

Retirement Options

In this portion of the pre-retirement seminar, we will be discussing the types of benefits or payment options available to you as a retiring member of OPERS.

When you retire, you will need to choose your type of benefit. We sometimes refer to these as options. Here at OPERS we won't advise you which one to choose but it is important consider them carefully. Let's go through them one-by-one.

There are four options to choose from, Maximum, Option A, Option B, and Option C.

The first Option, or type of benefit, is Maximum. The Maximum option is a single life annuity. It pays benefits for one person for one lifetime. There is no reduction in benefits when you choose the Maximum Option but after you pass away, your benefits will not continue to another person. Your ability to choose the Maximum benefit requires spouse consent, which we will discuss in a moment.

The next two types of benefits are joint and survivor annuities – called Option A and Option B. When you choose a joint survivor annuity, your benefit is reduced in order to provide a benefit after your death to a second person. Option A is a one-half, or 50%, joint survivor annuity and Option B is a one hundred percent survivor annuity. With a joint survivor annuity you name a joint annuitant and that is the person who will draw your benefit if you die first. In many cases, people name their spouses. But you don't have to have a spouse in order to choose a joint and survivor annuity.

Option A is a one-half, or 50%, joint survivor annuity, what does that mean? With Option A, we reduce your benefit in order to finance the benefit for the second person. We calculate the reduction by comparing your age to the person you are naming. It is all based on life expectancy and actuarial tables. This means that the younger the person you are naming the more of a reduction you will take. This is because they have a longer life expectancy.

The reduction shown in this table is a percentage of the maximum gross benefit. Let's look at an example. The numbers going down the left side represent your age, the age of the retiree. The numbers across the top represent the number of years younger or older the named joint annuitant is. In this example, we have a 62 year old retiree and he or she is naming a joint annuitant who is 2 years younger. If we follow along and find where this column and row intersect, we can see the retiree will draw 92.72% of the maximum benefit and the joint annuitant will draw half of that. If the maximum benefit would have been \$1,000, the retiree would draw \$927.20 and the joint annuitant will draw half, \$463.60. It's not half the maximum amount, but half of the reduced amount.

A couple of important things about Option A – if you are married at retirement, you must choose Option A and name your spouse as your joint annuitant unless your spouse consents. Your spouse would need to consent not only to you choosing a different retirement option other than A but, also to you choosing an alternate joint annuitant.

Now let's look at Option B. Option B is a 100% joint survivor annuity. If you understand Option A, you won't have any trouble with Option B. Option B also provides a benefit for two lives. You just take a larger reduction to leave a larger benefit for your joint annuitant. While Option A is a 50% joint survivor annuity, Option B is 100%.

Again, we compare your age to the age of the person you are naming as your joint annuitant. The difference being, if you die first, your joint annuitant will draw the same amount you have been drawing. Consequently, they will be drawing more than if you had retired under Option A. Using the same example we used before, it is easy to compare. Let's look at the same retiree, age 62, who has named a joint annuitant 2 years younger. Under Option B, the retiree would draw 86.43% of the maximum. If the maximum benefit was a \$1,000, under Option B, the gross benefit is \$864.30 for you, the retiree, and then also for the joint annuitant after your death.

Option B joint annuitants are restricted to either the member's spouse or a non-spouse who is 1 to 10 years younger than the member. If you choose Option B, remember you will need your spouse's consent even if you are naming him or her as your joint annuitant.

Here are some last points about joint survivor annuities like Option A and Option B. Your joint annuitant must be a specific person. You cannot name a trust, charity, an organization, etc. It must be a specific person with a date of birth and, of course, a life expectancy. The joint annuitant cannot be changed after retirement. However, if you name a joint annuitant under Option A or Option B, and that joint annuitant dies before you do, your benefit does increase to the maximum benefit amount. We suggest that you consult our office if you are naming someone as a joint annuitant who is more than 15 years younger than you. We can do a preliminary look at those numbers and let you know approximately what the reduction will be if you are naming someone significantly younger.

The last type of benefit is Option C. Option C is a single life annuity with a 10-year certain period. This translates to a slightly reduced lifetime benefit for you, and if you die within the first 10 years of benefit payments, your beneficiary will receive payments for the balance of that 10 year period. With Option C, we don't call the beneficiary a joint annuitant because they won't be receiving a benefit for life. In fact, the beneficiary for Option C does not have to be a specific person and may be changed at any time.

Let's look at an example. If you retire under Option C and live 6 years, your beneficiary will receive the same benefit you had been drawing for 4 years. That is, the balance of

that 10 year period. When those 10 years are up, the benefits will stop. If you choose Option C and die in 11 years, your beneficiary receives nothing. It only guarantees the benefit for the 10 years. Remember if you are married and you would like to choose Option C, you will need your spouse's consent.

The reduction factors for Option C only take into consideration the retiree's age. So, if we look at the example we have been using for Option A and B, age 62, the reduction would only be a little less than 3%. Under Option C, the retiree would draw 97.2% of the maximum.

It's important to remember that no matter which option you choose, you will receive a retirement benefit for life. The difference in the options is simply what happens after your death. Each plan provides a lifetime monthly benefit.

Thank you for watching this portion of our Pre-Retirement seminar. We encourage you to see the other seminar videos as well as you prepare for retirement with OPERS.