

EMPLOYER Outreach

OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM



What is your pension IQ?

With pension plan design changes pending before Ohio's legislature, it's especially important for all employers to fully understand the business of pensions. After all, you invest each month in OPERS with the understanding that this pension system will ultimately provide a secure retirement for you and your employees—a promise we have kept for more than 75 years.

Changes to the OPERS benefit structure require approval of the Ohio legislature and are before the legislature now. (See up-to-the-minute pension reform status on the OPERS website, www.opers.org, or via Facebook or Twitter. Encourage your employees to provide their e-mail address through the Member Services Center or via My Benefits System (MBS) to keep up to date on important information.)

These changes are important to keep OPERS on track to be in the position to fund future promises. But, do most employers really understand how pension systems work and why these changes are important? Take this pop quiz to test your pension IQ.

- Historically, what percent of the final benefit for each member has been funded by investment results?
 - 1/3
 - 1/2
 - 2/3
 - none, it comes from contributions over the years
- How would you describe the term *funded status*?

- True or false: Health care coverage and access is a guaranteed, mandated element of OPERS retirement.
 T F
- What are the three main reasons the OPERS Board of Trustees approved the proposed changes to the pension benefits?
 1. _____
 2. _____
 3. _____
- True or false: OPERS is a state agency.
 T F
- True or false: OPERS helps provide economic stability throughout the state.
 T F
- True or false: If my employees retire before the legislation is effective, they will be guaranteed pension benefits at the current level.
 T F
- True or false: Because I am an OPERS member, it is unnecessary to plan or save for retirement.
 T F
- True or false: If the proposed changes are delayed by the legislature, it's really not a big deal.
 T F
- True or false: All this worry about pensions will go away when the economy completely recovers.
 T F

How did you do?

Check your answers starting on page 4. Just like any pop quiz, passing grade is 70 percent. If you passed, congratulations—you are more knowledgeable than most about the business of pensions. If you didn't earn a passing grade, take a few moments to learn everything you need to know about the business of pensions—so you can become and remain an advocate for OPERS and the important economic stability this pension system provides.

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Attention paper-reporting employers: Pre-lists to be discontinued

The move to eliminate pre-lists is expected to impact less than one percent of our employer population; currently fewer than 1,855 (out of nearly 975,000 accounts) OPERS-contributing employees are reported using the pre-list method.

Rationale

Employer Reporting works to give employers important tools to improve efficiency, accuracy and timeliness of retirement contribution reporting. We also work to improve the cost-effectiveness of all business processes—yours and ours. The pre-list method is one of three contribution reporting options and, after extensive analysis, has been determined to be the most expensive in terms of achieving operational efficiency.

Timeline for conversion

Even though the number of affected employers is small and the rationale to eliminate is strong, we recognize change is difficult. As always, we are here to help. Here's the timeline for conversion:

- In June, affected employers will receive an *Employer Notice* providing full operational details about the

conversion. Those employers will have the option of switching to either electronic or paper-based reporting.

- The information will detail the exact date of elimination of pre-list reporting. Current target date for elimination is Oct. 1, 2011. (Because no programming changes are anticipated, the usual six-month timeline to accommodate change is considered to be unnecessary.)
- To proactively initiate conversion, those employers who use pre-list (and also any paper-based employers) are encouraged to fill out and return the insert attached to this edition of *Employer Outreach* (included in hard copy only, online readers will find the insert at the bottom of this article). If you or your staff who handles retirement reporting would benefit from a site visit or one-on-one phone training, indicate your preferred time and date for either.
- We'll make every effort to accommodate your preference or schedule a mutually convenient time.

Together...we will get this accomplished. 

A word about electronic reporting

Whether you use pre-lists or not, all paper-reporting employers are encouraged to strongly consider converting to the electronic Employer Contribution System (ECS). Once you do, you'll wonder why you waited. ECS is proven to provide time-and-cost savings for employers because the system delivers enhanced delivery and reporting accuracy. Here's a snapshot of what ECS can do for you:

Timely reports: All contribution reports submitted via ECS are checked for accuracy prior to acceptance. If errors are found, the report is returned and rejected instantly—with exact information

about what needs to be corrected. This means no more late reports due to errors. Remember, even if sent on time, a contribution report is not considered to be submitted until checked for accuracy. A paper report sent back to employers for accuracy errors can result in delayed submission—a situation that occurs often and one for which employers are liable for late fees.


Look-back capabilities: At any time, ECS-reporting employers have the ability to view:

- Submitted reports list, with a request to view by reporting end date,
- Status of payments, including the ability to cancel electronic payments or change payment dates, and

- Pull up and view all submitted forms, including the *Certification of Final Payroll*,

Enhanced security: Important employee information, including Social Security numbers, sent electronically is far more secure than information sent via hard copy.

Advantages are clear; why wait?

Employer Outreach is available to help you and/or your team convert to ECS so your organization can start enjoying the cost savings immediately. Simply fill out the enclosed insert card or contact the Employer Call Center today. 

Employer Resources

Employer-specific training schedule July-December 2011

The time-and-cost savings of web-based seminars has proven to be successful for both employers and OPERS. In fact, employer response has been so positive that Employer Outreach will continue to offer the Web-based, employer-specific seminars through the end of the year.

Here are the Web-based offerings through the end of the year specifically tailored to the employer population:

Employee Contribution System (ECS) Demonstration

ECS is secure, efficient and convenient. This one-hour online demonstration is designed to show you what's available on ECS and how this online tool can enhance your business processes. Here's your opportunity to learn more. **Next Class:** July 19

Preparing for Retirement

This is a live, interactive web presentation for members who are within one year of retirement or employers who would like to familiarize themselves with the retirement process. What's covered? My Benefits System (MBS), calculation of age-and-service benefits, payment plan selection, health care overview, benefit processing, Social Security and proposed legislative changes. **Offered every Wednesday** from noon-1:30 p.m.

Requirements for Annual Conversion Plans

Here's everything you need to know about conversion plans—but only necessary if retirement contributions are intended to be withheld and remitted to OPERS on conversion plan payments. (If that's the case, OPERS must approve your organization's annual conversion plan(s) prior to implementation—*on an annual basis*. That's just one fact of many covered in this seminar.)


In one hour, you'll learn the exact requirements for developing, implementing and properly reporting payments made under an OPERS-approved annual conversion plan.

Next Class: Aug. 11

Earnable Salary and OPERS Membership

A creative approach to defining earnable salary or OPERS membership can put employers at risk for penalties and interest. This one-hour seminar will cover which payments qualify as earnable salary and review who qualifies for OPERS status (and therefore must pay retirement contributions). **Next Class:** Aug. 16


To sign up: Simply register online via the OPERS website at www.opers.org. Employer seminars are always free of charge, but registration is necessary to ensure the correct number of portals is available.

More to come: All employers are encouraged to visit the website at www.opers.org to view the updated information on employer-specific seminars. 

Serving our member population, additional seminars available...

OPERS offers a number of seminars specifically tailored for your new employees, our members. Your employees have the option to view several of the most informative seminars online at their convenience at home or during breaks at work.

OPERS has established an integrated education model where all seminars are offered in the format determined to best reach the target audience. This means some seminars will be offered in a variety of formats (traditional classroom, online, teleconferencing), while some will transition to a single format. Most importantly, the seminar topics will also be driven by what our members most want or need to learn about OPERS and the benefits we administer—all designed to help your employees and our retirees know more about their retirement.

Many member seminar and educational offerings are available on the OPERS website at www.opers.org. Employers are asked to remind all OPERS-covered employees to regularly check the website for updates, items of interest and other helpful information. 

Seasonal employee reminders: Important steps to implement

Summer is here and many employers, large and small, employ a significant number of seasonal employees. Review these reminders to ensure your processes are compliant. Then, share this important information with the individuals in your organization who actually handle retirement contribution processing.

To do now: Onboarding seasonal employees

Even though seasonal workers are hired for a specific time period, employers are required to ensure OPERS enrollment—including withholding and remitting all retirement contributions—is processed accurately. Employers should:

- Treat new seasonal employees just as you do other new employees by completing a *Personal History Record* (PHR) no later than

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Pension IQ Answers:

- 1. Percent of each final benefit funded by investment results? Answer:** C. Historically, investment returns have provided two-thirds of OPERS' annual income used to pay benefits. This is one of the reasons why OPERS works so closely with investment experts and the Board of Trustees to develop and adhere to fiscally prudent investment policies to minimize risk through asset allocation strategies.
- 2. Describe the term funded status? Answer:** Funded status measures the progress toward accumulating the funds necessary to meet future obligations. As of 2009, OPERS had a funded status of 75.3 percent, meaning for every \$1 of anticipated future payments needed, OPERS had acquired 75 cents of that payment. Fluctuations of the funding status are to be expected, but by law OPERS' funded status must be within a 30-year funding window.
- 3. Access to health care is a guaranteed, mandated element of OPERS retirement. Answer:** False. Health care access was first made available for OPERS retirees in 1974—a change that was fiscally prudent due to years of positive growth and a very strong funded status. Recognizing access to health care is an important element of financial security in retirement, OPERS staff, at the direction of the Board of Trustees, has worked diligently to maintain health care coverage. However, health care access is neither provided for nor mandated by law. In fact, OPERS is legally mandated to take no action that would jeopardize the pension benefit provided for by OPERS. It was determined that escalating health care costs had the potential to threaten the long-term viability of the OPERS pension benefit. For this reason, OPERS split off the health care fund as a stand-alone portfolio—to help strengthen the long-term viability (funded status) of the pension benefit portfolios.
- 4. Main reasons the OPERS Board of Trustees approved proposed changes to pension benefits? Answer:** The OPERS pension benefit structure has remained largely the same for much of our 75 year history. However, the underlying demographics of our membership have changed significantly with members living much longer in retirement. OPERS was not designed to support a retirement period of 20-30, or even more, years. Thus, the System finalized a review to develop changes focused on addressing the following issues:

 - Members are living longer in retirement; therefore, more retirees are receiving pensions for more years than originally anticipated. In some cases, retirees are drawing pensions for more years than they actually paid into the System.
 - The unfair subsidization of certain member benefits negatively affects the long-term funded status, and
 - The impact of the baby-boomer generation going through the retirement years means more individuals (retirees) are taking funding out of the System than current employees investing in the future of the System.

The Board of Trustees reviewed various options and recommended incremental changes to the plan design that, compounded over time, would help improve the funded status.
- 5. OPERS is a state agency. Answer:** False. OPERS was created in 1935 as public pension system—a stand-alone organization that exists solely for the purpose of providing retirement, disability and survivor benefits to Ohio's public employees. Although certain actions by OPERS must be approved by Ohio's legislature, OPERS actually is governed by a Board of Trustees ultimately responsible for the administration and management



Mailbox:

Q: When I certify a Certification of Final Payroll, how do I correctly answer the question regarding the law enforcement or public safety classification? What are the IRS definitions? Why is the IRS definition important when the employee is getting ready to retire?

A: All good questions. First things first: How to answer the classification question and the IRS definitions. If your employee's position is not categorized as law enforcement, it may be public safety. Here is the IRS definition of a public safety position:


- An individual involved in crime and juvenile delinquency control or reduction, or enforcement of the criminal laws (including juvenile delinquency), including, but not limited to police, corrections, probation, parole and judicial officers;
- Professional firefighters;

continued...

of all OPERS activities. OPERS employees are not considered to be state employees. No state agency (including the governor's office) can tap into the funds accumulated and earned by OPERS.


6. **OPERS helps provide economic stability throughout the state.** **Answer:** True. OPERS is an important element for the state economy in many ways. First, by providing a secure retirement for public employees, OPERS helps Ohio's public entities recruit and retain dedicated employees. Public employees provide support services that enhance each citizen's health, commercial/career, safety, education and recreational activities. Second, in retirement, more than 90 percent of all retirees choose to live in the state. This is important because it means almost \$3.4 billion in pension benefit payments are spent within the state—providing a significant positive impact on the economy. Finally, OPERS invests directly in Ohio through some of the investment portfolios.
7. **If my employees retire before the legislation is effective, they will be guaranteed pension benefits at the current level.** **Answer:** True. There is a transition plan that may phase some of the timing of the changes; however, if an employee retires at the current pension benefit structure, the pension benefit cannot change.
8. **I am an OPERS member, it is unnecessary to plan or save for retirement.** **Answer:** False. Everyone has a responsibility to plan for their future. OPERS provides retirees with a secure retirement pension benefit based on years of contributions during an individual's career. We encourage members to view their OPERS pension as one leg of a three-legged stool. If any one of the legs is weak or shaky, the stability of the entire stool is jeopardized. What are the

other legs of the stool? Well, personal responsibility in saving and investing for retirement is one leg and personal responsibility for planning and debt reduction is the other leg. All OPERS members are strongly encouraged to pro-actively plan for their retirement years during their active career.

9. **Delays to proposed changes are really not a big deal.** **Answer:** False. OPERS is required to maintain a 30-year funding window. The proposed changes to the benefit plan were designed to be implemented within a specific timeframe so a positive impact could be realized incrementally—but that incremental impact would have the time to compound over time. Any delay from the proposed timeframe diminishes the compounding capacity—and therefore erodes the whole plan. An erosion of the plan means that more, and more profound, changes may be needed to make up for the diminished compounding effect.
10. **All this worry about pensions will go away when the economy completely recovers.** **Answer:** False. Although we do believe public pensions are being scrutinized by the media, the public and by lawmakers as a result of the recent global economic downturn, the fact is OPERS was reviewing the benefits plan long before the economy became volatile. OPERS has a strong tradition of being proactive in addressing issues. Because OPERS identified some underlying issues (see the answer to question 4) early, we could begin identifying solutions to address those issues well before the economic downturn of 2008. Because of our proactive planning process, OPERS was able to propose incremental changes with a phased implementation timeline—changes to be sure—but changes structured to be minimally disruptive to members and retirees. 

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- Officially recognized or designated public employee members of a rescue squad or ambulance crew;
 - Officially recognized or designated members of a legally organized volunteer fire department; and
 - Officially recognized or designated chaplains of volunteer fire departments and police departments.

The IRS definition is different than the guidelines provided in the OPERS *Employer Manual*; those are guidelines to help employers report the employee accurately and to apply the correct contribution rate.

Next, why is it important? It's important to correctly answer the law enforcement/public safety question using the IRS definition on the Certification of Final Payroll because anyone considered to be law enforcement or public safety under the IRS definition has special consideration under the federal pension protection act in terms of taxability on lump sum payments such as account refunds or partial lump-sum option payment (PLOP) amounts, or lump-sum, non-law annuities. 

Employers can steer employees toward the right path to retirement

Getting on the right path to retirement is important and employers can be extremely helpful in guiding employees contemplating retirement onto the right path...but only if you know the way yourself.

Right now, and for the foreseeable future, OPERS is being inundated with public employees contemplating retirement. This means that OPERS staff resources are being stretched beyond the service standards we've established—and we're concerned our members, your employees, aren't getting the service that has been the OPERS tradition.

What we are seeing

An analysis of our member interactions shows that the extraordinary number of walk-in members requesting immediate access to our retirement counselors are there to complete processes that do not require the assistance of a retirement counselor. Further analysis shows many of the walk-ins and call-ins are not within the six months of retirement recommended to begin initiating the retirement process.

And, we have a solution

Of course, proactive planning is a great idea—one we support. However, to best serve our population and to guarantee all members have the information they need, when they need it, OPERS has implemented several systems and processes to ensure all members are given superior service—especially as they plan for the transition to retirement.

Employers as guides to the right path

Here's where we need the help of all employers. We're requesting that you know the right path to retirement—the steps your employees need to take to get their retirement started off in the right direction.

Tips you need to know and to communicate to your employees:


- OPERS is committed to helping all employees with understanding their OPERS benefits. We know that retirement is a big decision that should only be made when all the facts are available.
- Information is available in a variety of formats. Members within six months of retirement who want to meet with a counselor are encouraged to schedule an appointment versus just showing up. Based on current volume, we cannot guarantee a specific wait

time for members who walk-in without an appointment.

- Encourage your employees to sign up for My Benefits System (MBS).
- Members who are signed up for MBS have access to certain information. MBS is OPERS' online member account system designed to provide members with up-to-the-minute, password protected information about their account, 24/7.
- Via MBS, employees contemplating retirement can find online tools and a calculator to help generate some preliminary retirement estimates.
- Members who will be eligible for retirement within the next six months can also file for retirement through MBS without ever coming into our office. In fact, this is the same system our counselors use to submit your application if you come in the office.
- Via the OPERS website at www.opers.org, all members find a wealth of online tools and information to help them on the retirement path. Reviewing these online sections should be every potential retiree's first step. The online tools to assist with retirement analysis include:
 - Things to consider with insightful questions retirees need to ask themselves,
 - Forms needed to be filled out, and
 - Documents that need to be gathered.

It's important to realize the retirement counselors will ask for this information to start the process, so it's important for all contemplating retirement to make sure this information is available and that they have answers to these questions—that way time with the counselor will be most beneficial.


As a tip, employers can let their employees know that all OPERS members can send in lifecycle documents (such as birth certificates and marriage certificates) with the last four digits of their Social Security number at *any time prior to filing for retirement*. The documents will be scanned and placed in the member's electronic file—and kept until needed. Original documents will be returned via U.S. mail.

Assure your employees that any questions or counseling needs they still may have can be answered by the Member Services Center at 1-800-222-7377 (PERS). 

Info to Go

Health care survey

Recently, employers were asked to participate in a survey on employee health care. The purpose of the survey was to solicit feedback from employers regarding employee health insurance, wellness programs, and other related health care programs. We requested the information to gain a better understanding of what is currently being offered or considered for your employees. Additionally, OPERS would like to explore any potential collaboration opportunities with employers as we consider future retiree health care needs.

Although the information is still being reviewed at this time, we can announce that the 35 percent employer response rate (more than 1,000 respondents) was outstanding; our thanks. As those who responded know, the information once processed and reported to the OPERS Board of Trustees, will be sent directly to those who responded electronically. 




OPERS' 2010 Comprehensive Annual Financial Report available

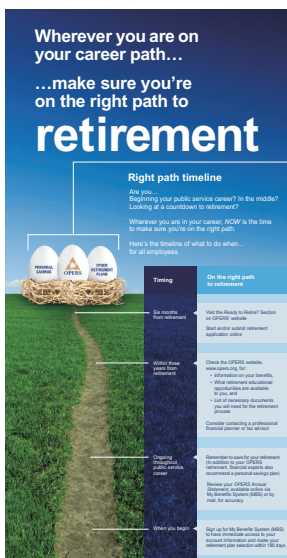
OPERS supports the work of all public employees with our tradition of providing retirement stability for public employees. In short, we support the people who support Ohio. The 2010 *Comprehensive Annual Financial Report* acknowledges the importance of Ohio's public employees in keeping Ohio's infrastructure thriving. The importance of a secure retirement benefit for public employees, for public employers, and for all residents of Ohio is clear—and is a focal point for the 2010 annual report.

Currently, important decisions are being studied that may impact the long-term status of OPERS. We encourage all stakeholders to take a few moments to review the information shown in the annual report so that you can be an informed and knowledgeable champion of this System, the public employees we serve, and the overall positive economic impact the retirement benefit provides.

Being knowledgeable about your pension system is important and OPERS is committed to providing all stakeholders complete and accurate financial information. The OPERS annual report has information all employers should know including the latest actuarial reports, information on the funded status of the System, and other post-employment benefits (OPEB).

By law, OPERS is required to publish the annual report prior to July 1 for the preceding year. Because we know many employers use the OPERS annual report to complete specific financial statements and/or to create organization-specific annual reports, the OPERS annual report is usually available well in advance of the mandated deadline. The 2010 *Comprehensive Annual Financial Report* was presented to the OPERS Board of Trustees at the May meeting. All employers are encouraged to review the OPERS annual report, available electronically at www.opers.org. A print copy can be sent to you upon request; contact the Employer Call Center at 1-888-400-0965. However, only a limited number of copies of the print version are available to contain print and postage costs. 


New tool available—will you help?



In addition to using the information here in any employee communication, Employer Outreach has created a retirement timeline poster to show employees how to get on and stay on the right path for a smooth transition to retirement.

We need your help to get all employees on the right path to retirement. All employers have been sent a copy of the poster with an *Employer Notice*. Employers may ask for additional copies to post in multiple buildings or areas

of large buildings to ensure all employees know the right path to retirement.

We suggest employers post the retirement path poster in break rooms, human resources offices, by (or in) elevators or any other employee high-traffic area. Remember to include remote sites to ensure all employees are guided to the right path. Need additional copies? Contact Employer Outreach. 

Forms change: Obsolete forms will be rejected; latest editions always available online

Whether for legislated, legal, security, or processing reasons, the official OPERS forms for employers, members or other stakeholders change—and in the ever-evolving world in which we live, change can occur rapidly.

Why is this important? We need employers to be mindful of the change-engaged marketplace and review these suggestions to cope:

- Never stockpile forms—they may be obsolete before you can use them.
- Prior to use, check to make sure any OPERS form used (frequently or infrequently) is the most up-to-date edition via the OPERS website. Because changes can be hard to spot, revision dates are always listed at the bottom of every form.
- If helping employees with any OPERS-related form, make sure employees access the OPERS website for the most recent form.

The importance of revisions: Most recent examples

The most recent examples of revised forms are listed below. The change to each of these forms was required for legal purposes and to provide important tax information for those using the form—information that, if not

followed, could result in significant negative tax consequences for OPERS members, your employees, using the form.

Note: These forms have been revised and are available via the OPERS website. Anyone submitting an obsolete edition of these forms after June 30, 2011 will have the form rejected.

- *Traditional Pension Plan Retirement Application* (form SR1-T)
- *Change Partial Lump Sum Option Payment or Retirement Plan* (form SR-1T Change)
- *Member-Directed Plan Retirement Application* (form SR-1MD)
- *Combined Plan Retirement Application* (form SR-1CO)
- *Application for Conversion Retirement Benefit* (form CR-1)
- *Application for a Money Purchase Payment* (form MP-1)

Employer Outreach will work to notify employers of any changes to forms—but we recognize it's a lot to ask for you to keep track of the information. Remember, always check the website to ensure you have the most recent iteration of any form—and remind your employees to do the same. ▲

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30 days from the employee's first day worked for which retirement contributions are withheld. (Returning seasonal employees do not need a new PHR to be completed if they are returning within a year of employment.)

- You'll need to report new or returning seasonal employees with a Pay Period Begin (PPB) code of S for seasonal/intermittent for the first pay period report on which they are listed.

To do later: End of the season

All good things come to an end—including summer. When your seasonal employees terminate, you need to:

- Report the employee's final contribution with a Pay Period End (PPE) code of Q for quit. (If the employee returns next year, you'll simply report the employee with a PPB code of N.)
- If an employee is terminating for the season, but expects to return next year, or works on an intermittent basis (for example, the employee is planning on returning over the holidays), you need to report the employee's final contribution code as S (same as the PPB code). ▲

For a current listing of OPERS Board of Trustees, please visit the website at www.opers.org

This newsletter is written in plain language for use by public employers who are subject to coverage under 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 the Employer Outreach Office at 888-400-0965, or seek legal advice from your attorney.