



OPERS
handbook

Oklahoma Public Employees Retirement System

**State & Local
Government
Employees
Member Handbook**

**Describing plan provisions
as of July 1, 2005**

OKLAHOMA

Public Employees Retirement System

MEMBER HANDBOOK

State & Local Government Employees

**Describing Plan Provisions
as of July 1, 2005**

This publication, printed by the Central Printing Division of the Department of Central Services, is issued by the Oklahoma Public Employees Retirement System as authorized by the Executive Director. The publication of this document consisted of 50,000 copies that were prepared and distributed at a cost of \$16,310. Copies have been deposited with the Oklahoma Department of Libraries.

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ABOUT THE HANDBOOK

This handbook is a summary of the provisions of the Oklahoma Public Employees Retirement System's defined benefit plan, written in lay person's terms. It is not a plan document. As much as possible, this handbook has been written without technical terms, avoiding the formal language of the retirement laws and rules. The Oklahoma Public Employees Retirement System reserves the right to correct any errors contained herein to comply with federal or state statutes, rules, and regulations that govern the Plan. Any information contained in the manual that refers to federal or state tax regulations is not intended to be tax advice. All readers of this material are encouraged to consult a professional tax advisor before receiving any distribution from the plans mentioned in this booklet. If questions of interpretation arise as a result of the attempt to make the retirement provisions easy to understand, federal and state law, rules and regulations remain the final authority.

The information contained in this manual is made available as a public service. No information provided is intended to constitute legal or investment advice. While we have made every attempt to provide correct information, we do not guarantee the accuracy of information, or the accuracy of other publications referenced herein. No one shall be entitled to claim detrimental reliance on any information herein.

The information provided in this manual is based on the Oklahoma Public Employees Retirement System laws and rules in existence as of July 1, 2005, and is subject to change or modification based on changes in law, rule, or policy.

Representatives or Retirement Coordinators from participating agencies are not agents of OPERS. OPERS is not responsible for erroneous information provided by agency representatives.

BOARD OF TRUSTEES

DON KILPATRICK, Chairman
Appointee of the President
Pro Tempore of the Senate

HOWARD CONYERS, Vice Chairman
Appointee of the Supreme Court

BOB ANTHONY
Member of Corporation Commission
Selected by Commission

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RICHARD HAUGLAND
Appointee of the Speaker of the
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Personnel Management

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Pro Tempore of the Senate

KIM HOLLAND
Insurance Commissioner

CLAUDIA SAN PEDRO
Director, Office of State Finance

FAYE WAITS
Appointee of the Speaker of the House of Representatives

TO OUR MEMBERS...

All of us who administer the Oklahoma Public Employees Retirement System (OPERS) encourage you to take the time to plan and prepare for your retirement no matter your age. This handbook was prepared to help you plan for your retirement and inform you of the benefits offered by OPERS.

As a member of OPERS, part of your planning for retirement should include review of this handbook. We hope it will be of assistance to you. We realize that not every matter of interest to you will be included in this handbook. Therefore, if you ever need any assistance, see your Retirement Coordinator or feel free to call our office at the numbers listed below.

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General Counsel

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Deputy Director

Virginia Lawrenz

Chief Financial Officer

Kirk Stebbins

Chief Investment Officer

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1-800-733-9008

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(405) 858-6737

OPERS Website

www.opers.state.ok.us

ABOUT OPERS...

The Oklahoma Public Employees Retirement System (OPERS) administers retirement plans for several different types of state and local government employees. In OPERS, members include state and local government employees, state and county elected officials, and hazardous duty employees.

Defined Benefit Plan

The plan described in this *Handbook* is a defined benefit retirement plan. It is qualified under Section 401(a) of the Internal Revenue Code. OPERS provides its members with a lifetime retirement benefit when the member meets certain eligibility requirements. Membership for these employees is a mandatory condition of their employment. Members participate in OPERS by contributing a certain portion of their salary each month. The employer also contributes on behalf of the member. The amount of member and employer paid contributions do not determine the amount of the benefit that OPERS promises the member. The member's benefits are determined by a formula which includes the member's salary and the number of years of credited service. The member and employer paid contributions are invested by OPERS, under the direction of the Board of Trustees, to provide benefits to present and future members.

Defined Contribution Plans

Another type of retirement plan available only to state employees and administered by OPERS is known as a defined contribution retirement plan. In a defined contribution plan, no specific benefit is promised. The participant is primarily responsible for making contributions to the plan and managing the investment of the money in order to produce an additional source of funds available during retirement years. OPERS members who are state employees are eligible to participate in two defined contribution plans. They are both administered by OPERS and are called the Oklahoma State Employees Deferred Compensation Plan (DCP) and the Oklahoma State Employees Deferred Savings Incentive Plan (SIP), collectively known as SoonerSave. Participation in SoonerSave is voluntary.

The DCP is based on Internal Revenue Code 457(b) and allows eligible state employees to supplement retirement benefits by investing pre-tax dollars through voluntary salary deferral. Employee contributions are

deposited in the DCP and are shielded from federal and state taxes while they remain there.

The SIP is based on Internal Revenue Code 401(a) and supplements employees' retirement benefits by contributing to a plan on their behalf. Currently, the State of Oklahoma contributes the equivalent of \$25 a month to the SIP plan if the state employee is contributing at least \$25 a month to the DCP plan. The state employee selects where the money in both plans is invested among the investment options.

SoonerSave is an excellent way to shield income from current federal and state taxes while saving for the future. In both plans, contributions and any earnings grow tax-deferred until the money is withdrawn, usually during retirement.

To properly plan for retirement years, state employees are encouraged to consider participating in these plans as a way to supplement their income from the OPERS defined benefit plan and from Social Security.

For more information about SoonerSave, call 1-800-733-9008 or (405) 858-6781. Additional information, including enrollment forms, is available through the SoonerSave website at www.soonersave.com.

Financial Information

A Comprehensive Annual Financial Report for each fiscal year is available for those who wish to know detailed financial information about the Oklahoma Public Employees Retirement System defined benefit plan. To obtain a Comprehensive Annual Financial Report, contact OPERS.

GENERAL INFORMATION

Discussed below are a few topics that are particularly important, or answer commonly-asked questions.

Address Changes

Members who change their mailing address must complete, sign, and submit to OPERS a Change of Address Notification. You can obtain this form from your Retirement Coordinator or OPERS. It can also be printed from the OPERS website at www.opers.state.ok.us.

Beneficiary Designations

Naming a Beneficiary

When a member enrolls in OPERS, he or she is asked to name a primary and contingent beneficiary. Beneficiaries may receive the member's accumulated retirement contributions if the member dies before retirement.

Multiple persons may be named as beneficiaries. If one or more of the primary beneficiaries is deceased, the member's contributions will be distributed among the remaining living primary beneficiaries. Contingent beneficiaries will receive the contributions only if there are no living primary beneficiaries. If the deceased member was eligible to vest or retire, OPERS will offer the surviving spouse a survivor benefit in lieu of or in addition to other beneficiary payments. (See Death Benefits section on page 54 for more information.)

Minors as Beneficiaries

Members are encouraged to designate adults as beneficiaries. However, the Uniform Transfers to Minors Act permits certain payments to adult custodians or to banks and trust companies on behalf of minors who are named as beneficiaries.

Revocable Trust as Beneficiary

A member who names a revocable trust as beneficiary must provide the actual name of the trust and the date of the trust on the line for naming the beneficiary. The member must also attach a copy of the trust or a copy of the memorandum of trust.

Beneficiary Changes

Many events can create the need for a change of beneficiary, such as marriage, divorce, birth, and death. You may make a beneficiary change by completing a *Change or Designation of Beneficiary* form. Your Retirement Coordinator can provide you with the correct form, or you can obtain one from OPERS. Please keep your beneficiary designation current. Separate designations are required for the SoonerSave plans.

Divorce and Beneficiary Designation

Divorce voids the designation of a spouse as a member's beneficiary. Thus, once a member's divorce is final, the member must complete a new *Change or Designation of Beneficiary* form, designating a new beneficiary. A member may designate a divorced spouse as his or her beneficiary, but is still required to complete a new form, dated *after* the date of the divorce decree, naming the former spouse as a beneficiary. This could also affect a member's insurance coverage.

Confidentiality

OPERS strives to protect the confidentiality of information contained in a member's file. Information about a member's file, including contribution information, will not be given to ANYONE over the telephone.

Certain member information will be disclosed without the member's consent if requested in writing for a specific purpose. The disclosed member information may include:

- Name
- Age
- Amount of contributions paid in
- Benefits being paid (and verifying documents)
- Amount of credited service (and verifying documents).

All other information related to a member, as kept in his or her retirement file, shall be kept confidential unless the member has consented in writing to its release. Any information in a member's retirement file is subject to subpoena or court order.

Correspondence

In all correspondence with OPERS, the member must provide:

- ✓ full name;
- ✓ Social Security number;
- ✓ name of participating employer;
- ✓ current mailing address;
- ✓ original signature.

All documents, forms, inquiries and or requests must be signed by the member. No person may act on behalf of the member, including a spouse or parent, except an authorized attorney-in-fact, pursuant to a durable or statutory power of attorney. The power of attorney must be in substantial compliance with Oklahoma law and/or the Uniform Durable Power of Attorney Act and must be filed with and approved by OPERS. The power of attorney terminates at the death of the member. If a guardian has been appointed for a member, only the named guardian can act on behalf of the member. A certified copy of the filed court order of appointment must be filed with OPERS.

Divorce

Valuation of a Retirement Benefit

Members who are in the process of obtaining a divorce often request that OPERS calculate the value of their retirement benefit. If the member does not have enough service credit to be eligible to elect a vested benefit, OPERS can only provide the amount of a member's accumulated contributions. If the member has enough service credit to be eligible to elect a vested benefit, OPERS cannot determine the present value of a member's retirement benefit. However, OPERS will, upon request, provide the amount of monthly benefits the member would receive based on the member's service to date and

the date the member would be eligible to receive the benefit. The member may then provide this information to an actuary to determine the present value of the retirement benefit.

This information can be obtained from OPERS approximately 14 days after such a request. **OPERS will not release this information to the member's attorney without the written consent of the member. This information will not be released over the telephone under any circumstances.**

Qualified Domestic Relations Orders (QDRO)

Benefits cannot be assigned or alienated. However, OPERS may comply with a state court order requiring benefit payments to a spouse, former spouse or for the support of a minor child or children if the order meets the statutory criteria for a Qualified Domestic Relations Order (QDRO). (See 20 O.S. §1111.) In order to be enforceable, the QDRO must be approved, accepted and on file with OPERS. Members are encouraged to have their attorney submit a draft of the QDRO to OPERS for approval **prior to** obtaining the final order.

Divorce voids the designation of a spouse as the member's beneficiary. (See page 7 for more information).

Forfeiture of Benefits

As a public employee, honorable service is a condition of both employment and the receipt of any employment related benefits. Title 51 of the Oklahoma Statutes, Section 24.1 provides, among other things, for the forfeiture of retirement benefits if the member is convicted of a felony or other crime which violates that member's oath of office. Forfeiture can also occur if the member pleads guilty or nolo contendere. Forfeiture does not occur for those members successfully completing a deferred sentence, however, benefit payments are not payable until the member completes the deferred sentence.

Forfeiture applies to all benefits accrued after September 1981 but does not include the member's contributions to OPERS. The statute prevents vesting of the right to receive retirement benefits if a member commits certain offenses prior to retirement. However, benefit forfeiture can also occur after a member retires if the offense occurred while the member was a public official or employee, even if the member is not convicted until after he or she retires.

Hearings

Title 74, Section 904 of the Oklahoma Statutes governing OPERS makes provision for aggrieved persons to have an administrative hearing to address their grievance. This procedure is available to appeal any administrative action of OPERS. A request for a hearing must be submitted in writing to the Executive Director at the OPERS office in Oklahoma City within 30 days of notice of the action which the person is appealing. The request for a hearing should clearly set forth the facts and the basis for the grievance, along with the relief requested.

The hearing procedures can be found in the Permanent Rules at 590:1-1-6. A hearing examiner will conduct the evidentiary hearing with the Board of Trustees issuing the Final Order. The hearing shall be conducted in accordance with the Administrative Procedures Act as provided for in 75 O.S.1991, sections 301 through 325, as amended.

This is the exclusive remedy for aggrieved persons. As a general rule, no court action can be pursued until this remedy is exhausted.

Insurance

All members who are planning to retire or who are terminating employment and electing a vested benefit must make certain elections regarding their group insurance coverage. For members covered under the Oklahoma State and Education Group Insurance Board, these elections must be made within 30 days of termination and can affect eligibility for any premium contribution made by OPERS. **All questions regarding insurance coverage through OSEEGIB must be addressed to them at the address or telephone numbers listed below.**

OSEEGIB
3545 N.W. 58th St.
Suite 110
Oklahoma City, OK 73112
(Local) 717-8780
1-800-752-9475

Those members not covered through OSEEGIB should contact their insurance provider for instructions well in advance of their retirement or termination.

Retirement Coordinators

Retirement Coordinators act as the liaison between the member, the employer and OPERS. All members of OPERS are served by a Retirement Coordinator. These Retirement Coordinators are responsible for enrollment, assistance with the completion of forms, and instructions to members on behalf of OPERS. They also provide members with a copy of the most current Member Handbook and all other official notices from OPERS. The Retirement Coordinator is not an employee of OPERS. Neither OPERS nor the Board will be liable for or bound by any mistakes, errors or misrepresentations of the Retirement Coordinators.

MEMBERSHIP AND PARTICIPATION

Membership and Enrollment Requirements

Each new OPERS member begins participation on the first day of the month immediately following the beginning date of employment, provided all three following requirements are met.

1. **The position the employee holds is permanent, not seasonal, temporary or emergency;** and
2. **The position the employee holds requires at least 1,000 hours work per year (12 months after date of employment);** and
3. **The monthly salary of the employee must equal or exceed \$611 or the minimum wage established by the local government agency.** Employees who work less than full time are eligible if their wages are equal to or greater than \$305.50 per month or at least one half the local government agency minimum wage. *(This does not make a present member earning less than \$305.50 per month or working less than 1,000 hours per year ineligible.)*

Employees who meet the three requirements above are eligible for membership. **With limited exceptions, membership is a condition of employment and is thus mandatory for all employees who meet the eligibility requirements.** The age of an employee is not a factor in determining eligibility for membership. Members of OPERS whose hours worked and/or compensation earned falls below eligibility levels after they have established eligibility in OPERS remain eligible for participation and must continue to participate.

New members must complete an OPERS Enrollment Form to properly enroll in OPERS. A new Enrollment Form does not have to be completed when a member changes from one employer to another, but the new employer should notify OPERS of the member's starting date.

Contribution Rates

Contribution rates for state agencies and their employees for Fiscal Year 2006 are given in the following table. The employer contribution rate will increase by 1% each fiscal year until it reaches 16.5%. Please note that

beginning July 1, 1998, and thereafter, contributions are paid on full salary.

State Contribution Rates as of July 1, 2005

\$0 to \$25,000			Over \$25,000		
Employee	Employer	Total	Employee	Employer	Total
3.0%	11.5%	14.5%	3.5%	11.5%	15%

Local Government Contribution Rates

Local government employers can choose the rate at which the organization will contribute and the rate at which the employees will contribute, subject to certain minimum and maximum contribution rates. For more details on the contribution rates of a particular local government organization, see your Retirement Coordinator.

Step-Up

Members who elect to participate in the 2.5% Step-Up must pay an additional contribution (currently 2.91%). See page 51 for information about the Step-Up.

Service Credit

Free Prior Service

Prior service is the period of a member's employment with an eligible employer before that employer joined OPERS. Certain military service also qualifies as prior service. (See Military Service, page 15.) Prior service is granted free of charge to all eligible members only if their employer joined OPERS on or before January 1, 1975. Proof of such service must be verified in writing by the Retirement Coordinator of each participating employer from payroll and personnel records on file in their office.

Purchased Prior Service

Members who were employed by an employer that joined OPERS after January 1, 1975, are not eligible for free prior service credit for their employment with that employer prior to its entry into OPERS. However, members can purchase prior service credit for their employment with such an employer from January 1, 1975, until the employer's entry into OPERS. The cost for the purchase will be the

actuarial cost, as computed by OPERS. The member and the Retirement Coordinator for the agency must complete and submit to OPERS an *Application for Purchase of Prior Service*. The member will be contacted directly by OPERS about the cost.

Participating Service

Participating service is a member's period of contributing employment after the employer's entry date into OPERS. Participating service credit is earned by a) working or having paid leave to cover time off, and b) paying retirement contributions on salary earned.

1. Full-time participating service credit is earned for full-time employment.
2. All part-time employment or periods of leave without pay are prorated in relation to full-time employment. Example: half-time employment earns ½ month of participating service.
3. An employee who is not receiving pay and for whom contributions are not being paid is not earning participating service.
4. Members do not earn service credit for Worker's Compensation payments but can choose to take advantage of the temporary total disability purchase discussed on page 20.
5. No deductions in service credit or salary are made for involuntary furloughs as provided for by OAC 590:10-3-13.

Bonus Years

Required employee contributions paid by the member prior to June 30, 1977, count as bonus years of participating service credit, if the contributions are on deposit with OPERS at retirement.

No member is entitled to more than five bonus years. If a member has lost bonus years through a withdrawal from OPERS, repayment of the withdrawal will reinstate the lost bonus years.

Contributions	Participating Service
\$1.01 to \$500	1 year
\$500.01 to \$1,000	2 years
\$1,000.01 to \$1,500	3 years
\$1,500.01 to \$2,000	4 years
\$2,000.01 +	5 years

* Full time = 173 hours per month; 2,076 hours per year; 80 hours per pay period; 2,080 hours per year for bi-weekly payrolls.

Unused Sick Leave

A member who retires or terminates employment and elects a vested benefit can add months of unused sick leave. A maximum of six months of sick leave that remains unused after the termination or retirement date can be added to a member's service credit. If the addition of the member's unused sick leave causes the total credited service to equal or exceed an exact year by six months or more, service is rounded up to the next higher year and the member gains one year of service credit. A description of how unused sick leave is used to calculate retirement benefits is provided on page 44.

Hours of Unused Sick Leave	Months of OPERS Service Credit
0-159	0
160- 319	1
320-479	2
480-639	3
640-799	4
800-959	5
960+	6

Military Service

Restriction: A member hired after June 30, 2003, may not receive credit for military service in OPERS if he or she already has credit for the same period(s) of military service in another Oklahoma state retirement system.

Prior Service

Any active member of OPERS who served in the Armed Forces of the United States (as defined in Paragraph 23 of Section 902 of Title 74 of the Oklahoma Statutes) and received an honorable discharge can receive up to 5 years of prior service credit for those specified periods of active military service during which the member was a war veteran. To constitute prior service, the military service must have occurred prior to the member's participation in OPERS.

Those who were members of OPERS prior to July 1, 2000, are eligible for retirement credit for this service without cost. Receipt of military retirement does not disqualify members from receiving credit for military service.

Those who became members of OPERS after June 30, 2000, must purchase military service at actuarial cost to receive retirement credit.

The periods of active military duty for which retirement credit is available are listed below:

- (a) during the following periods, including the beginning and ending dates, and only for the periods served, from:
 - (i) April 6, 1917, to November 11, 1918, commonly referred to as World War I,
 - (ii) September 16, 1940, to December 7, 1941, as a member of the 45th Division,
 - (iii) December 7, 1941, to December 31, 1946, commonly referred to as World War II,
 - (iv) June 27, 1950, to January 31, 1955, commonly referred to as the Korean Conflict or the Korean War,
 - (v) February 28, 1961, to May 7, 1975, commonly referred to as the Vietnam era, except that:
 - a. for the period from February 28, 1961, to August 4, 1964, military service shall only include service in the Republic of Vietnam during that period, and
 - b. for purposes of determining eligibility for education and training benefits, such period shall end on December 31, 1976, or
 - (vi) August 1, 1990, to December 31, 1991, commonly referred to as the Gulf War, the Persian Gulf War, or Operation Desert Storm, but excluding any person who served on active duty for training only, unless discharged from such active duty for a service-connected disability;
- (b) during a period of war or combat military operation other than a conflict, war or era listed in subparagraph (a) of this paragraph, beginning on the date of Congressional authorization, Congressional resolution, or Executive Order of the President of the United States, for the use of the Armed Forces of the United States in a war or combat military operation, if such a war or combat military operation lasted for a period of ninety (90) days or more, for a person who served, and only for the period served, in the area of responsibility of the war or combat military operation, but excluding a person who served on active duty for training only, unless discharged from such active duty for a service-connected disability, and provided that the burden of proof of military service during this period shall be with the member, who must present appropriate documentation establishing such service.

An eligible member under this paragraph shall include only those persons who shall have served during the times or in the areas prescribed in this paragraph, and only if such person provides

appropriate documentation in such time and manner as required by the System to establish such military service prescribed in this paragraph, or for the service pursuant to subdivision a of division (v) of subparagraph (a) of this paragraph those persons who were awarded service medals, as authorized by the United States Department of Defense as reflected in the veteran's Defense Department Form 214, related to the Vietnam Conflict for service prior to August 5, 1964.

Members may receive prior service credit for Merchant Marine service during the wartime period from December 7, 1941, through August 15, 1945. Credit is given only for the time actually served aboard ship and must be verified on a DD214 document obtained from the U.S. Veterans Administration.

Members must submit an "Application for Military Service" and a legible copy of the member's honorable discharge (e.g. DD214) or other military documents showing date of entry and date of termination of active duty. The member's complete name and Social Security number must be on the documents.

Participating Service

Participating service credit can be granted to any member who serves on active duty in the Armed Forces and is also a war veteran as that term is defined by state law. However, the member must have been employed by an OPERS participating employer immediately before the member's active military service and must have returned to employment with an OPERS participating employer within 90 days following the discharge from active military service. Furthermore, in order to receive participating service credit, a member must not have withdrawn his or her contributions.

USERRA(Uniformed Services Employment & Reemployment Rights Act)

A member who is absent from work due to voluntary or involuntary military service can take advantage of the right, created under the Uniform Services Employment and Reemployment Rights Act (USERRA), to buy back service credit lost during the military absence. To assert rights under USERRA, see your Retirement Coordinator, or contact OPERS immediately upon your return to employment. Certain time limits and conditions must be met, and contributions may be required to be paid before service can be granted. For more information about USERRA, see your Retirement Coordinator.

Purchase of Service Credit from Other Oklahoma State Retirement Systems

A member may purchase service credit for years of credited service accumulated by the member while a member of the:

1. Oklahoma Firefighters Pension and Retirement System; or
2. Oklahoma Police Pension and Retirement System; or
3. Uniform Retirement System for Justices and Judges; or
4. Oklahoma Law Enforcement Retirement System; or
5. Oklahoma Teachers' Retirement System;

if the member is not receiving or eligible to receive retirement credit or benefits for said service in any other public retirement system. The cost to purchase such service shall be the actuarial cost to fund the member's projected benefits with the additional service credit.

A member who wishes to purchase such service must submit to OPERS written documentation from one of the systems listed above. The documentation must include: dates of membership and service and a statement that he or she is no longer eligible for benefits from that system. No other documentation will be accepted. OPERS will calculate the actuarial cost to purchase the service credit and contact the member.

NOTE: OPERS members have an alternative to purchasing service credit for service earned with the Oklahoma Teachers' Retirement System (OTRS). See below.

Transporting Service from Teachers' Retirement System

"Transporting" is a way of purchasing credit in OPERS for service earned in the Oklahoma Teachers' Retirement System (OTRS). The OTRS employee and employer contributions on deposit for the member, plus interest, will be available for transport to OPERS to purchase the service credit.

Only currently participating members of OPERS can transport service earned with OTRS. Contact OTRS, in writing, to start the transport process.

There are two methods for transporting service.

Method 1

On or after July 1, 2000, an active OPERS member who has service credit in OTRS, and whose last service with OTRS was with one of the entities listed at the right, may transport OTRS service to OPERS without cost to the member provided the member has not previously withdrawn contributions for said service in OTRS. A member of OPERS who transports service credit from the OTRS to OPERS will receive credit for the transported service immediately upon transfer of the funds required to transport the service.

- The Oklahoma State System of Higher Education
- State Board of Education
- State Board of Career and Technology Education
- Oklahoma Department of Career and Technology Education
- Oklahoma School of Science & Mathematics
- Oklahoma Center for the Advancement of Science & Technology
- State Department of Rehabilitation Services
- Oklahoma State Regents for Higher Education
- Department of Corrections
- State Department of Education

Those who withdrew their contributions from OTRS are only eligible to use Method 2.

Method 2

Members who are not eligible to transport OTRS service under Method 1 may use Method 2. Under Method 2 the member may either:

1. Pay any difference between the amount of funds provided by OTRS and the cost of the service in OPERS to receive full credit for the years sought to be transported; or
2. Receive prorated service credit for only the amount of service that could be purchased with the funds provided by OTRS.

Any service credit that is not transported will be irrevocably canceled and cannot be reinstated, transported, or purchased at any later date.

Important: If the transporting member's normal retirement date calculation is based upon the sum of the member's age and number of years of credited service totaling 80 in OTRS, then the member shall retain 80 point eligibility in OPERS under either Method 1 or Method 2 transport. However, the member who

transports service from OTRS must still accrue a minimum of six full years of full-time equivalent participation with an OPERS employer to qualify for vesting and retirement benefits.

Members who transport service by either method will cancel all service credit in OTRS. The election to transport is irrevocable once funds have been transferred. Transported employee contributions retain their original, before or after-tax status after transport.

Transporting Service from OPERS to OTRS

Certain active OTRS members have similar provisions for the transport of OPERS service to OTRS. Those who repay withdrawn OPERS contributions for the sole purpose of transporting OPERS service to OTRS can only use the Method 2 transport.

Worker's Compensation/Temporary Total Disability

Members who are state employees can purchase participating service for the time when they received temporary total disability benefits.[†] However, this participating service can only be purchased for an absence from work due to a work-related injury or illness incurred while engaged in a governmental function for said participating employer pursuant to the Worker's Compensation Act and subject to the following requirements:

1. The member was employed by the participating employer immediately prior to and during the period of absence; and
2. The member must notify OPERS in writing of his or her desire to purchase participating service credit for the period of absence **within four months** after the member's:
 - a. return to his or her job duties with the participating employer; or,
 - b. termination of employment with the participating employer; or,
 - c. termination of the temporary total disability benefits, **whichever is earlier**; and,

[†] By statute, county and local government employees are not eligible for this purchase of service.

3. The participating employer must certify to OPERS the dates during which temporary total disability benefits payments were paid to the member (contact OPERS for appropriate form); and,
4. The member and the participating employer shall each pay their respective contributions required for the period of absence without interest within 60 days of invoicing by OPERS, or with interest of 7.5% compounded annually if paid after said 60 days.

Please note that a member can only purchase participating service under this provision for time spent on temporary total disability after July 1, 1997.

Purchase of Incentive Credit

Actively participating members of this System may purchase up to two years of age and/or participating service incentive credit combined. To qualify, a member must:

1. Be eligible for normal or early retirement; or
2. Be within two points of the number of points required for normal retirement (78 or 79 toward 80 points; 88 or 89 toward 90 points); or
3. Be within 2 years of early retirement eligibility.

Incentive credit cannot be purchased to attain eligibility for disability benefits.

Non-elected retirees who have returned to work may purchase incentive service credit. However, incentive credit purchased by a retiree who has returned to work will not count toward the 36 months of full-time-equivalent re-employment required for re-retirement after waiving benefits.

The purchase of incentive credit is irrevocable. For example, let's assume that at age 54 Percy Pensioner purchases incentive age credit to become eligible for early retirement as if he were age 55. After Percy makes the purchase, his circumstances change and he decides to continue working until he is actually age 55. Percy's former purchase of incentive age is not helping him become eligible to retire because he has actually worked until age 55. However, Percy's purchase was irrevocable, so OPERS cannot refund the amount Percy paid for incentive age credit.

The amount a member will pay to purchase incentive credit is the actuarial cost. For a more detailed explanation of actuarial cost, see page 23.

Purchase of Elected Service

A member who is currently a non-elected member may purchase OPERS service credit for previous service as an elected official if the member is not receiving or eligible to receive retirement credit for said service with any other public retirement system. The cost to purchase such service shall be the actuarial cost to fund the member's projected benefits with the additional service credit. Eligible members should contact OPERS in writing and provide documentation of the dates of the county or state elected service.

Purchase of OESC Service

A member may purchase OPERS service credit for any years of employment the member had with the Oklahoma Employment Security Commission (OESC) if the member is not receiving or eligible to receive service credit for that employment with any other public retirement system. The cost to purchase this service shall be the actuarial cost to fund the member's projected benefits with the additional service credit.

A member who is interested in purchasing such employment must submit written verification of the dates of employment. The verification must be obtained from the retirement coordinator of OESC and submitted to OPERS. OPERS will notify the member of the cost to buy the service credit.

Purchase of Service Due to a Reduction-In-Force

All inquiries about the purchase of service due to a reduction-in-force will only be entertained *after* the member's participating employer has officially notified OPERS of those employees subject to a reduction-in-force. OPERS will then communicate detailed instructions about the purchase of termination credit to those members affected by a reduction-in-force.

Federal Limits on the Purchase of Retirement Credit

Members should use caution if their retirement planning involves the purchase of any type of retirement credit. Federal law may limit a member's ability to complete the purchase of retirement credit during one calendar year. If the cost to purchase retirement credit exceeds the federal limit, a member must complete his or her purchase of the credit under the limits set for the next calendar year or alter the amount of credit purchased. In some cases, the federal limits may prohibit the purchase entirely. Members should contact OPERS to determine how the federal limits apply to their purchase of retirement credit.

Actuarial Cost

Most service credit is purchased at actuarial cost. The actuarial cost is designed to represent the present value of the incremental projected or future benefit discounted based upon the member's age at the time of purchase. A major factor in the determination of the incremental benefit is the difference between the amount of the future benefit the member would receive without the purchased credit and the amount of the future benefit after purchase, computed as of the earliest age that particular member would be eligible to retire with full benefits.

Actuarial cost more closely represents the actual cost to the System resulting from the additional credit, and, as such, assists in maintaining a financially sound retirement system for all. **Actuarial cost has no relationship to contributions that would have been paid.** The purchase price takes into account the past loss of the use of those funds for investment purposes and the length of time the funds will be available for investment in the future before OPERS begins to pay benefits to that member. As a general rule, the earlier a purchase is made, the less the cost will be, and the actuarial cost for a younger member with fewer years of service credit will not be as high as for a member who is nearer to retirement, since OPERS will have investment use of those funds for a greater amount of time before being required to pay benefits.

Installment Payment Plan

The repayment of a withdrawal or the purchase of service accrued with another state retirement system can be made through an installment payment program. **Installment plan payments must be made through payroll deduction and will include interest at a**

current annual percentage rate of 7.5%. The maximum time period to make such a purchase is 60 months and the minimum monthly payment is \$25.00. Failure to complete all payments may result in the loss of part of the service credit. For the rules governing installment payment plan purchases, contact OPERS or see OAC 590:15-1-10.

Rollovers into OPERS to Purchase Service

A member may request that OPERS accept a transfer or rollover from an eligible retirement plan or Individual Retirement Account (IRA) for the purpose of repaying a withdrawal or to purchase eligible service credit. OPERS will provide the appropriate form upon request. SoonerSave members may transfer funds from the Deferred Compensation Plan to repay withdrawals or purchase eligible credit. (For information on rollovers out of the OPERS plan, see page 26).

Termination of Employment & Withdrawal of Contributions

The following is not intended to be tax advice. Members are encouraged to seek the advice of a professional tax advisor before making withdrawal decisions.

Only a member whose employment with a participating employer has terminated without retirement may withdraw the member's share of accumulated contributions. A member who withdraws contributions loses all service credit, including prior service credit earned before the date of withdrawal, and is no longer a member of OPERS. No accumulated interest or increased value is paid on member contributions when withdrawn. The employer's share of contributions always remains in OPERS.

Leaving Contributions with OPERS

Leaving contributions with OPERS allows a member to retain membership and any service credit previously earned. Upon re-employment by a participating OPERS employer, this previously earned service will be used in determining the member's retirement benefits. Those who withdraw their contributions may find that they have to meet additional or different eligibility requirements for retirement if they become OPERS members again.

Application for Withdrawal

To withdraw contributions, the member and the member's Retirement Coordinator must properly complete an *Application for Withdrawal of Contributions* form and file it with OPERS as soon as possible after termination.

The Retirement Coordinator will complete Part I of the *Application for Withdrawal* form. The member must complete and sign Part II of the form. **The member's mailing address must be accurate and valid at the time the withdrawal payment is to be issued. If a member changes his or her address during the waiting period, he or she must do so in writing, with an original signature. This can be accomplished by letter or by completing a *Change of Address* form.**

Upon receiving a member's *Application for Withdrawal*, OPERS will provide the member, if eligible, with an estimate of his or her retirement benefit and other information which constitutes an offer to the member of an election of a vested benefit. The member must at that time choose to either 1) withdraw contributions or 2) elect a vested benefit.

Withdrawal Payments

Approximately two months after receipt of a withdrawal application, OPERS will notify the member of the amount and taxable status of contributions available for withdrawal and the scheduled payment date.

A member who wishes to withdraw contributions and is *not* eligible to vest can expect to receive payment of those contributions during the fifth month following the date of termination. Earlier payment is possible only in the event the member is terminally ill and a physician certifies that the member is not expected to live beyond four months. A member who is eligible to vest cannot expect to receive payment of accumulated contributions until 1) after OPERS has informed the member of retirement benefits the member would receive and 2) the member has declined the vested benefit in writing.

The member's receipt of payment will depend on OPERS' timely receipt of all required forms and documents.

Taxation of Withdrawn Contributions

Member contributions that were paid to OPERS by state employees after January 1, 1989, will be taxable in the calendar year in which the withdrawn contributions are received. Contributions that were paid in prior to January 1, 1989, are not taxable when withdrawn.

A member who withdraws taxable contributions will have the mandatory taxes (currently 20% federal and 5% state tax) withheld from payment made to them by OPERS, unless the contributions are rolled over. The withdrawn contributions must be reported as income on the individual's income tax return. Individuals who withdraw taxable contributions will receive a 1099R form after the end of the calendar year.

Withdrawn contributions may be subject to an early distribution penalty (currently 10%). The additional tax is imposed only in certain conditions and does have exceptions. For more information, consult IRS Publication 575 and, as with all tax matters, consult a competent tax advisor.

Rollovers (Also see IRS Publications 575 & 590.)

Withdrawn contributions may be "rolled over" directly to another retirement plan which accepts rollovers or to an Individual Retirement Account (IRA). If contributions are rolled over, the IRS will not currently tax the contributions and thus, OPERS will not withhold the mandatory taxes (currently 20% for federal and 5% for state taxes) on taxable contributions. All members applying for withdrawal will receive tax and rollover information, and a *Rollover Application* no less than 30 to 60 days prior to the scheduled payment date.

Reinstating Withdrawn Service

Upon returning to employment with an OPERS participating employer, a member may restore service credit lost due to the withdrawal of contributions. The member must repay to OPERS the sum of the contributions withdrawn, plus interest at ten percent (10%) per year. This repayment will reinstate the service credit as if there had never been a withdrawal of contributions. Upon written request, OPERS will provide the cost to repay and the payment options. Withdrawn service can only be reinstated once. Subsequent withdrawals of the same service may not be repaid.

Termination of Employment & Election of a Vested Benefit

A member who has completed at least 8 years of credited service (7 years and 6 months rounded up) is eligible to receive a retirement benefit

when the member meets the age requirement for retirement. A member may use up to six months of unused sick leave to earn the required 8 years of credited service. However, of the 8 years needed, at least 6 full years must be full-time-equivalent employment with a participating employer. If a member chooses the right to a retirement benefit in lieu of withdrawing the member's accumulated contributions upon termination of employment, it is said that the member has elected a vested benefit.

When a member elects a vested benefit, he or she does not immediately receive a retirement benefit. The member does, however, reserve his or her right to a retirement benefit in the future when the member becomes eligible to retire under OPERS. The benefit at that time will be based upon the final average compensation and service credit which the member earned before termination.

In most cases, the receipt of a monthly retirement benefit is more beneficial than withdrawing contributions, as the receipt of a retirement benefit over one's lifetime has a monetary value which is generally greater than the amount of the member's accumulated contributions. Also, electing a vested benefit ensures the member will receive an income from OPERS during his or her retirement years or provide a survivor benefit to the spouse or other joint annuitant in the event of death.

To apply for a vested benefit, the Retirement Coordinator and the member must complete a form entitled *Application for Vested Benefits* and submit it to OPERS.

Eligibility for Retirement at Termination

A member may be eligible for either early or normal retirement at the time his or her employment terminates. State law requires a member to give notice of his or her intention to retire at least 60 days prior to the member's retirement date. Members who are unable to meet this notice requirement before termination may do one of two things:

1. Elect a vested benefit at the time employment terminates. The member should also give notice to OPERS of his or her intended retirement date. This may also allow a member the opportunity to retain insurance coverage.
2. Request the OPERS Board of Trustees to grant a waiver of the 60-day notice requirement (see 31).

RETIREMENT

Eligibility for Retirement

OPERS provides three types of retirement: normal, early and disability. Please note that in addition to the eligibility requirements listed below, a member must provide the proper notice and terminate employment. Additionally, a member employed on or after January 1, 1983, must have six or more full years of full-time-equivalent employment with a participating employer to be eligible to retire under any of the eligibility requirements for normal or early retirement.

Normal Retirement

Age **62**

A member can begin receiving a monthly retirement benefit on the first day of the month coinciding with or following the member's 62nd birthday.

80 points

A member who initially became a member of OPERS **before** July 1, 1992, can begin receiving a monthly retirement benefit on the first day of the month coinciding with or following the date on which the member's age plus years of service equal 80.

90 points

A member who initially became a member of OPERS **after** June 30, 1992, can begin receiving a monthly retirement benefit on the first day of the month coinciding with or following the date on which the member's age plus years of service equal 90.

* A member who was continuously employed by an entity or institution within the Oklahoma State System of Higher Education prior to July 1, 1992, and who, within 30 days of termination, becomes employed with an OPERS participating employer is eligible to retire when age plus service equals the number 80. Contact OPERS for more information.

Early Retirement

A member can begin receiving a reduced monthly retirement benefit as of the first day of the month coinciding with or following the member's 55th birthday or any subsequent month up to age 62, provided the member has at least 10 years of participating service (9 years, 6 months rounds up to 10 years).

At least 6 of the 10 years must be full-time equivalent employment. The remaining 4 or more years may be other types of service, such as bonus years, unused sick leave, service transported from the Oklahoma Teachers' Retirement System, etc.

A member who retires before his or her normal retirement date shall receive a retirement benefit reduced in accordance with the table titled *EARLY RETIREMENT REDUCTION FACTORS* (page 48). The reduction required is based on the member's age in years and months on the actual date retirement benefits are to begin.

Disability Retirement

A member who must terminate participation in OPERS due to significant health problems resulting in permanent disability may be entitled to monthly disability retirement benefits if the following two conditions are met:

1. The member qualifies for payment of disability benefits as certified either by the Social Security Administration or the Railroad Retirement Board, provided that a) the date of disability onset established by the Social Security Administration or the Railroad Retirement Board falls within one year of the employee's last date physically on the job, and b) the employee must have been an active employee with a participating employer at the time of disability onset.
2. The member has at least **eight years of credited service** (prior service and participating service may be combined, but the member must have at least six full years of full-time participating employment with a participating employer).

The amount of the member's disability retirement benefit is calculated by the same formula as for Normal Retirement (see page 46). There is no minimum age requirement for receipt of disability retirement benefits. Members who retire under disability benefits may only elect Option A or the Maximum Benefit. The disability reduction factors for Option A are

adjusted to reflect disabled rather than active status and are different than the reduction factors for Option A listed in this handbook. If the member is receiving state disability insurance payments, the benefit paid by disability insurance will be offset or reduced by the amount of the benefits paid by OPERS and by the Social Security Administration.

Benefit payments begin as of the same date as the member's Social Security disability. However, the member will not receive disability benefits for any month in which the member received pay from the employer on the regular payroll (excluding longevity payments). This means that the member cannot receive any disability payments until his or her employment has terminated.

The member must continue to receive disability benefits from Social Security or Railroad Retirement to be eligible for continued disability retirement from OPERS. If the member recovers from the disability, retirement benefits must end until the member become eligible for early or normal retirement.

Application for Disability Retirement

To apply for disability retirement, a member must send to OPERS a complete (all pages) copy of the Award Letter or Award Notice. Upon receipt and determination of probable eligibility, OPERS will send an *Application for Disability Benefits* to the member for the member to complete and return to OPERS. The member will also receive an estimate of the benefit amount. OPERS will then send the application to the employer for the Retirement Coordinator to complete, verifying:

1. The last date the member was physically on the job;
2. The last date the member received compensation for which retirement contributions were paid (excluding longevity pay);
3. The member's resignation date; and
4. The number of hours of unused sick leave.

A legible copy of the complete Award Letter from the Social Security Administration (Baltimore, Maryland or Program Center) or an Award Notice from the Railroad Retirement Board are the only documents accepted by OPERS as proof of disability.

Disability Benefits in Lieu of Early Retirement

An OPERS member who retired under early retirement provisions, and becomes qualified for a disability retirement on or after July 1,

1999, can apply to receive disability benefits in lieu of the early retirement benefits. Any early retiree who believes he or she meets these requirements should contact OPERS.

Application for Normal and Early Retirement

IMPORTANT: All OPERS retirement dates must be the first date of a given month. (Example: Barbara Benefit turns age 62 on April 15; her retirement date would be May 1.)

Retirement Notice and Application

To begin the retirement process, a member must complete and submit a *Retirement Notice and Application*. This form is obtained from the member's Retirement Coordinator.

The key to a successful start of the retirement process is the proper completion of the *Retirement Notice and Application*. About 90 days before the member's planned retirement date, the member should contact his or her Retirement Coordinator and ask for the application form. Both the member and his or her Retirement Coordinator must properly complete the *Retirement Notice and Application*. For additional help, contact OPERS.

Submission of the Retirement Notice and Application

A member's properly completed *Retirement Notice and Application* must be received in the OPERS office in Oklahoma City **at least 60 calendar days before** the member's retirement date.* This requirement may only be waived by the OPERS Board of Trustees.

Members are presumed to be familiar with the plan provisions and aware of the notice requirement. Any member seeking waiver of the 60-day notice requirement must show good cause. Good cause is generally shown in cases of an unforeseen hardship, such as illness of the member or the member's family, or a reduction-in-force, or layoff from employment. Good cause is also generally shown in cases of error or delay on the part of the employer and the error or delay is due to no fault of the member.

* Retirement applications should not be submitted more than six months prior to the selected retirement date.

Response from OPERS

After receiving the *Retirement Notice and Application*, OPERS will send an acknowledgment to the member. Documents such as birth certificates, divorce decrees, etc., that are needed for processing of the application will be requested from the member. The member must respond as quickly as possible to any requests for information or documents to avoid a delay in benefit payments or retirement.

A *Direct Deposit Authorization* form will also be provided for the member to complete and return. Accurate completion and timely submission of the *Direct Deposit Authorization* form will avoid a delay in payment of retirement benefits. Direct deposit is required.

OPERS will mail a *Preliminary Benefits Statement* to the member prior to the effective retirement date. This letter will provide:

1. An accounting of the member's service credit;
2. An estimate of the member's gross monthly benefit;
3. The date the member's first payment will be issued;
4. Rules for returning to work after retirement;
5. Withholding charts and a *Withholding Preference* form to authorize federal and state income taxes to be withheld; and
6. A statement of the federal and state income tax liabilities on pension income.

OPERS will mail a final retirement letter to the member about the time the first retirement payment is issued. This letter will provide:

1. A final statement of benefits (gross amount, withholdings for insurance, federal and state income tax and net amount); and
2. A statement of the amount of contributions the member has paid into OPERS (both taxable and non-taxable).
3. A list of other deductions, such as tax withholding and insurance premiums.

Postponement or Cancellation of Retirement

Once a member has timely submitted his or her *Retirement Notice and Application*, the member can only postpone, cancel, or change his or her retirement before the effective retirement date. If a member postpones or cancels his or her retirement and wishes to retire at a later date, the member must complete a new *Retirement Notice and*

Application form. If the retirement is canceled, the member must again meet the 60-day notice requirement.

Changes in Type of Retirement

A member who retired under early retirement provisions and becomes qualified for a disability retirement with a disability date on or after July 1, 1999, may apply to receive disability benefits in lieu of the early retirement benefits. **The type of retirement chosen by the member may not be changed** on or after the effective date of retirement under any other conditions.

For information about changing the type of benefit, see page 35.

RETIREMENT BENEFITS

Type of Benefit

Members may receive one of four types of retirement benefits described below.

Maximum (Single-Life Annuity) - The maximum type of benefit is paid monthly for the member's lifetime and ceases the last day of the month in which he or she dies. Married members may elect this type of benefit only with spouse consent.

A member who wishes to take a reduced benefit and thereby provide a monthly income for another person after the member's death may choose an Option A, B, or C type of benefit.

Option A (1/2 Joint and Survivor Annuity) - Under this option, the retiring member will receive a reduced retirement benefit for life (see page 38). After the member's death, **one-half** of the reduced retirement benefit will be paid to the surviving joint annuitant for the remainder of his or her lifetime. The joint annuitant must be a specific person.

All married members must retire under Option A, unless the member's spouse consents to the member's retirement under one of the other benefit types by signing the Spouse Consent portion of the *Retirement Notice and Application*. If the member is divorced or the member's spouse is deceased, the member must provide proof of the divorce or death.

Option B (100% Joint and Survivor Annuity) - Under Option B, a reduced retirement benefit (see page 39) is paid to the retiring member during the member's lifetime. After the member's death, the same monthly benefit is paid to a surviving joint annuitant for his or her lifetime. The joint annuitant must be a specific person. Under federal limitations, Option B is only available to members who choose their spouse as joint annuitant or who choose a non-spouse joint annuitant who is no more than 10 years younger than the member. Married members may only elect this type of benefit with spouse consent.

Option C (Single-Life Annuity with a 10-Year Term Certain Period) Under this option, a reduced retirement benefit is paid to the retiring member for life (see page 40). If the member dies within the first 10 years of the start of benefit payments, the payment will be made to the beneficiary (or beneficiaries) for the balance of the ten-year period. If

the member lives longer than 10 years after his or her retirement date, no monthly benefits will be paid to the beneficiary upon the member's death. The member's beneficiary does not have to be a specific person and multiple beneficiaries may be designated. Beneficiaries may be changed at any time. The amount of benefits payable under Option C is based on the age of the member. Married members may only elect this type of benefit with spouse consent.

What's the Difference?

***Joint Annuitant** – a specific person who is designated by an OPERS retiree to receive a lifetime retirement benefit under Option A or Option B after the death of the retiree. The person named as joint annuitant cannot be changed after retirement.*

***Beneficiary** – one who is designated by a member to receive the member's accumulated contributions, death benefits, or a retirement benefit under Option C. Unlike a joint annuitant, a beneficiary does not have the right to a benefit for his or her lifetime. Also, the member may change a beneficiary at any time.*

***Specific Person** – an individual human being. This term does **not** include a corporation, partnership, trust, charity, organization, or any other non-human being.*

Changing the Type of Benefit

The type of benefit for a member who retired under Option A or B changes to the maximum benefit upon the death of the member's joint annuitant. This is referred to as the "pop up" provision. The benefit increase becomes effective the first day of the month following the date of death. The member must notify OPERS of the death in writing and provide a certified death certificate to begin the increase. If written notice is not received within 6 months, OPERS is not required to pay more than 6 months of retrospective benefits increase.

In some cases, a divorce decree may also allow a member to change from Option A or B to the maximum benefit. Contact OPERS for more information.

An eligible member who chooses to change from an early retirement to a disability retirement and who selected Option B must change to Option A, and a member who selected Option C must change to the Maximum benefit. The only types of benefit available for disability retirement are the Maximum benefit and Option A.

The type of benefit the member chooses may not be changed on or after the member's retirement date under any other conditions and no other person may be substituted or named as joint annuitant.

Q & A about the Reduction Factor Tables

Questions often arise regarding the Reduction Factors for Retirement Options A and B. These factors can be found on pages 38 and 39. Below are answers to some of the most frequently asked questions.

Question: Who determines the reduction factors and how often are they updated?

Answer: The Plan's actuary periodically reviews all aspects of the Plan, including the reduction factors for Retirement Option's A, B, and C, to ensure that the actuarial assumptions reflect the actual experience of the members covered under the Plan.

Question: Do the reduction factor tables go beyond the ages listed on the table?

Answer: Yes. Due to the limitation of space, OPERS could not publish the reduction factors for every conceivable age. However, if you need the reduction factors for a particular member's age and joint annuitant's age, please contact OPERS.

Question: Why does an older member experience more of a reduction under Option A or B at retirement than a younger member?

Answer: The reduction factors for Retirement Options A and B are determined by the Plan's actuary. The actuary creates these factors based upon the premise that OPERS promises all retirees a benefit for only the retiree's lifetime, known as a single-life annuity. Accordingly, State law provides what is called the Maximum Benefit to members that provides all members the opportunity to receive an unreduced single-life annuity.

Therefore, if OPERS promises only a single-life annuity to its members, any additional survivor payment to another in the form of a joint and survivor annuity is an additional cost to the retirement system. The cost to OPERS to provide a joint and survivor annuity is reflected by the reduction factors. This cost is similar to the cost for providing an insurance benefit for a joint annuitant.

The cost of this "insurance benefit" is more expensive for older retirees than for younger retirees. This is the case because, on average, the older the retiree, the sooner survivor benefits will be paid to a joint

annuitant. You may see that this is similar to the cost to purchase whole-life insurance. It is much less expensive at age 25 than at age 65.

The logic of the reduction factors can be explained as follows. The more likely that OPERS will have to pay survivor benefits sooner, the more expensive that survivor benefit becomes. Therefore, older retirees choosing Options A and B have to pay more to fund benefits for their joint annuitants as compared to younger retirees. This additional cost is expressed as a greater reduction in the retiree's benefit.

Reduction Factors For Retirement Option A

Expressed as a percentage of the total maximum benefit

Age of member at retirement.	The number of years younger the joint annuitant is than the member at the date of the member's retirement.										The number of years older the joint annuitant is than the member at the date of the member's retirement.										
	10	9	8	7	6	5	4	3	2	1	0	1	2	3	4	5	6	7	8	9	10
50	94.90%	95.02%	95.14%	95.26%	95.38%	95.50%	95.62%	95.75%	95.88%	96.01%	96.13%	96.26%	96.39%	96.52%	96.64%	96.77%	96.89%	97.01%	97.13%	97.25%	97.37%
51	94.61%	94.73%	94.86%	94.98%	95.11%	95.25%	95.38%	95.51%	95.65%	95.79%	95.92%	96.06%	96.19%	96.33%	96.47%	96.60%	96.73%	96.86%	96.99%	97.11%	97.24%
52	94.30%	94.43%	94.56%	94.70%	94.84%	94.98%	95.12%	95.26%	95.41%	95.56%	95.70%	95.85%	95.99%	96.14%	96.28%	96.42%	96.56%	96.70%	96.84%	96.97%	97.10%
53	93.97%	94.11%	94.25%	94.40%	94.55%	94.70%	94.85%	95.00%	95.16%	95.31%	95.47%	95.63%	95.78%	95.94%	96.09%	96.24%	96.39%	96.54%	96.68%	96.83%	96.97%
54	93.62%	93.77%	93.93%	94.08%	94.24%	94.40%	94.56%	94.73%	94.89%	95.06%	95.23%	95.39%	95.56%	95.72%	95.89%	96.05%	96.21%	96.37%	96.52%	96.67%	96.82%
55	93.26%	93.42%	93.58%	93.75%	93.92%	94.09%	94.26%	94.44%	94.62%	94.79%	94.97%	95.15%	95.33%	95.50%	95.68%	95.85%	96.02%	96.19%	96.35%	96.51%	96.67%
56	92.87%	93.04%	93.22%	93.40%	93.58%	93.76%	93.95%	94.13%	94.32%	94.51%	94.70%	94.89%	95.08%	95.27%	95.45%	95.64%	95.82%	96.00%	96.17%	96.34%	96.51%
57	92.46%	92.64%	92.83%	93.02%	93.21%	93.41%	93.61%	93.81%	94.01%	94.21%	94.42%	94.62%	94.82%	95.02%	95.22%	95.41%	95.61%	95.79%	95.98%	96.16%	96.34%
58	92.03%	92.22%	92.42%	92.62%	92.83%	93.04%	93.25%	93.47%	93.68%	93.90%	94.11%	94.33%	94.54%	94.76%	94.97%	95.17%	95.38%	95.58%	95.78%	95.97%	96.16%
59	91.57%	91.77%	91.99%	92.20%	92.42%	92.65%	92.87%	93.10%	93.33%	93.56%	93.79%	94.02%	94.25%	94.48%	94.70%	94.92%	95.14%	95.35%	95.56%	95.77%	95.97%
60	91.08%	91.30%	91.53%	91.76%	91.99%	92.23%	92.47%	92.72%	92.96%	93.21%	93.45%	93.70%	93.94%	94.18%	94.42%	94.65%	94.88%	95.11%	95.33%	95.55%	95.76%
61	90.56%	90.80%	91.04%	91.29%	91.54%	91.79%	92.05%	92.31%	92.57%	92.83%	93.09%	93.35%	93.61%	93.87%	94.12%	94.37%	94.61%	94.85%	95.09%	95.32%	95.54%
62	90.02%	90.27%	90.53%	90.79%	91.06%	91.33%	91.60%	91.88%	92.16%	92.44%	92.71%	92.99%	93.26%	93.54%	93.80%	94.07%	94.33%	94.58%	94.83%	95.08%	95.31%
63	89.44%	89.71%	89.99%	90.27%	90.55%	90.84%	91.14%	91.43%	91.72%	92.02%	92.31%	92.61%	92.90%	93.19%	93.47%	93.75%	94.03%	94.30%	94.56%	94.82%	95.07%
64	88.84%	89.13%	89.42%	89.72%	90.03%	90.33%	90.64%	90.96%	91.27%	91.58%	91.89%	92.21%	92.51%	92.82%	93.12%	93.42%	93.71%	94.00%	94.28%	94.55%	94.81%
65	88.21%	88.52%	88.83%	89.15%	89.47%	89.80%	90.13%	90.46%	90.79%	91.13%	91.46%	91.79%	92.11%	92.44%	92.76%	93.07%	93.38%	93.68%	93.98%	94.27%	94.54%
66	87.55%	87.88%	88.21%	88.55%	88.90%	89.24%	89.59%	89.94%	90.30%	90.65%	91.00%	91.35%	91.70%	92.04%	92.38%	92.71%	93.04%	93.36%	93.67%	93.97%	94.26%
67	86.87%	87.22%	87.57%	87.93%	88.30%	88.67%	89.04%	89.41%	89.78%	90.16%	90.53%	90.90%	91.27%	91.63%	91.99%	92.34%	92.68%	93.02%	93.35%	93.66%	93.97%
68	86.16%	86.53%	86.91%	87.29%	87.68%	88.07%	88.46%	88.86%	89.26%	89.65%	90.04%	90.43%	90.82%	91.20%	91.56%	91.95%	92.31%	92.67%	93.01%	93.35%	93.67%
69	85.43%	85.83%	86.23%	86.63%	87.04%	87.46%	87.87%	88.29%	88.71%	89.13%	89.54%	89.96%	90.36%	90.77%	91.16%	91.55%	91.94%	92.31%	92.67%	93.02%	93.37%
70	84.69%	85.10%	85.52%	85.95%	86.39%	86.82%	87.26%	87.71%	88.15%	88.58%	89.03%	89.46%	89.89%	90.32%	90.74%	91.15%	91.55%	91.94%	92.32%	92.69%	93.05%

This Table is based upon an analysis of actuarial assumptions and experience of the Oklahoma Public Employees Retirement System prepared by William M. Mercer, Incorporated.

Reduction Factors For Retirement Option B

Expressed as a percentage of the total maximum benefit

Age of member at retirement.	The number of years younger the joint annuitant is than the member at the date of the member's retirement.										The number of years older the joint annuitant is than the member at the date of the member's retirement.										
	10	9	8	7	6	5	4	3	2	1	0	1	2	3	4	5	6	7	8	9	10
50	90.30%	90.51%	90.72%	90.94%	91.16%	91.39%	91.62%	91.85%	92.08%	92.32%	92.55%	92.79%	93.03%	93.27%	93.50%	93.74%	93.97%	94.20%	94.43%	94.65%	94.87%
51	89.77%	89.99%	90.21%	90.45%	90.68%	90.92%	91.17%	91.41%	91.66%	91.91%	92.16%	92.42%	92.67%	92.92%	93.17%	93.42%	93.67%	93.91%	94.15%	94.39%	94.62%
52	89.21%	89.44%	89.68%	89.93%	90.18%	90.44%	90.70%	90.96%	91.22%	91.49%	91.76%	92.02%	92.29%	92.56%	92.83%	93.09%	93.36%	93.62%	93.87%	94.12%	94.37%
53	88.62%	88.87%	89.13%	89.39%	89.66%	89.93%	90.20%	90.48%	90.76%	91.05%	91.33%	91.62%	91.90%	92.19%	92.47%	92.75%	93.03%	93.31%	93.58%	93.85%	94.11%
54	88.01%	88.28%	88.55%	88.83%	89.11%	89.40%	89.69%	89.99%	90.28%	90.59%	90.89%	91.19%	91.50%	91.80%	92.10%	92.40%	92.70%	92.99%	93.28%	93.56%	93.84%
55	87.37%	87.65%	87.94%	88.23%	88.53%	88.84%	89.15%	89.46%	89.78%	90.10%	90.42%	90.75%	91.07%	91.39%	91.71%	92.03%	92.34%	92.65%	92.96%	93.26%	93.55%
56	86.69%	86.99%	87.30%	87.61%	87.93%	88.25%	88.58%	88.92%	89.25%	89.59%	89.94%	90.28%	90.62%	90.96%	91.30%	91.64%	91.97%	92.30%	92.62%	92.94%	93.25%
57	85.98%	86.30%	86.62%	86.95%	87.29%	87.64%	87.99%	88.34%	88.70%	89.06%	89.42%	89.78%	90.15%	90.51%	90.87%	91.23%	91.58%	91.93%	92.27%	92.61%	92.94%
58	85.23%	85.57%	85.91%	86.26%	86.62%	86.99%	87.36%	87.73%	88.11%	88.49%	88.88%	89.26%	89.65%	90.03%	90.41%	90.79%	91.17%	91.53%	91.90%	92.25%	92.60%
59	84.44%	84.80%	85.16%	85.54%	85.92%	86.30%	86.70%	87.09%	87.50%	87.90%	88.31%	88.72%	89.12%	89.53%	89.93%	90.33%	90.73%	91.12%	91.50%	91.88%	92.24%
60	83.62%	83.99%	84.38%	84.77%	85.18%	85.59%	86.00%	86.42%	86.85%	87.28%	87.71%	88.14%	88.57%	89.00%	89.43%	89.85%	90.27%	90.68%	91.08%	91.48%	91.86%
61	82.75%	83.15%	83.56%	83.97%	84.40%	84.83%	85.27%	85.72%	86.17%	86.62%	87.08%	87.53%	87.99%	88.44%	88.89%	89.34%	89.78%	90.21%	90.64%	91.06%	91.47%
62	81.84%	82.26%	82.70%	83.14%	83.59%	84.04%	84.51%	84.98%	85.46%	85.93%	86.42%	86.90%	87.38%	87.86%	88.33%	88.80%	89.27%	89.72%	90.17%	90.61%	91.03%
63	80.90%	81.34%	81.80%	82.26%	82.74%	83.22%	83.71%	84.21%	84.71%	85.22%	85.72%	86.23%	86.74%	87.24%	87.74%	88.24%	88.73%	89.21%	89.68%	90.15%	90.14%
64	79.92%	80.39%	80.87%	81.36%	81.86%	82.37%	82.89%	83.41%	83.94%	84.47%	85.00%	85.54%	86.07%	86.60%	87.13%	87.65%	88.17%	88.67%	89.17%	89.66%	89.65%
65	78.90%	79.40%	79.90%	80.42%	80.95%	81.49%	82.03%	82.58%	83.14%	83.70%	84.26%	84.82%	85.38%	85.94%	86.49%	87.04%	87.58%	88.12%	88.64%	89.15%	89.15%
66	77.86%	78.38%	78.91%	79.45%	80.01%	80.57%	81.15%	81.73%	82.31%	82.90%	83.49%	84.08%	84.67%	85.25%	85.84%	86.41%	86.98%	87.54%	88.09%	88.63%	88.63%
67	76.79%	77.33%	77.89%	78.46%	79.05%	79.64%	80.24%	80.85%	81.46%	82.08%	82.70%	83.32%	83.93%	84.55%	85.16%	85.76%	86.36%	86.95%	87.52%	88.08%	88.10%
68	75.69%	76.26%	76.85%	77.45%	78.06%	78.68%	79.31%	79.95%	80.59%	81.24%	81.89%	82.54%	83.19%	83.83%	84.47%	85.10%	85.72%	86.34%	86.94%	87.53%	87.56%
69	74.57%	75.17%	75.79%	76.42%	77.06%	77.71%	78.37%	79.04%	79.71%	80.39%	81.06%	81.74%	82.42%	83.09%	83.76%	84.42%	85.07%	85.71%	86.34%	86.96%	87.55%
70	73.43%	74.06%	74.71%	75.36%	76.03%	76.72%	77.41%	78.10%	78.81%	79.52%	80.22%	80.93%	81.64%	82.35%	83.04%	83.73%	84.41%	85.08%	85.73%	86.38%	87.00%

This Table is based upon an analysis of actuarial assumptions and experience of the Oklahoma Public Employees Retirement System prepared by William M. Mercer, Incorporated.

Reduction Factors for Retirement Option C

Expressed as a percentage of the total maximum benefit

Age of Retiree	Factor
47	99.34%
48	99.27%
49	99.19%
50	99.10%
51	99.01%
52	98.91%
53	98.80%
54	98.67%
55	98.54%
56	98.38%
57	98.20%
58	97.99%
59	97.75%
60	97.47%
61	97.15%
62	96.79%
63	96.36%
64	95.89%
65	95.34%
66	94.73%
67	94.05%
68	93.28%
69	92.43%
70	91.48%
71	90.42%
72	89.25%
73	87.95%
74	86.53%
75	84.98%
76	83.31%

Retirement Benefit Payments

In order to allow sufficient time to receive final payroll records and process all retirement documents, benefit payment for the first two months is issued on the last working day of the second month of retirement. Thereafter, one payment will be issued on the last working day of each month.

Payments are made by electronic deposit directly to the member's account in a bank or other financial institution.

Taxation of Retirement Benefits

The following information is not intended to be tax advice. OPERS encourages all members to seek advice from a tax advisor on matters of taxation. Currently, benefits from OPERS are considered income for Oklahoma income tax purposes and for federal income tax purposes.

Oklahoma State Income Tax

Under Oklahoma tax provisions, a portion of retirement benefits paid to an Oklahoma resident may be excluded from an individual taxpayer's gross income each year. However, retirees may experience a different tax treatment if they reside in a state other than Oklahoma.

Federal Income Tax

If an OPERS retiree has any accumulated nontaxable contributions (post-tax contributions) as of his or her retirement date, the member will be able to reduce the taxable portion of his or her benefit to the extent of his or her nontaxable contributions in accordance with the Internal Revenue Service's Safe Harbor provision. Generally, this method allows OPERS to spread the member's accumulated nontaxable contributions over his or her life expectancy or the joint life expectancies of the member and the member's joint-annuitant. OPERS will calculate this exclusion for each retiree, and the resulting taxable portion will appear on the Form 1099-R. However, retirees can consult IRS Publication 575 for more information about the Safe Harbor Method.

OPERS will mail a Form 1099-R to each retiree at the end of January of each year. This form will show 1) the gross amount of the retirement benefit for the previous calendar year, 2) the amount of state and federal income tax withheld from the retirement benefit, and 3) the federal taxable amount of the retirement benefit for the year. The information contained in a retiree's Form 1099-R should be used in completing the retiree's state and federal income tax return.

Tax Withholding

Each retiree will receive a *Withholding Preference Certificate* from OPERS approximately one month before retirement payments begin. The form must be completed, indicating whether or not state and federal tax should be withheld from the monthly benefit and, if so, at what rate. This completed form must be returned to OPERS. If the form is not received, taxes will be withheld at the rates for an individual who is married and has three exemptions. A new *Withholding Preference Certificate* form may be completed at any time to change future withholdings.

Health Insurance Supplement

OPERS pays an insurance premium supplement on behalf of a retiree who maintains health insurance with the Oklahoma State & Education Employees Group Insurance Board (OSEEGIB) or with other qualified insurance plans provided by his or her employer. The monthly contribution is paid in addition to the member's monthly retirement benefit and is paid directly to OSEEGIB or other qualified insurer. It is not considered taxable income to the member. It continues until the member terminates health insurance coverage with OSEEGIB or other qualified plan, or until the member's death.

Limited Benefit

In 1987, members whose annual salary exceeded \$25,000 were given the opportunity to make contributions on salary above \$25,000 but not exceeding \$40,000. Some members elected to pay these additional retirement contributions on salary above \$25,000 in order to be entitled to a higher retirement benefit. However, subsequent legislation eliminated the need for these additional contributions and provided for a transfer of the excess contributions to the Oklahoma State Employees Deferred Savings Incentive Plan for members who were actively participating July 1, 1998.

Those members who made contributions on salary above \$25,000 prior to 1994, but were not active members on July 1, 1998, will receive a limited additional monthly retirement benefit when they retire provided they meet the following criteria:

1. The member was not an actively participating or a retired OPERS member on July 1, 1998; and,
2. The member had either vested his or her retirement benefits or was eligible to vest his or her retirement benefits as of July 1, 1998; and,
3. The member paid contributions on compensation earned above \$25,000 prior to July 1, 1994.

After these members retire, they will receive an additional taxable payment of \$200 per month until the total amount paid equals the amount of excess contributions the member paid on compensation earned above \$25,000 prior to 1994.

RETIREMENT BENEFIT CALCULATION

Benefit Estimates

A member who is within two years of retirement may ask OPERS to calculate an estimate of the amount of the benefits he or she will receive as of a selected retirement date. A member who is not within two years of retirement may use the benefit calculation formula contained in this handbook (page 46) to calculate an approximate retirement benefit estimate. OPERS will prepare and mail the requested information as quickly as time and workload allow. Estimate requests should be made at least six months before the selected retirement date. It is necessary to make assumptions about future salary and service in order to estimate future benefits. OPERS cannot guarantee the accuracy of any benefit estimate.

A step-by-step explanation of the benefit calculation process is provided below. Examples are also provided.

Step 1: Determining Service Credit

To determine a member's service credit, add up the years and full months the member has participated in OPERS. Also include any purchased service, prior service granted free of charge, bonus years and months of unused sick leave (6 months maximum). Then, if the member has six months or more of service credit past an exact year, round the member's service credit up to the next highest year. Two examples are provided below.

EXAMPLE 1:

3 YEARS 4 MONTHS	PRIOR MILITARY SERVICE
15 YEARS 8 MONTHS	PARTICIPATING SERVICE
+ 6 MONTHS	UNUSED SICK LEAVE
<u>19 YEARS 6 MONTHS</u>	TOTAL SERVICE
20 YEARS	TOTAL SERVICE CREDIT

EXAMPLE 2:

20 YEARS 3 MONTHS	PARTICIPATING SERVICE
1 YEAR 0 MONTHS	BONUS YEARS
+ 2 MONTHS	UNUSED SICK LEAVE
<u>21 YEARS 5 MONTHS</u>	TOTAL SERVICE
21 YEARS	TOTAL SERVICE CREDIT

Notice that unused sick leave is added in with all other service to determine the total of service credit. Service is not rounded up or down until all service has been added together. Only the total of all service credit is rounded up or down.

Step 2: Calculation of Final Average Compensation

The compensation during the highest three years out of the last 10 years of participating service prior to retirement or termination, including the highest three longevity payments are used to calculate a member's final average compensation.† Please note that only compensation on which retirement contributions have been paid is used. The highest three years of compensation plus longevity are added together and divided by three to determine the final average compensation.

For members who did not elect to pay on contributions above \$25,000 prior to 1994, annual compensation for years from 1988 to 1994 is capped at \$25,000, if used to calculate their final average compensation.

Minimum Final Average Compensation

The minimum final average compensation for persons **who became members of OPERS on or after July 1, 1995**, is determined by the number of

20 or more years	=	\$13,800
15 – 19 years	=	\$ 6,900
Less than 15 years	=	No Minimum

years of credited service they have at the time of their retirement. The minimum final average compensation for persons **who became members of OPERS prior to July 1, 1995**, is \$13,800 regardless of the number of years of service accumulated.

Permanent Part-Time Employment

If a member is a part-time employee and does not have at least three years of full-time employment out of the last 10 years prior to retirement, OPERS is authorized to annualize such a member's salary in the determination of that member's final average compensation. For more information on the annualization of final average compensation, consult OAC 590:10-7-14 or contact OPERS.

† Remember that in the past, certain salary caps applied. Therefore, if any of the highest three years of annual compensation out of a member's last 10 years of compensation prior to retirement was earned before July 1, 1999, the compensation for that year is subject to a cap.

Step 3: Calculation of Monthly Retirement Benefit

Once a member's final average compensation is determined or estimated, it is then possible to calculate or estimate a member's monthly retirement benefit. To calculate the benefit, multiply the member's final average compensation by the number of years of service. The result should then be multiplied by .02 (2%*) and divided by 12 months.

$$\text{Final Average Compensation} \times \text{Credited Service} \times 2\% \div 12$$

For an example of a benefit calculation, see page 49.

Early (Reduced) Retirement Benefits

To determine a member's early retirement benefits, calculate the benefit according to the formula given above for normal retirement. The benefit must then be reduced according to the member's age in years and months. To reduce the benefit, multiply the monthly benefit for normal retirement by the percentage factor for the member's age as given in the table titled *EARLY RETIREMENT REDUCTION FACTORS* on page 48.

Limitations on Retirement Benefits

Federal tax law places limits on the amount of retirement benefits OPERS can pay to its retirees. The limit a retiree may be subject to depends upon a variety of factors, including age at retirement and the nature of employment. Typically, these limits tend **not** to affect most OPERS retirees. Those most likely to be affected by the limits are the youngest group of retirees who are also among the highest in terms of final average salary. Each member who receives a retirement benefit estimate or applies for retirement may be notified of these limitations and whether they will reduce the member's retirement benefits.

* Members who have elected the 2.5% Step-Up will have their full years of service after the election calculated at 2.5% instead of 2%. See page 51 for more information about the Step-Up.

Retirement Benefit Worksheet

SERVICE CREDIT

	YEARS	MONTHS	
MILITARY	_____	_____	1
PRIOR	_____	_____	2
PURCHASED	_____	_____	3
ELECTED	_____	_____	4
PARTICIPATING	_____	_____	5
BONUS	_____	_____	6
INCENTIVE CREDIT	_____	_____	7
UNUSED SICK LEAVE	+	_____	8
SUBTOTAL	_____	_____	9
TOTAL SERVICE CREDIT	_____	0	10

IF 6 MONTHS OR MORE, ROUND UP TO NEXT WHOLE YEAR. IF NOT, THEN ROUND DOWN.

FINAL AVERAGE COMPENSATION

ADD THE 3 HIGHEST YEARS OF COMPENSATION		_____	11
OUT OF THE LAST 10 YEARS OF EMPLOYMENT		_____	12
PRIOR TO RETIREMENT, INCLUDING LONGEVITY PAY. REMEMBER TO APPLY CAPS IF APPLICABLE.	+	_____	13
SUBTOTAL		_____	14
	÷	3	15
FINAL AVERAGE COMPENSATION		_____	16

RETIREMENT BENEFIT CALCULATION

FINAL AVERAGE COMPENSATION	_____	Line 16
SERVICE CREDIT X	_____	Line 10
	X _____	
ANNUAL RETIREMENT BENEFIT*	_____	.02
	÷ _____	12
MONTHLY RETIREMENT BENEFIT	_____	

* The formula produces retirement benefits under the Maximum Retirement Option. Members choosing Option A, B, or C will experience a reduction.

Early Retirement Reduction Factors

AGE	%	AGE	%	AGE	%
62 - 0 mo.	100				
61 - 11 mo.	.99444	60 - 11 mo.	.92777	59 - 11 mo.	.86111
61 - 10 mo.	.98888	60 - 10 mo.	.92222	59 - 10 mo.	.85555
61 - 9 mo.	.98333	60 - 9 mo.	.91666	59 - 9 mo.	.85000
61 - 8 mo.	.97777	60 - 8 mo.	.91111	59 - 8 mo.	.84444
61 - 7 mo.	.97222	60 - 7 mo.	.90555	59 - 7 mo.	.83889
61 - 6 mo.	.96666	60 - 6 mo.	.90000	59 - 6 mo.	.83333
61 - 5 mo.	.96111	60 - 5 mo.	.89444	59 - 5 mo.	.82778
61 - 4 mo.	.95555	60 - 4 mo.	.88889	59 - 4 mo.	.82222
61 - 3 mo.	.95000	60 - 3 mo.	.88333	59 - 3 mo.	.81667
61 - 2 mo.	.94444	60 - 2 mo.	.87779	59 - 2 mo.	.81111
61 - 1 mo.	.93888	60 - 1 mo.	.87223	59 - 1 mo.	.80555
61 - 0 mo.	.93333	60 - 0 mo.	.86667	59 - 0 mo.	.80000

AGE	%	AGE	%	AGE	%
58 - 11 mo.	.79444	57 - 11 mo.	.72778	56 - 11 mo.	.66389
58 - 10 mo.	.78889	57 - 10 mo.	.72222	56 - 10 mo.	.66111
58 - 9 mo.	.78333	57 - 9 mo.	.71667	56 - 9 mo.	.65834
58 - 8 mo.	.77778	57 - 8 mo.	.71111	56 - 8 mo.	.65556
58 - 7 mo.	.77222	57 - 7 mo.	.70555	56 - 7 mo.	.65278
58 - 6 mo.	.76666	57 - 6 mo.	.70000	56 - 6 mo.	.65000
58 - 5 mo.	.76111	57 - 5 mo.	.69444	56 - 5 mo.	.64723
58 - 4 mo.	.75555	57 - 4 mo.	.68889	56 - 4 mo.	.64445
58 - 3 mo.	.75000	57 - 3 mo.	.68333	56 - 3 mo.	.64167
58 - 2 mo.	.74444	57 - 2 mo.	.67778	56 - 2 mo.	.63889
58 - 1 mo.	.73889	57 - 1 mo.	.67222	56 - 1 mo.	.63611
58 - 0 mo.	.73333	57 - 0 mo.	.66667	56 - 0 mo.	.63333

AGE	%
55 - 11 mo.	.63055
55 - 10 mo.	.62777
55 - 9 mo.	.62500
55 - 8 mo.	.62222
55 - 7 mo.	.61944
55 - 6 mo.	.61666
55 - 5 mo.	.61389
55 - 4 mo.	.61111
55 - 3 mo.	.60833
55 - 2 mo.	.60555
55 - 1 mo.	.60277
55 - 0 mo.	.60000

Retirement Benefit Calculation Example

The determination of a member's benefit is based upon (1) a member's final average compensation and (2) a member's service credit. Here is an example of how retirement benefits are calculated. (For calculations for members in the 2.5% Step-Up program, contact OPERS, or see the Step-Up brochure).

Example: Percy Pensioner began his employment with a participating OPERS employer July 1, at age 52. He began participating in OPERS on August 1, the first full month following his original hire date. Percy plans to retire August 1, when he has reached age 62.

Step 1: Determination of Service Credit

Percy has 10 years of participating service and an additional six months of unused sick leave. Therefore, Percy's total service of 10 years and 6 months can be rounded to 11 years of total service credit.

Step 2: Calculation of Final Average Compensation

Percy's three highest salaries out of the last ten years prior to retirement are: \$42,065; \$43,032; and \$44,047. The average of these salaries is \$43,048. Therefore, Percy's final average compensation is \$43,048.

Step 3: Calculation of Monthly Benefit

Percy's final average compensation (\$43,048) multiplied by 11 (total years of service credit) equals \$473,528. This result is then multiplied by 2% (.02) and divided by 12 to determine Percy's monthly benefit. Percy's monthly retirement benefit is \$789.21.

Will OPERS Benefits Meet Your Needs?

Members can determine how their OPERS benefit will help meet their financial needs in retirement by using a simple formula: Service Credit x 2%. By using this formula, members can determine how their OPERS benefit compares to their average compensation. They can then calculate how much money they will need to accumulate through personal savings and Social Security to make up the difference between their OPERS benefit and their financial needs in retirement.

Let's use Percy Pensioner as an example. Percy plans to retire when he has 25 years of service credit. Twenty-five times 2% equals 50%. This means that Percy's benefit will be 50% of his final average compensation. Therefore, if Percy's final average compensation is \$25,000, then his annual OPERS retirement benefit will be \$12,500 or 50% of his final average compensation. If Percy decides he needs 90% of his final average compensation (\$22,500) to support his annual financial needs in retirement, then he will need to be sure that Social Security and his personal savings will provide the additional 40% or \$10,000 per year during his retirement.

<u>Total Service</u>	<u>Benefit as Percentage Of Avg. Compensation</u>
10 years	20%
15 years	30%
20 years	40%
25 years	50%
30 years	60%
35 years	70%
40 years	80%
45 years	90%
50 years	100%

2.5% STEP-UP

A choice of retirement benefit computation factors was enacted in 2003 and became effective in 2004 for most active members.

The Step-Up allows most OPERS members to make an irrevocable election to increase or “step-up” their benefit computation factor from 2.0% to 2.5%. All state, county and local government employees who are active participants, except elected officials and hazardous duty employees (such as correctional officers, probation and parole officers, fugitive apprehension agents and Military Department firefighters), may make this election.

An active participating member may make the election at enrollment or any time afterwards. The election will be effective the first payroll period following the election and acceptance by the employer.

The Step-Up will only increase a member’s computation factor to 2.5% on participating service accrued after the election and only for full years (12 months) of participating service. (NOTE: 2,076 hours equals a full year of participating service).

This is an irrevocable election and is binding on all future participation in OPERS, even if a member changes jobs or has a break in service. This includes any return to employment after withdrawal of retirement contributions or retirement.

Members electing the Step-Up are required to make an additional retirement contribution. Currently, this actuarially determined amount is an additional 2.91% of compensation for retirement purposes. To determine the Step-Up contribution rate, a member should add an additional 2.91% to his or her current retirement contribution rate. (See pages 12-13 for contribution rates or ask your Retirement Coordinator). Contribution rates could change in the future.

More information about the Step-Up can be obtained by requesting a copy of the Step-Up brochure from a Retirement Coordinator or from OPERS.

POST-RETIREMENT EMPLOYMENT

Some OPERS retirees choose to return to work after they retire. Returning to work with an employer that does not participate in OPERS will not affect an OPERS retiree's benefits. However, returning to work for an employer who participates in OPERS may affect a retiree's benefits in the following ways:

1. If a retiree returns to work during the first month of retirement, the retirement will be canceled. A retiree can return to work at any time after the first month of retirement without canceling retirement.
2. The retiree must participate in OPERS by paying retirement contributions no matter how many hours the retiree works or the nature of the work (temporary, seasonal, permanent, etc.).* Participation must begin with the first day of return to employment. The retiree is required to complete a *Post-Retirement Employment* form upon returning to work.
3. A retiree continues to accrue service credit while he or she works for a participating employer. The additional credit may increase his or her retirement benefits.

Upon returning to work with a participating employer, the retiree must choose to either (1) continue receiving benefits, or (2) waive the receipt of monthly benefits. This choice will be made when completing the Post-Retirement Employment form.

Continuation of Retirement Benefits While Working

A retiree may continue to receive benefits while working. However, if the retiree is younger than the normal Social Security retirement age, benefits will cease if his or her salary exceeds Social Security's allowed earnings limit during the calendar year. The allowed earnings limit is determined by the retiree's age. Once a retiree's salary exceeds the allowed earnings, his or her benefits will not be paid for the rest of the calendar year or until his or her employment terminates. OPERS will monitor earnings and may place a retiree's benefits on "hold" when it

* A member does not have to participate in OPERS if he or she is an independent contractor employed by a participating OPERS employer. The determination of whether or not a member is an independent contractor for the purpose of participation in OPERS will be made solely by OPERS. Costs associated with errors in participation must be paid by the employer.

appears the next payment will result in an overpayment. A retiree's benefit will resume at the beginning of the next calendar year and continue until his or her salary reaches the allowed earnings limit for that calendar year or until his or her employment terminates.

The current calendar year's earnings limits are posted on the OPERS website at www.opers.state.ok.us. The limits can also be obtained from your retirement coordinator or OPERS.

Each month a retiree works for a participating OPERS employer and contributes to OPERS, he or she earns service credit. Every additional 12 months of full-time-equivalent service (2,076 hours) earned will increase a retiree's benefits. The retiree's benefit will be increased effective January 1 of each year, if he or she has earned 12 months of full-time-equivalent service as of the end of the previous fiscal year (June 30). Increased benefits are based upon the compensation and hours earned with the participating OPERS employer during the time the additional service credit was earned. This increase is automatic. The retiree is not required to cease employment or make application to receive the increased benefit.

Waiver of Retirement Benefits While Working

A retiree may waive the receipt of retirement benefits while he or she is working. In such a case, no earnings limit applies and the member may retire for a second time, but only after earning the equivalent of 36 continuous months of full-time service credit (6,228 hours). All of the member's service credit (before and after retirement) will be recomputed based upon the law governing OPERS at the time of the member's **second** retirement.

If a retiree waives his or her retirement benefit, but terminates employment without earning the 36 months of service credit, he or she will not receive the benefits voluntarily waived. However, he or she may resume receiving the original benefit – and can receive an additional year of service for each 2,076 hours of service accumulated (as with those who do not waive their benefits).

DEATH BENEFITS

Beneficiary Designation and Benefit Distribution for Active Members

When a new employee is enrolled in OPERS, he or she is required to designate a primary and a contingent beneficiary. The designation of a beneficiary is extremely important, since it allows OPERS to pay death benefits upon the member's death.

A member must name at least one person as a primary beneficiary and another as a contingent beneficiary. OPERS encourages all members to name adults as beneficiaries. The Uniform Transfers to Minors Act, however, permits payments to adult custodians or to banks and trust companies on behalf of minors who are named beneficiaries of a deceased member of OPERS.

A member must provide complete legal names, Social Security numbers, and addresses of the beneficiaries he or she names and identify the relationship to the beneficiary. A member may change his or her beneficiary at any time. This is important to remember if the member's beneficiary dies or if his or her marital status changes. Use the *Active Member Designation of Beneficiary* form to update beneficiaries.

KEEP YOUR BENEFICIARIES CURRENT.

Death of Active and Vested Members

The System provides for two types of death benefits upon the death of an active or vested (non-retired) member:

1. The first type of benefit is a survivor benefit. A survivor benefit is available only to the legal surviving spouse of a deceased member who was vested or eligible to vest or who was eligible to retire at the time of death. At the member's death, the surviving spouse will be offered Option B survivor benefits. If the spouse elects to receive the survivor benefit, there will be no benefit payments to the other beneficiaries.
2. The second type of benefit is a one-time lump-sum payment equal to the member's accumulated contributions. If no surviving spouse benefit is to be paid at the member's death, accumulated contributions will be distributed among the primary beneficiaries. If one or more of the primary beneficiaries are deceased, accumulated contributions will be distributed among the remaining

living primary beneficiaries. Contingent beneficiaries will receive accumulated contributions only if there are no living primary beneficiaries.

NOTE: If a member is making a purchase through the installment payment plan (see page 23 for more information) at the time of death, the member's survivor has the option to pay the remaining balance within 6 months.

Applying for Active Member Death Benefits

Upon the death of an active member, the surviving spouse, beneficiary or member's next of kin must contact OPERS as soon as possible after the member's death.

Death of Retired Members

When a retired member dies, his or her monthly retirement benefit may cease, change or continue depending on the type of benefit chosen at retirement. (For more information about the benefit options, see page 34.) In addition, a death benefit will be distributed among the primary beneficiaries. The member can designate the percentage which goes to each beneficiary. Each member will be provided with a form to designate a beneficiary upon retirement. This beneficiary designation may be changed after the member's retirement date by completing a new form. The death benefit is not insurance and is taxable income to the beneficiary. However, a spouse beneficiary is eligible to roll over the death benefit to an IRA or other qualified plan.

Excess Member Contributions

Occasionally, at the death of a retired member, the amount of member contributions paid into OPERS by the retiree is more than the total received in monthly retirement benefits by the retired member. In that event, if no joint annuitant benefits are to be paid, OPERS will pay to the retiree's designated beneficiary, or if none, to the retiree's estate, the amount of excess member contributions. An *Application for Payment of Accumulated Contributions in Excess of Retirement Benefits Paid* form will be sent to the retiree's beneficiary. This application will show the balance remaining between the total amount of contributions paid to OPERS by the retiree, and the total amount of retirement benefits paid to the retiree during his or her lifetime.

Applying for Retired Member Death Benefits

Upon the death of a retired member, the surviving spouse, beneficiary or member's next of kin must immediately contact OPERS.

LEGISLATIVE SESSION EMPLOYEES

Employees of the Oklahoma House of Representatives, the Oklahoma State Senate, and the Legislative Services Bureau who work only during legislative sessions (legislative session employees) can participate in OPERS. The decision to participate in OPERS is irrevocable, meaning that a legislative session employee who chooses to participate in OPERS must participate during all subsequent regular legislative sessions. An employee who chooses not to participate in OPERS in his or her 1st session is prevented from participating as a session employee during all subsequent sessions.

Each legislative session employee that chooses to participate in OPERS does so only during regular legislative sessions (February through May). Legislative session employees cannot participate during extraordinary legislative sessions or interim periods (unless they are OPERS retirees who have returned to work).

Legislative session employees are generally treated like regular state and local government employees. A few of the exceptions are listed below.

- Service Credit - Participation for a full regular legislative session counts as six months of full-time participating service.
- Retirement Eligibility - To be eligible for normal retirement, a session employee must attain the age of 62 or 80/90 "points" and have participated in OPERS for at least six full regular legislative sessions.
- Vesting - The minimum amount of service that a legislative session employee must have to be eligible to vest his or her retirement benefits upon termination of employment is eight full regular legislative sessions. Such an employee can only receive normal retirement benefits at age 62 or when age and years of service credit total 80 or 90.
- Unused Sick Leave - Legislative Session Employees do not qualify for unused sick leave service credit.

GLOSSARY

Accumulated Contributions - The sum of all employee contributions by a member to the System, which shall be credited to the member's account.

Beneficiary - Any person or entity, other than a joint annuitant under Option A or Option B, named by a member to receive any benefits as provided by the laws governing the System. If there is no beneficiary living at the time of the member's death, the member's estate shall be the beneficiary. An eligible OPERS beneficiary does not have to be a specific or natural person. For example, a member can name a trust or an organization as a beneficiary. Contact OPERS for instruction on how to properly designate a trust as beneficiary.

Compensation - Salary and wages for full-time or part-time services rendered by the employee. Compensation includes: longevity pay; pay differentials; performance-based or skill-based pay; amounts deducted from the employee's pay for retirement and deferred compensation contributions and for pre-tax employee benefit purchases. Compensation does not include: overtime pay; expense reimbursements; maintenance and allowance payments; insurance benefits or benefit allowances; illegal or erroneous payments; tips or commissions; workers compensation benefits; bonuses; any other payments excluded by law. For details, see OAC 590:10-5-8.

Credited Service - The sum of participating service and prior service.

Elected Official - A person elected to a state office in the legislative or executive branch of state government or a person elected to a county office (on or after July 1, 1988) for a definite number of years and an individual who is appointed to fill the unexpired term of an elected state official.

Eligible Employer - The state and all counties (except Oklahoma and Tulsa counties), conservation districts, emergency medical districts, any county hospital, city or town, and any public or private trust in which a county, city or town participates and is the primary beneficiary, whose employees are covered by Social Security and are not covered by or eligible for another retirement plan authorized under the laws of the State of Oklahoma which is in operation on the initial entry date.

Entry Date - The date on which an eligible employer joins the System. The first entry date pursuant to the statutes that govern this System is January 1, 1964. All subsequent entry dates shall be the first day of January of a given year.

Full-time-equivalent employment - a term which refers to a member's (1) *actual employment* (2) *with a participating employer of the Oklahoma Public Employees Retirement System*. A member obtains full-time-equivalent employment in two ways. The first is by participating and paying contributions to OPERS while working for a participating employer. Each hour for which retirement contributions are paid credits the member with 1 hour of full-time-equivalent employment. Therefore, if retirement contributions are paid for 173 hours, the member would accrue one month of full-time-equivalent employment. The second way a member can receive full-time-equivalent employment is by making certain types of purchases of OPERS service credit. However, the only types of purchases which constitute full-time-equivalent employment are those which represent (1) *actual employment* (2) *with a participating employer of the Oklahoma Public Employees Retirement System*.

Joint Annuitant - a *specific person* who is designated by an OPERS retiree to receive a lifetime retirement benefit under Option A or Option B after the death of the retiree.

Member - An eligible employee or elected official who is in the System and is making the required employee or elected official contributions, or any former employee or elected official who shall have made the required contributions to the System and has not received a refund or withdrawal.

OPERS - The Oklahoma Public Employees Retirement System as established by an act of the Oklahoma State Legislature in 1964. (Statutory Reference: 74 O.S.1991, § 901 et seq., as may be amended.)

Participating Employer - An eligible employer who has agreed to make contributions to the System on behalf of its employees.

Participating Service - The period of employment after the entry date for which credit is granted a member. Part-time employment or any leave without pay will be prorated in relation to full time employment (173 hours per month).

Prior Service - The period of employment of a member by an eligible employer prior to the member's entry date for which credit is granted a member.

Retiree/Retirant - A member who has retired under the laws and administrative rules of the Oklahoma Public Employees Retirement System.

System - The Oklahoma Public Employees Retirement System as established by an act of the Oklahoma State Legislature in 1964. (Statutory Reference: 74 O.S.1991, § 901 et seq., as may be amended.)

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