

Taxes and Returning to Work

This portion of the Pre-Retirement Seminar explains taxes and returning to work.

Your retirement benefits are considered income for tax purposes and you may want to withhold money for federal and state taxes.

OPERS will send you a 1099-R form each year for you to file your taxes after you retire.

You can change your withholding at any time by either going to the forms page of our website and downloading the tax withholding form, or by calling us here at OPERS and we can send you one.

Remember that it is important to keep your address current to ensure that your that 1099-R form goes to the right place each year.

If you are an Oklahoma resident, \$10,000 of your OPERS retirement benefits are excluded from Oklahoma state taxes. If any of your accumulated contributions over your career were non-taxable, OPERS will calculate your federal tax exclusion.

Some retirees decide to return to work after retirement. If you decide to go back to work for an employer who does not participate in OPERS, that employment will not affect the receipt of your OPERS retirement benefits. If you go back to work for a different participating employer, you must wait at least 1 month or your retirement will be cancelled.

You are generally prohibited from working for your last participating employer for one year. The only way you can return to work for the same participating employer within 1 year of retirement, is if you waive the receipt of your retirement benefits for that first year.

Pre-arranged employment agreements between retiring members and their employer are not allowed by the IRS or Oklahoma state law. The one-year prohibition includes any type of contract employment and even temp work for that employer. We recommend that you contact OPERS before returning to work with any participating employer.

There is more you need to know about returning to work for one of our employers. Depending on your age at retirement, you may find that Social Security limits your earnings. If you are not yet at full Social Security retirement age, your earnings are limited. For example, a retiree who returns to work for an OPERS participating employer in 2010, and who will not receive full Social Security retirement age this year, may earn \$14,160 and still receive full OPERS benefits. For those who reach that age in 2010, up until that age is reached, the earnings limit is \$37,680. Once you have reached

your full Social Security retirement age, there is no limit to your earnings. That is, OPERS will pay you your full retirement benefits regardless of how much you earn with a participating employer.

To determine your full Social Security retirement age, you can use this chart. You may also visit www.ssa.gov where you can enter your birth date and determine your full Social Security retirement age.

OPERS retirees who return to work must participate in OPERS and pay retirement contributions. This is true regardless of the number of hours you work. You also continue to add to your service credit. If you accumulate 2,076 hours of post-retirement employment, your benefits will be increased. The increase is calculated by taking the earnings for those 2,076 hours, multiplying that amount by 2% and dividing by 12. The result is added to your existing benefit.

Sometimes a retiree wants to waive his or her benefits and go back to work as a full-time contributing OPERS member again, in order to get a completely recalculated benefit with a higher salary in most cases. If a retiree waives benefits and works for 3 years, when he or she retires the second time, the benefits will be calculated on the new 3 year average salary and years of service.

The retiree may also select a different retirement Option than was chosen the first time. If such a retiree does not work the full 3 years, the benefits are paid at the previous retirement amount. The retiree will still receive increases for every 2,076 hours worked but it will be calculated on the method used for those who did not waive.

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.