic Distribution for Employer Communication (EDEC) program. EDEC provides many employer benefits including the timely delivery of targeted, employer-specific information and unlimited internal distribution for your organization. EDEC provides you with important operations-oriented information faster than print options—meaning you'll have more time to implement changes designed to help you handle the retirement contribution functions.

The program

Basically, EDEC is a voluntary program that provides employers with regular publications such as *Employer Notices* and the *Employer Outreach* newsletter via electronic delivery only (no print copy). Employers will see that:

- *Employer Notices* will be sent via e-mail, but in the same format as they are currently produced.
- *Employer Outreach* newsletters will be in the electronic-friendly format of headline, synopsis and embedded link to the full article—providing you with the option of more information, when you want it.

As is done currently, *Employer Notices* and the *Employer Outreach* newsletter will continue to be posted on the OPERS website, www.opers.org.

EDEC-at-a-glance

- EDEC provides only non-confidential information. You'll still receive the *Employer Account Summary* and sensitive employee information by mail.
- EDEC is entirely voluntary and all-encompassing. EDEC gives employers a single method of communication—print or electronic—per employer. This means if you choose to receive information electronically, everyone on your contact list must receive it electronically—there is no option to pick-and-choose by individual.
- Employers will have the option to unsubscribe at any time by notifying OPERS via Employer Outreach.
- OPERS' Employer Outreach unit will deliver routine mailings electronically to those e-mail addresses provided by you. You may sign up an unlimited number of contacts within your organization.

Ready to go electronic?

Contact Employer Outreach and request the EDEC sign-up packet. You'll be sent a personalized packet that includes the program overview, an authorization form, and your most current distribution list. We request you:

- Review the information,
- Have the appropriate individual sign the authorization form, and
- Review the distribution list for accuracy, errors, additions and omissions.

Return the last two documents to Employer Outreach and...you're ready to go. Then, sit back and enjoy the time savings, the targeted distribution, and positive environmental impact you've generated.

A word about online security

Just like any financial services institution, your online security is a priority at OPERS.

What do we do with the employee information you give us?

Employer Outreach uses confidential information for OPERS-purposes only. Your information will never be shared with other vendors for marketing or everyday business purposes.

Occasionally, Employer Outreach will receive requests for verification of, or actual employee data for your employees' (our members) confidential information. Please understand, Employer Outreach will never give out this information. (This do-not-share commitment extends to phone calls as well—Employer Outreach cannot share confidential information to anyone—even if the individuals identify themselves as persons with a right to know.)

This means we use the e-mail addresses you verify when signing up for the EDEC program for EDEC purposes only. And, note that at this point, confidential information is not shared electronically.

Your takeaway: Although we do not share our e-mail list externally, we will work closely with you to keep your contact list up-to-date. Keeping your internal contact list up to date here at OPERS allows us to handle your internal distribution for you—those who need retirement contribution information get it quickly.

Pension reform legislation introduced

In 2009, the OPERS Board of Trustees, at the request of the Ohio Retirement Study Council (ORSC), submitted recommended pension plan design changes to improve OPERS' funded status.

By law, proposed changes must also be approved by Ohio's legislature. On Feb. 1, 2011, House Bill 69, sponsored by Rep. Lynn Wachtmann (R-Napoleon), and Senate Bill 3, sponsored by Sen. Keith Faber (R-Celina), were introduced.

The Ohio General Assembly identified the pension reform bill as one of the top-priority bills. Both pieces of legislation are considered to be placeholder bills—meaning we should expect more changes to be introduced in substitute bills in the future as legislators review and debate the proposed legislation. As introduced, with a few exceptions, both bills were similar to the proposals presented to the ORSC.

Talking points

We know many employers are in the position of discussing the pension reform legislation with employees and other

stakeholders. Clearly, OPERS will need the support and involvement of our employers and our member population more than ever before. To assist you with discussions with your employees, the following are suggested talking points:

- Although OPERS remains compliant with Ohio law requiring the pension fund be within a 30-year window for paying off obligations, we believe pension plan design legislation must be passed quickly for OPERS to maintain its long-term solvency and continue providing retirees access to health care.
- The changes proposed are not solely a result of the 2008-2009 economic downturn, but were proposed to strengthen the pension system as a result of demographic shifts: namely, the fact that members are living longer. Therefore, even as the market recovers, changes will be necessary to help the pension system address anticipated funding issues.
- OPERS-provided pensions and access to health care

coverage for retirees are vital elements of Ohio's economy, pumping more than \$5.2 billion in pension and health care payments into the Ohio economy each year. Our retirees are an economic engine for the state, fueled by benefit and health care payments. The vast majority of OPERS retirees (almost 90 percent) remain residents of Ohio. These retirees are ultimately consumers of goods and services from Ohio companies.

Keep informed: More information always available

We believe a well-informed employer population will help communicate to all members and stakeholders about the importance of these changes. Complete information about the proposed changes can be found in the Special Coverage section on the OPERS website homepage at www.opers.org. That section will also host updates for employers, members, retirees and stakeholders as the legislation is debated. ▲



Mailbox:

Q: As an employer, what do I tell employees who ask me if they should retire to retain benefits?


A: We know that many times employers are asked for their opinion or counsel regarding retirement. The decision to retire is an important one and should be made only after the many facets of retirement—including the financial aspects—have been fully considered. However, because employers are not qualified to give retirement counseling, OPERS strongly encourages employers to refer employees to the information contained on their annual statement and the tools provided on My Benefits System (MBS) as an initial step. Employees within six months of retiring should be counseled to contact the OPERS Member Services Call Center at 800-222-7377 to schedule an appointment or phone interview with an OPERS retirement counselor. ▲

Info to Go

Reminder: Disability benefit determination process revised as of February 2011

The process for disability benefit applications has changed. Because many employers do not handle this frequently, we ask that you make sure your employees who process disability benefit employer applications understand:

- The *Report of Employer for a Disability Benefit Applicant* (DR-4) has changed. You'll see you are now asked for additional employee information, more detailed contact information, and more complete information regarding the employee's physical job requirements. Please make sure your organization uses only the most recent disability benefit applications, dated as of Feb. 1, 2011.
- OPERS now partners with a third-party administrator to provide disability benefit determinations and to provide independent medical examinations. The company, MLS Group, will provide a variety of services around the disability benefits program including: assessments of new applications, appeals, annual reviews, and benefit termination requests.
- Employers may be contacted by OPERS' third-party administrator to request clarification of information provided on the Report of Employer for a Disability Benefit Applicant forms.
- If you have any questions about the information requested, contact Employer Outreach for verification.


Employers have received complete information about this process change via an Employer Notice dated Jan. 24, 2011; now archived on the OPERS website at www.opers.org. 

Employers needed to promote MBS

OPERS is asking all employers to promote My Benefits System (MBS) as an important, informative and time-saving tool for all OPERS-contributing employees.

MBS is updated and enhanced regularly. In addition to having access to retirement account information through a secure server, employees registered for MBS have speedy access to general information, may sign up to receive emails, news alerts and, as of Feb. 14, are in the position of initiating refund applications online.

- **What's in it for employers?** Employees' use of the electronic refund application, along with accurate contribution reporting by the employers, means employers will no longer need to certify an employee's last day of employment for a refund (a significant time savings when working with large numbers of seasonal employees, frequently requesting refunds).
- **Here's why:** If you're submitting your contribution reports accurately (see the related *Employer Notice* of Jan. 13, 2011 detailing the contribution report process to ensure reports are accurate), your work is done because the online refund application process allows your employees to complete, submit, and print a copy of their refund application by following easy step-by-step instructions online via MBS. The online process also notifies employees if additional information or documents are needed.

MBS is a win-win situation. Your employees have access and can handle some routine processes 24/7 and you save time. Encourage employees to sign up today. 

Annual statement rollout—details to remember

Employer Outreach works to partner with employers to ensure you have all necessary information—before you need it. Each year, Employer Outreach is contacted by employers with questions on behalf of anxious employees about what is perceived as a delayed or missing annual statement. Please review these facts about the *OPERS 2010 Personal Statement of Estimated Benefits* to ensure you'll have all the information necessary to put employee concerns at rest:

For employees receiving annual statement via U.S. mail:

- Annual statements are released on a staggered basis.
- Mailings are sorted in batches by home zip code, pension plan type, and other variables.
- Because of the staggered delivery, it is possible that employees who work together will receive their statements at different times. *Statements are not sorted by employer entity. All statements will be mailed by the end of April.*

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Conversion plans: OPERS review is an annual event

Annual conversion plans are the plans by which employer organizations allow employees to convert unused vacation, sick, or personal leave into cash. All employers with conversion plans for which you intend to withhold retirement contributions must have the conversion plan reviewed and approved each year by OPERS, via Employer Outreach.

Rationale for this action

We understand conversion plans are an important incentive for your employees—and conversion plans only become of interest to OPERS when you mean to withhold and remit retirement contributions on the payments made via your conversion plan.

Retirement contributions on conversion plan payments are governed by very specific laws. To keep you compliant with the law, OPERS must review and approve employer conversion plans—again, only if you plan to withhold retirement contributions on the conversion payments.

Negative impacts can be avoided

Non-compliance can mean that your employees are making retirement decisions based on erroneous information—a situation you can avoid for them and your organization when you follow correct procedures.

Employer action to avoid these negative impacts is easy—simply submit your conversion plan documentation EACH YEAR to

OPERS for approval. It's important to understand this must be done annually—unlike many actions classified as one-and-done, this is a recurring action.

Conversion plans only become of interest to OPERS when you mean to withhold and remit retirement contributions on the payments made via your conversion plan.

Some employers just get it done

Employer Outreach salutes the city of Columbus—an employer accurately submitting conversion plan information for 2010. Tim Carroll, payroll supervisor, for the city of Columbus was in charge of supplying all conversion plan information.


Carroll shared his insights, “My top concern is always to ensure employee paychecks are accurate; my second top concern is to make sure retirement system reporting and remittances are accurate and timely. When OPERS made the announcement about the need to submit conversion plans for approval, I knew the timing was going to be an issue. I saw a perfect storm of required activity—processing all

year-end information, ongoing payroll and once-a-year tax information—was going to coincide with the new conversion requirement.

Fortunately, OPERS announced this requirement with a significant lead time. The moment I saw the conversion plan approval requirement, I began to do any advance preparation work I could. I contacted Employer Outreach to get as much detail as possible. We worked together and I was able to generate advance test files to make sure the city of Columbus could deliver the necessary information in the timeframe required.”

The result?


According to Carroll, “We had a little back-and-forth on the test files and I think both OPERS and the city benefited from that interaction. I'm very happy the city of Columbus received a 100 percent compliance rating for conversion plans. We have approximately 4,900 active employees; although only 1,400 had a conversion payment, it was a big task. However, the best possible outcome I can imagine is that all employees, including the 1,400 colleagues who opted for conversion plans, will be in the position of making retirement decisions with accurate information.”

Beautifully put—the Employer Outreach team can only add our thanks and kudos for a job well done. 

Interim executive director announced

In February, Executive Director Chris DeRose, announced his resignation to pursue a position within the private sector. Since joining OPERS in October 2006, DeRose's vision and energy were instrumental in OPERS' progress in moving from good to great. His leadership in the areas of legislation, pension plan redesign and business process redesign enabled OPERS to move forward in a positive manner. He takes with him our thanks and sincere wishes for future success.

The OPERS Board of Trustees will conduct a national search for the next executive director. However, in the interim, the OPERS Board of Trustees has asked Karen Carraher, director of finance, to serve as interim executive director. Carraher has been with OPERS since 2002. In addition to her duties as director of finance, Carraher has been integral to many of OPERS' most crucial initiatives including pension plan redesign, health care initiatives, actuarial reviews, and production

of the *Comprehensive Annual Financial Report*. 



Karen E.
Carraher


Christopher M.
DeRose

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For employees receiving annual statements electronically:

- Employees who are registered on MBS and who chose to receive their statements electronically have had access to their statement since early March.

For all employees:

- The total salary for 2010 shown on the personalized annual statement may differ from the total salary shown on W-2 forms. This is because not all salary is subject to retirement contributions and/or W-2 forms include wages *paid* during 2010, while OPERS annual statements include wages *earned* during 2010. 

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