MEMBER handbook

Oklahoma Public Employees Retirement System

State & Local Government
EMPLOYEES

Describing plan provisions as of July 1, 2009

OKLAHOMA

Public Employees Retirement System

MEMBER HANDBOOK

State & Local Government Employees

Describing Plan Provisions
as of July 1, 2009

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 17,000 copies that were prepared and distributed at a cost of $8,840.00. 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 (OPERS) 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 handbook that refers to federal or state tax regulations is not intended to be tax advice. You 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 handbook 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 handbook is based on the laws and rules in existence as of July 1, 2009, 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.

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To Our Members...

We 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.

Tom Spencer	Executive Director
Joseph A. Fox	General Counsel
Virginia Lawrenz	Director of Finance, CFO
Garry McCoy	Director of Information Technology
Brad Tillberg	Chief Investment Officer
Linda Webb	Director of Member Services
Rebecca Catlett	Defined Benefits Administrator
Patrick W. Lane	Communications & Customer Contact Director
Kathy McCraw	Assistant Chief Financial Officer
Ray Pool	Defined Contribution Administrator

Outside the OKC Metropolitan Area
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(405) 858-6737

Mailing Address
P.O. Box 53007
Oklahoma City, OK 73152-3007

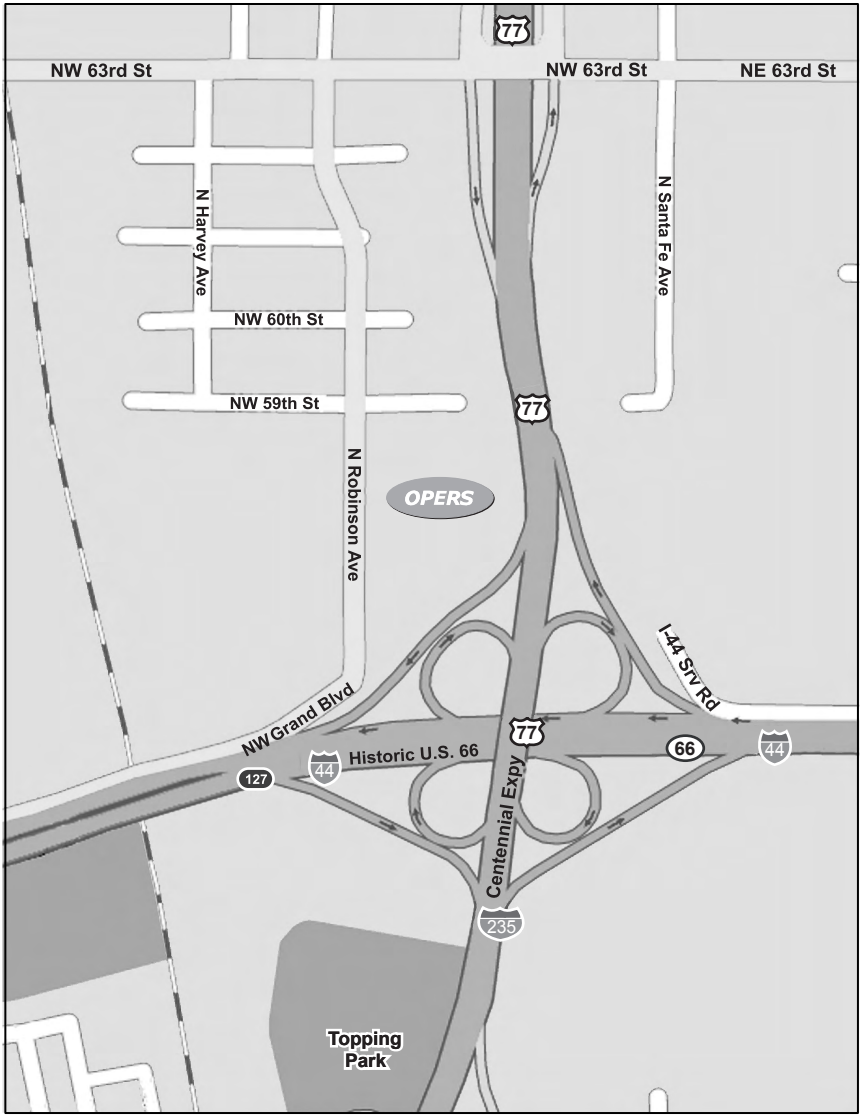
Physical Address
5801 N. Broadway Extension, Suite 400
Oklahoma City, OK 73118-7484

Website
www.opers.ok.gov

Email
info@opers.ok.gov

Driving Directions to OPERS:

The OPERS office is not actually located on the Broadway Extension. Our office is only accessible via Robinson Avenue, which is one block west of the Broadway Extension (US-77/I-235). Please see the map below. Visitors are advised to use one of the driving routes explained on the adjoining page rather than trying to obtain driving directions using online mapping services.



From the North: Travel South on I-35 to the I-44 West exit (#133) to Lawton/Amarillo. Merge onto I-44 W. Take the I-235/US-77 North exit (#127), towards Edmond. Keep right at the fork in the ramp then immediately take the 63rd street exit. Use caution. At the light, turn left. Take the inside lane on 63rd street one block west to the light at Robinson. Make a left and continue to the Paragon Building.

From the South: Travel north on I-35 to I-235 North (the State Capitol/Edmond exit) which becomes Broadway Extension. Merge into the right lane prior to the 63rd Street exit but use caution. Look for merging traffic. Exit to 63rd Street. Turn left at the light on 63rd Street. Take the inside lane on 63rd street one block west to the light at Robinson. Make a left and continue to the Paragon Building.

From the East or West: Travel on I-40 to I-235 North (the State Capitol/ Edmond exit) which becomes Broadway Extension. Merge into the right lane prior to the 63rd Street exit but use caution. Look for merging traffic. Exit to 63rd Street. Turn left at the light on 63rd Street. Take the inside lane on 63rd street one block west to the light at Robinson. Make a left and continue to the Paragon Building.

About OPERS...

The Oklahoma Public Employees Retirement System 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 they meet certain eligibility requirements. You participate in OPERS by contributing a certain portion of your salary each month. Your employer also contributes on your behalf. The amount of contributions does not determine the amount of the benefit that OPERS promises you. Your benefits are determined by a formula which includes your salary and your years of credited service. The 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 an Internal Revenue Code Section 457(b) plan 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 federal and state taxes will remain deferred until contributions are withdrawn.

The SIP is based on Internal Revenue Code Section 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 available investment options.

SoonerSave is an excellent way to defer federal and state taxes on your income 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 your retirement, state employees are encouraged to consider participating in these plans as a way to supplement income from the OPERS defined benefit plan and from Social Security.

For more information about SoonerSave, call 1-800-733-9008 or (405) 858-6737. Additional information, including enrollment forms, is available through the SoonerSave website at www.soonersave.com.

Financial Information

A Comprehensive Annual Financial Report (CAFR) is published for each fiscal year and is available to those who wish to know more detailed financial information about the OPERS defined benefit plan.

OPERS also publishes a Popular Annual Financial Report (PAFR) each year that summarizes the CAFR and is mailed to all members at the beginning of the year in the *Retiring Right* Newsletter. To obtain a copy of the CAFR or PAFR, contact OPERS, or you can view them online at www.opers.ok.gov/publications.

General Information

Discussed below are a few topics that are particularly important and answer some commonly-asked questions.

Address Changes

Members who change their mailing address must complete, sign, and submit a *Change of Address* form to OPERS by mail or fax. The form can be obtained from your Retirement Coordinator, by calling OPERS or via the OPERS website at www.opers.ok.gov.

Beneficiary Designations

Naming Beneficiaries

When you enroll in OPERS, you are asked to name a primary and contingent beneficiary. Beneficiaries may receive your accumulated retirement contributions if you die before retirement.

Multiple beneficiaries may be named. If one or more of the primary beneficiaries is deceased, your 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 you were eligible to vest or retire, OPERS will offer your surviving spouse a survivor benefit in lieu of or in addition to other beneficiary payments. (See *Death Benefits* section on page 56 for more information.)

Minors as Beneficiaries

You are encouraged to avoid designating minors 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

If you name a revocable trust as beneficiary, you must provide the actual name of the trust and the date of the trust.

Beneficiary Changes

Please keep your beneficiary designation current. Changing life 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 new beneficiary designation form. Your Retirement Coordinator can provide you with the correct form, or you can obtain one from OPERS. Separate designations are required for the SoonerSave plans.

Divorce and Beneficiary Designation

Divorce voids the designation of your spouse as your beneficiary. Once your divorce is final, you must complete a new *Designation of Beneficiary* form, designating a new beneficiary. You may designate a divorced spouse as your beneficiary, but you are still required to complete a new form, dated *after* the date of the divorce decree, re-naming your former spouse as a beneficiary.

Confidentiality

OPERS protects the confidentiality of information contained in your file. Generally, you must give written consent to its release. However, by law certain information will be disclosed without your consent if requested in writing for a specific purpose. The disclosed information may include:

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

Any information in your retirement file is subject to subpoena or court order.

Correspondence

In all correspondence with OPERS, we ask that you provide:

- ✓ Your full name
- ✓ Your Social Security number
- ✓ Name of your participating employer
- ✓ Your current mailing address

- ✓ Your original signature.

All documents, forms, inquiries and requests must be signed by you. No person may act on your behalf, including your 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 be filed with and approved by OPERS. The power of attorney terminates upon your death. If a guardian has been appointed for you, only the named guardian can act on your behalf. 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 you do not have enough service credit to be eligible to elect a vested benefit, OPERS can only provide the amount of your accumulated contributions. If you have enough service credit to be eligible to elect a vested benefit, OPERS cannot determine the present value of your retirement benefit. However, OPERS will, upon request, provide the amount of monthly benefits you would receive based on your service to date and the date you would be eligible to receive the benefit.

This information can be obtained from OPERS approximately 14 days after such a request. OPERS will not release this information to your attorney without your consent.

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. You are encouraged to have your attorney submit a draft of the QDRO to OPERS for approval **prior to** obtaining the final order.

Once again, divorce voids the designation of a spouse as your beneficiary.

Forfeiture of Benefits

Honorable service is a condition of both public employment and the receipt of public employee retirement benefits. Title 51, Section 24.1, of the Oklahoma Statutes provides for forfeiture of your retirement benefits if you are convicted of a felony or other crime which violates your oath of office. Forfeiture can also occur if you plead guilty or *nolo contendere*. Forfeiture does not occur for those successfully completing a deferred sentence; however, benefit payments are not payable until you complete the deferred sentence.

Forfeiture applies to all benefits accrued after September 1981 but does not include your contributions to OPERS. The statute prevents vesting of the right to receive retirement benefits if you commit certain offenses prior to retirement. However, benefit forfeiture can also occur after you retire if the offense occurred while you were a public official or employee, even if you are not convicted until after you retire.

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. §250 et seq.

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 planning to retire or terminating employment and electing a vested benefit must make elections regarding their group insurance coverage. For members covered under the Oklahoma State and Education Employees

Group Insurance Board (OSEEGIB), 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
www.healthchoiceok.com

If you are not covered through OSEEGIB, you should contact your insurance provider for instructions.

Retirement Coordinators

All members are served by a Retirement Coordinator at their place of work who is responsible for enrollment, assistance with forms, and instructions to members and employers on behalf of OPERS. Retirement Coordinators are the liaison between you, your employer and OPERS. Your Coordinator should also provide you with a copy of the most current Member Handbook and all other official notices from OPERS. Your Coordinator is not an employee of OPERS, and neither OPERS nor the Board will be liable for or bound by any mistakes, errors or misrepresentations of your Coordinator.

MEMBERSHIP AND PARTICIPATION

Membership and Enrollment Requirements

Participation in OPERS begins on the first day of the month immediately following the beginning date of your employment, provided all three of the following requirements are met

1. The position you hold is permanent, not seasonal, temporary or emergency; and
2. The position you hold requires at least 1,000 hours work per year; and
3. Your monthly salary is equal to or greater than the minimum wage.

Employees who meet the three requirements above are eligible for membership. **Membership is a condition of employment and is thus mandatory for all employees who meet the eligibility requirements.** Your age is not a factor in determining your eligibility for membership. Members of OPERS whose hours worked and/or compensation earned falls below eligibility levels after establishing membership must continue to participate in OPERS.

Your Retirement Coordinator must complete an OPERS *Enrollment Application* to properly enroll you in OPERS. A new enrollment form does not have to be completed when you change from one employer to another, but your new employer should notify OPERS of your starting date.

Contribution Rates

Contribution rates for Fiscal Year 2010 are 15.5% for state agency employers and 3.5% for state agency employees. The employer contribution rate will increase by 1% each fiscal year until it reaches 16.5% in fiscal year 2011.

Local Government Contribution Rates

Local government employers choose the rate at which the organization will contribute and the rate at which their 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 electing to participate in the 2.5% Step-Up must pay an additional contribution (currently 2.91%). See page 50 for a more detailed discussion about the Step-Up.

Service Credit

Free Prior Service

Prior service refers to the period of your employment with an eligible employer before that employer began participating in OPERS. Certain military service also qualifies as prior service. (See *Military Service*, page 16.) Prior service is granted free of charge to all eligible members only if your employer joined OPERS before 1975. Proof of such service will have to 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 1974, are not eligible for free prior service credit. However, you can purchase credit for service before 1975 at the actuarial cost, as computed by OPERS. You and the Retirement Coordinator for that employer will need to complete and submit to OPERS an *Application for Purchase of Prior Service*. You will be contacted directly by OPERS about the cost.

Participating Service

Participating service is your period of contributing employment after your 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 your 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.

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* 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.

3. An employee who is not receiving pay and for whom contributions are not being paid is not earning participating service.
4. You do not earn service credit for Worker's Compensation payments but you 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 you paid prior to June 30, 1977, count as bonus years of participating service credit, if the contributions are on deposit with OPERS at the time of your retirement.

You are entitled to no more than five bonus years. If you 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

Unused Sick Leave

If you retire or elect a vested benefit, a maximum of six months of sick leave that remains unused after your termination or retirement can be added to your service credit according to your employer's unused sick leave policy. If the addition causes your total credited service to equal or exceed an exact year by six months or more, your service is rounded up to the next higher year and you gain one year of service credit. A

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

description of how unused sick leave is used to calculate your retirement benefits is provided on page 43.

Military Service

If you are an active member of OPERS who served in the Armed Forces of the United States and received an honorable discharge, you are eligible for up to five years of service credit for specified periods of active military service during which you were a war veteran. The credit is limited to specific periods of active military service listed in paragraph 23 of Section 902 of Title 74 of the Oklahoma Statutes, which includes the following:*

45th Division	September 16, 1940 – December 7, 1941
World War II	December 7, 1941 – December 31, 1946
Korean War	June 27, 1950 – January 31, 1955
Vietnam War	February 28, 1961 – August 4, 1975 (For the period from February 28, 1961 – May 7, 1964, service must be in the Republic of Vietnam)
Gulf War/Persian Gulf War/ Operation Desert Storm	August 1, 1990 – December 31, 1991

Other qualifying periods of military service include wars or military operations which lasted for 90 days or more and are authorized by Congressional authorization or resolution or Presidential Executive Order. Qualifying service is only for the period served in the designated area of responsibility and excludes active duty for training only. Such wars or military operations include, but are not limited to, the following:*

The former Yugoslavia (including Bosnia, Herzegovina, Croatia and Macedonia) *By Public Law 104-117*	Beginning November 21, 1995 Ending date to be determined
The Kosovo Area *By Executive Order 13119 and Public Law 106-21*	Beginning March 24, 1999 Ending date to be determined

* The list is for convenience only. The official periods for which military service is granted is found in Section 902(23) of Title 74 of the Oklahoma Statutes.

Afghanistan/Operation Enduring Freedom *By Executive Order 13239 and Public Law 107-40*	Beginning September 18, 2001 Ending date to be determined
Iraq War/Second Gulf War/Operation Iraqi Freedom *By Public Law 107-243*	Beginning March 10, 2003 Ending date to be determined

To be eligible for credit, you will need to submit an "Application for Military Service" and a Defense Department Form 214 ("DD214") and other military documents showing active duty dates and honorable discharge.

Eligible military service is free for members joining OPERS prior to July 1, 2000. Members joining OPERS after June 30, 2000, may purchase eligible military service at actuarial cost.

Employees joining OPERS after June 30, 2003, will not receive credit for military service in OPERS if the credit was already received for the same period(s) of military service in another Oklahoma state retirement system.

The actual periods for which military service can be granted are governed by Oklahoma State statute and can change from time to time. Consult the statutes and OPERS before relying on the above information.

<u>USERRA (Uniformed Services Employment & Reemployment Rights Act)</u>

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

You may purchase service credit for years of credited service you accumulated while you were a member of the:

- Oklahoma Firefighters Pension and Retirement System
- Oklahoma Police Pension and Retirement System

- Uniform Retirement System for Justices and Judges
- Oklahoma Law Enforcement Retirement System
- Oklahoma Teachers' Retirement System.

However, service from the above systems may only be credited if you are not receiving, or eligible to receive, retirement credit or benefits for that same service in any other public retirement system. The cost to purchase such service shall be the actuarial cost to fund your projected benefits with the additional service credit.

If you wish to purchase this service, you will need to submit written documentation to OPERS from the respective system(s) listed above. The documentation must include dates of membership and service and a statement that you are 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 you.

NOTE: You have an alternative to purchasing service credit for service earned with the Oklahoma Teachers' Retirement System (OTRS) as described 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 you, 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:

<u>Method 1</u>

If you are an active OPERS member on or after July 1, 2000, who has service credit in OTRS, and whose last service with OTRS was with one of the entities listed on the next page, you may transport OTRS service to OPERS without cost to you provided you have not previously withdrawn contributions for said service in OTRS.

When you transport service credit from the OTRS to OPERS, you will receive credit for the transported service immediately upon transfer of the funds required to transport the service.

If you withdrew your contributions from OTRS, you are only eligible to use Method 2.

Method 2

Members not eligible to transport OTRS service under Method 1 may use Method 2. Under Method 2 you 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.

- 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
- Oklahoma Board of Private Vocational Schools
- Board of Regents of the Oklahoma Colleges
- Oklahoma Student Loan Authority
- Oklahoma Teachers' Retirement System

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

Important: If your normal retirement date calculation is based upon the sum of your age and number of years of credited service totaling 80 in OTRS, then you shall retain 80-point eligibility (as explained on page 27) in OPERS under either Method 1 or Method 2 transport. However, you 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.

Transporting service by either method will cancel all of your 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

You can purchase participating service for the time when you received temporary total disability benefits, subject to each of the following requirements:

1. You are a state employee;
2. You were absent from work due to a work-related injury or illness;
3. You were absent on temporary total disability after July 1, 1997;
4. You were employed immediately prior to and during the period of absence;
5. You notify OPERS in writing of your desire to purchase credit for the period of absence **within four months after the earliest of the following events**:
    a. Return to your job duties with your employer; or,
    b. Termination of your employment; or,
    c. Termination of your disability benefits.
6. Your employer certifies to OPERS the dates during which disability benefits payments were paid to you;
7. You and your employer pay contributions plus interest for the period of absence.

Purchase of Incentive Credit

You may purchase up to two years of age and/or participating service incentive credit combined. To qualify, you must be actively participating in OPERS and:

1. Eligible for normal or early retirement; or
2. Within two points of eligibility for normal retirement; or
3. Within two years of eligibility for early retirement; or
4. A non-elected OPERS retiree who has returned to work.

Incentive credit cannot be purchased to become eligible for disability benefits. 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, Bill purchases incentive age credit to become eligible for early retirement as if he were age 55. After Bill makes the purchase, his circumstances change and he decides to continue working until he is actually age 55. Bill's former purchase of incentive age is not helping him become eligible to retire because he has actually worked until age 55. However, Bill's purchase was irrevocable, so OPERS cannot refund the amount Bill paid for incentive age credit.

The amount you will pay to purchase incentive credit is the actuarial cost. For more information, see *Actuarial Cost* on page 22.

Purchase of Elected Service

You may purchase service credit for previous service as an elected official if you are currently a non-elected member and you are not receiving, or eligible to receive, retirement credit for that service with any other public retirement system. The purchase will be at the actuarial cost to fund your projected benefits with the additional service credit. You should contact OPERS in writing and provide documentation of the dates of your county or state elected service.

Purchase of OESC Service

You may purchase service credit for any years of employment you had with the Oklahoma Employment Security Commission (OESC) if you are not receiving, or eligible to receive, service credit for that employment with any other public retirement system. The purchase will be at the actuarial cost to fund your projected benefits with the additional service credit. You must submit written verification of the dates of employment from the Retirement Coordinator of OESC. OPERS will notify you of the cost.

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* your 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

Use caution if your retirement planning involves the purchase of any type of retirement credit. Federal law may limit your ability to complete the purchase of retirement credit during one calendar year. If the cost to purchase retirement credit exceeds the federal limit, you must complete your 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. Contact OPERS to determine how the federal limits apply to your purchase of retirement credit.

Actuarial Cost

Most service credit purchases are at actuarial cost. The actuarial cost represents the present value of the incremental projected or future benefit discounted based upon your 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 you would receive without the purchased credit and the amount of the future benefit after purchase, computed as of the earliest age that you would be eligible to retire with full benefits.

Actuarial cost more closely represents the actual cost to the System resulting from your 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. 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 longer period 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. Service is not credited until the purchase is complete. For the rules governing installment payment plan purchases, contact OPERS or see OAC 590:15-1-10.

Rollovers into OPERS to Purchase Service

You may ask OPERS to accept a transfer or rollover from an eligible retirement plan or Individual Retirement Account (IRA) to repay a withdrawal or purchase 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 service credit. (For information on rollovers out of the OPERS plan, see page 25).

Termination of Employment & Withdrawal

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.

If your employment with a participating employer terminates without retirement, you may withdraw the money you have paid in to OPERS. You will lose all service credit, including prior service credit earned before the date of withdrawal, and you will no longer be a member of OPERS. No accumulated interest or increased value is paid on the money withdrawn. The employer's share of contributions always remains in OPERS. Withdrawal cancels all service purchases and any future repurchase will be at new actuarial cost.

Leaving Contributions with OPERS

Leaving contributions with OPERS allows you to retain membership and any service credit previously earned. Upon re-employment with a participating OPERS employer, this previously earned service will be used in determining your retirement benefits. Those who withdraw 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, you and your Retirement Coordinator will need to complete an *Application for Withdrawal* form and file it with OPERS as soon as possible after termination.

Your Coordinator will complete and sign Part I of the form and you will complete and sign Part II. Your mailing address must be accurate and valid at the time the withdrawal payment is to be issued. If you change your address during the waiting period, you are asked do so in writing, with an original signature. This can be accomplished by letter or by completing a *Change of Address* form.

Upon receiving your *Application for Withdrawal*, OPERS will provide you, if eligible, an estimate of your retirement benefit and other information which constitutes an offer to you of an election of a vested benefit. You must at that time choose to either 1) withdraw contributions, or 2) elect a vested benefit.

Withdrawal Payments

Approximately two months after receipt of your withdrawal application, OPERS will notify you of the amount and taxable status of funds available for withdrawal and the scheduled payment date.

If you choose to withdraw and you are *not* eligible to vest, you can expect to receive payment during the fifth month following the date of termination. Earlier payment is possible only in the event you are terminally ill and a physician certifies that you are not expected to live beyond four months. If you are eligible to vest, you cannot expect to receive payment until: 1) OPERS has informed you of retirement benefits you would receive; and, 2) you have declined the vested benefit in writing.

Taxation of Withdrawn Contributions

Member contributions that were paid 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.

If you withdraw taxable contributions, you will have the mandatory taxes (currently 20% federal and 5% state tax) withheld from your payment,

unless the contributions are rolled over. The withdrawn contributions must be reported as income on your income tax return. You will receive a 1099-R 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 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 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, you may restore service credit lost due to withdrawal. You must repay to OPERS the sum of the contributions withdrawn, plus interest at ten percent (10%) per year.[*] Upon written request, OPERS will calculate the total cost to repay and the payment options. Withdrawn service may only be reinstated once. Subsequent withdrawals of the same service may not be repaid.

Termination of Employment & Election of a Vested Benefit

If you have completed at least eight years of credited service, you are eligible to receive a retirement benefit when you meet the age requirement for retirement. You may use up to six months of unused sick leave to earn the required eight years of credited service. However, of the eight years needed, at least six full years must be full-time-equivalent employment with a participating employer. If you choose the right to a retirement benefit in lieu of withdrawing your accumulated contributions upon termination of employment, you have elected a vested benefit.

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[*] Purchased service, lost as a result of a withdrawal, may be reinstated and repurchased at the actuarial cost calculated as of the repurchase date.

When you elect a vested benefit, you do not immediately begin receiving a retirement benefit. You do, however, reserve your right to a retirement benefit in the future when you become eligible to retire under OPERS. The benefit at that time will be based upon the final average compensation and service credit you 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 that is generally greater than the amount of your accumulated contributions. Also, electing a vested benefit ensures that you will receive an income from OPERS during your retirement years or provide a survivor benefit to your spouse or other joint annuitant in the event of your death.

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

Eligibility for Retirement at Termination

You may be eligible for either normal, early, or disability retirement when your employment terminates. State law requires you to give notice of your intention to retire at least 60 days prior to your retirement date.[*] If you are unable to meet this notice requirement before termination, you may do one of two things:

1. Elect a vested benefit at the time employment terminates. You should also give notice to OPERS of your intended retirement date. This may also allow you to retain insurance coverage.

2. Request a waiver of the 60-day notice requirement.

[*] The 60-day notice requirement does not apply to disability retirement. The retirement date for disability is determined by the disability entitlement date established by the Social Security Administration and the member's last date of payroll received from the participating employer.

Retirement

Eligibility for Retirement

OPERS provides three types of retirement benefits: normal, early and disability. In addition to the eligibility requirements listed below, you must provide the proper notice and terminate employment. Additionally, those who became members 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, early or disability retirement.

Normal Retirement

Age 62

You can begin receiving a monthly retirement benefit on the first day of the month coinciding with or following your 62nd birthday.

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80 points

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

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90 points

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

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* 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

You can begin receiving a reduced monthly retirement benefit as of the first day of the month coinciding with or following your 55th birthday or any subsequent month up to age 62, provided you have at least 10 years of participating service or nine years and six months rounding up to 10 years.

At least six of the 10 years must be full-time-equivalent employment. The remaining four or more years may be other types of service, such as bonus years, participating (purchased) military service, 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 46). The reduction required is based on your age in years and months on the actual date retirement benefits are to begin.

Disability Retirement

If you must terminate participation in OPERS due to significant health problems resulting in permanent disability, you may be entitled to monthly disability retirement benefits if you meet the following two conditions:

1. You qualify 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 your last date physically on the job; and,
    b. You must have been an active employee with a participating employer at the time of disability onset.
2. You have at least eight years of credited service (seven years and six months rounded up to eight). Prior and participating service may be combined, but you must have at least six full years of full-time participating employment with a participating employer.

The amount of your disability retirement benefit is calculated by the same formula as for Normal Retirement (see page 45). There is no minimum age requirement for receipt of disability retirement benefits. You may only elect Option A (see page 33) 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 you are 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 your Social Security disability. However, you will not receive disability benefits for any month you received pay from the employer on the regular payroll (excluding longevity payments). This means that you cannot receive any disability payments until your employment has terminated.

You must continue to receive disability benefits from Social Security or Railroad Retirement to be eligible for continued disability retirement from OPERS. If you recover from the disability, your retirement benefits must end until you become eligible for early or normal retirement.

Application for Disability Retirement

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

1. The last date you were physically on the job;
2. The last date you received compensation for which retirement contributions were paid (excluding longevity pay);
3. Your 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

If you retire under early retirement provisions, and become qualified for a disability retirement on or after July 1, 1999, you 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 day of a given month.

Retirement Notice and Application

To begin the retirement process, you will need to complete and submit a *Retirement Notice and Application*. This form is obtained from your 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 your planned retirement date, contact your Retirement Coordinator and ask for the application form. Both you and your Retirement Coordinator will complete a portion of the *Retirement Notice and Application*. For additional help, please contact OPERS.

Submission of the Retirement Notice and Application

Your properly completed *Retirement Notice and Application* must be received in the OPERS office in Oklahoma City **at least 60 calendar days before** your retirement date.* This requirement may only be waived by the OPERS Executive Director.

You are presumed to be familiar with the plan provisions and aware of the notice requirement. Any member seeking a 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.

Response from OPERS

After receiving the *Retirement Notice and Application*, OPERS will send you an acknowledgment letter, a *Designation of Beneficiary for the $5,000 Death Benefit* form and a *Direct Deposit Authorization* form. Direct deposit is required for payment of your monthly benefit. OPERS will also request

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

documents that are necessary to complete your file. OPERS will need the following documents:

- Your birth certificate;
- Joint annuitant's birth certificate, if applicable,
- A marriage license, divorce decree or death certificate that verifies your **current** marital status.

You will need to respond as quickly as possible to any requests for information or documents to avoid a delay in benefit payments or retirement.

A form called *Medicare Gap Benefit Option Election* form will be sent to each eligible member after OPERS receives your *Retirement Notice and Application*. This form will show the amount of increase in your benefit before age 65 and the amount of decrease in your benefit after age 65. **The opportunity to make this irrevocable election is lost if a signed election form is not received in the OPERS office before your retirement date.** See page 51 for more information on the Medicare Gap Benefit Option.

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

- An accounting of your service credit;
- An estimate of your gross monthly benefit;
- The date your first payment will be issued;
- Rules for returning to work after retirement; and
- Withholding charts and a *Withholding Preference Certificate* form to authorize federal and state income taxes to be withheld.

OPERS will mail you a final retirement letter about the time the first retirement payment is issued. This letter will contain:

1. A final statement of benefits;
2. A list of deductions, such as tax withholding and insurance premiums; and
3. A statement of the amount of contributions you have paid (taxable and non-taxable).

You will not receive a retirement payment the first month. Your first two benefit payments will be deposited on the last working day of the second month of retirement.

Postponement or Cancellation of Retirement

Once you have submitted your *Retirement Notice and Application*, you may only postpone, cancel, or change your retirement before the effective retirement date. If you postpone or cancel your retirement and you wish to retire at a later date, you must complete a new *Retirement Notice and Application* form. If the retirement is canceled, you must again meet the 60-day notice requirement.

Changes in Type of Retirement

If you retire under early retirement provisions and become qualified for a disability retirement with a disability date on or after July 1, 1999, you may apply to receive disability benefits in lieu of the early retirement benefits. **The type of retirement you choose 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 (Options)

Members may receive one of four types of retirement benefit payments described below. Members younger than age 65 at retirement may also be eligible to elect the Medicare Gap Benefit Option. See the chapter beginning on page 51 for more information.

Maximum (Single-Life Annuity)

The maximum type of benefit is paid monthly for your lifetime and ceases the last day of the month you pass away. Married members may elect this type of benefit only with spouse consent.

If you wish to take a reduced benefit and thereby provide a monthly income for another person after your death, you may choose an Option A, B, or C type of benefit.

Option A (1/2 Joint and Survivor Annuity)

Under this option, you will receive a reduced retirement benefit during your lifetime (see page 37). After your death, **one-half** of your reduced retirement benefit will be paid to your surviving joint annuitant for the remainder of his or her lifetime. Your joint annuitant must be a specific person.

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

Option B (100% Joint and Survivor Annuity)

Under Option B, a reduced retirement benefit (see page 38) is paid to you during your lifetime. After your death, the same monthly benefit is paid to your surviving joint annuitant for his or her lifetime. Your joint annuitant must be a specific person. Under federal limitations, Option B is only available to you if you choose your spouse as joint annuitant or you choose a

non-spouse joint annuitant who is no more than 10 years younger than you. 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 you during your lifetime (see page 39). If you die within the first 10 years of the start of benefit payments, the same monthly payment will be made to your beneficiary (or beneficiaries) for the balance of the ten-year period. If you live longer than 10 years after your retirement date, no monthly benefits will be paid to your beneficiary after your death. Your beneficiary does not have to be a specific person, and multiple beneficiaries may be named.

Beneficiaries may be changed at any time. The amount of benefits payable under Option C is based on your age. Married members may only elect this type of benefit with spouse consent. If you die with no living beneficiaries, or if your beneficiaries die before the expiration of the 10-year period, the person responsible for the estate will be given the option for the estate to either: 1) receive monthly benefits for the remainder of the ten-year period; or 2) receive the present value of the remaining benefit payments in a one-time, lump-sum distribution.

What's the Difference?

Joint Annuitant *– a* ***specific person*** *who is designated by you to receive a lifetime retirement benefit under Option A or Option B after your death. The person named as joint annuitant cannot be changed after retirement, even in the event of a divorce.*

Beneficiary *– one who is designated by you to receive your accumulated contributions, death benefits, or a retirement benefit under Option C. Unlike a joint annuitant, your beneficiary does not have the right to a benefit for his or her lifetime. Also, you 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

If you retire under Options A or B, and your joint annuitant passes away, your benefit changes to the Maximum benefit option. 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. You must notify OPERS of the death in writing and provide a certified death certificate to begin the increase. Timely notice is important, as OPERS is required to pay no more than six months of retroactive benefits increase.

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

The only types of benefit available for disability retirement are the Maximum benefit and Option A. 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. A member who selected Option C in this circumstance must change to the Maximum benefit.

The type of benefit you choose may not be changed on or after your retirement date under any other conditions, and no other person may be substituted or named as your 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 37 and 38. 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. 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 are based upon the premise that OPERS promises you a benefit for only your lifetime, known as a single-life annuity. This is your maximum benefit.

Since OPERS promises you only a single-life annuity, any additional payment in the form of a joint and survivor annuity is an additional cost that is reflected by the reduction factors. This is similar to the cost of providing an insurance benefit for a joint annuitant.

The cost of this benefit is more expensive for older retirees than for younger retirees. This is 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 less expensive at age 25 than at age 65.

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	95.56%	95.67%	95.79%	95.90%	96.02%	96.14%	96.26%	96.38%	96.50%	96.62%	96.74%	96.87%	96.99%	97.11%	97.23%	97.34%	97.46%	97.57%	97.68%	97.79%	97.90%
51	95.27%	95.39%	95.51%	95.63%	95.76%	95.88%	96.01%	96.14%	96.27%	96.40%	96.54%	96.67%	96.80%	96.92%	97.05%	97.18%	97.30%	97.42%	97.54%	97.66%	97.77%
52	94.96%	95.08%	95.21%	95.35%	95.48%	95.62%	95.76%	95.89%	96.03%	96.17%	96.31%	96.45%	96.59%	96.73%	96.87%	97.00%	97.13%	97.26%	97.39%	97.51%	97.63%
53	94.62%	94.76%	94.90%	95.04%	95.19%	95.33%	95.48%	95.63%	95.78%	95.93%	96.08%	96.23%	96.37%	96.52%	96.67%	96.81%	96.95%	97.09%	97.22%	97.36%	97.48%
54	94.27%	94.42%	94.56%	94.72%	94.87%	95.03%	95.18%	95.34%	95.50%	95.66%	95.82%	95.98%	96.14%	96.30%	96.45%	96.61%	96.76%	96.90%	97.05%	97.19%	97.33%
55	93.89%	94.05%	94.21%	94.37%	94.53%	94.70%	94.87%	95.04%	95.21%	95.38%	95.55%	95.72%	95.89%	96.06%	96.23%	96.39%	96.55%	96.71%	96.86%	97.01%	97.16%
56	93.49%	93.66%	93.83%	94.00%	94.18%	94.36%	94.54%	94.72%	94.90%	95.09%	95.27%	95.45%	95.63%	95.81%	95.99%	96.16%	96.33%	96.50%	96.66%	96.82%	96.98%
57	93.07%	93.25%	93.43%	93.62%	93.81%	94.00%	94.19%	94.39%	94.58%	94.78%	94.97%	95.17%	95.36%	95.55%	95.74%	95.92%	96.11%	96.28%	96.46%	96.63%	96.80%
58	92.63%	92.82%	93.02%	93.22%	93.42%	93.62%	93.83%	94.04%	94.24%	94.45%	94.66%	94.87%	95.07%	95.28%	95.48%	95.67%	95.87%	96.06%	96.25%	96.43%	96.61%
59	92.17%	92.37%	92.58%	92.79%	93.01%	93.23%	93.45%	93.67%	93.89%	94.11%	94.33%	94.55%	94.77%	94.99%	95.20%	95.41%	95.62%	95.82%	96.02%	96.22%	96.41%
60	91.68%	91.90%	92.12%	92.35%	92.58%	92.81%	93.04%	93.28%	93.52%	93.75%	93.99%	94.22%	94.46%	94.69%	94.92%	95.14%	95.36%	95.58%	95.79%	96.00%	96.20%
61	91.17%	91.40%	91.64%	91.88%	92.12%	92.37%	92.62%	92.87%	93.12%	93.38%	93.63%	93.88%	94.13%	94.37%	94.62%	94.86%	95.09%	95.32%	95.55%	95.77%	95.98%
62	90.63%	90.88%	91.13%	91.39%	91.65%	91.92%	92.18%	92.45%	92.72%	92.99%	93.26%	93.52%	93.79%	94.05%	94.31%	94.56%	94.81%	95.06%	95.30%	95.53%	95.76%
63	90.08%	90.34%	90.61%	90.89%	91.17%	91.45%	91.73%	92.02%	92.30%	92.59%	92.88%	93.16%	93.44%	93.72%	93.99%	94.27%	94.53%	94.79%	95.05%	95.30%	95.54%
64	89.51%	89.79%	90.08%	90.37%	90.67%	90.97%	91.27%	91.57%	91.88%	92.18%	92.49%	92.79%	93.09%	93.39%	93.68%	93.97%	94.25%	94.53%	94.80%	95.06%	95.32%
65	88.92%	89.22%	89.52%	89.83%	90.15%	90.47%	90.79%	91.11%	91.44%	91.76%	92.09%	92.41%	92.73%	93.04%	93.35%	93.66%	93.96%	94.26%	94.55%	94.83%	95.10%
66	88.30%	88.62%	88.95%	89.28%	89.62%	89.96%	90.30%	90.64%	90.99%	91.33%	91.67%	92.02%	92.36%	92.69%	93.02%	93.35%	93.67%	93.98%	94.29%	94.59%	94.88%
67	87.67%	88.01%	88.36%	88.71%	89.07%	89.43%	89.80%	90.16%	90.53%	90.89%	91.26%	91.62%	91.99%	92.34%	92.70%	93.04%	93.38%	93.71%	94.04%	94.35%	94.66%
68	87.02%	87.38%	87.75%	88.12%	88.50%	88.89%	89.27%	89.66%	90.05%	90.44%	90.83%	91.22%	91.61%	91.99%	92.36%	92.73%	93.09%	93.44%	93.78%	94.12%	94.44%
69	86.33%	86.72%	87.11%	87.51%	87.91%	88.32%	88.73%	89.14%	89.56%	89.97%	90.39%	90.80%	91.21%	91.61%	92.01%	92.40%	92.78%	93.15%	93.52%	93.87%	94.21%
70	85.61%	86.02%	86.44%	86.86%	87.29%	87.72%	88.16%	88.60%	89.04%	88.59%	89.92%	90.36%	90.80%	91.22%	91.65%	92.06%	92.46%	92.86%	93.24%	93.61%	93.97%

This Table is based upon an analysis of actuarial assumptions and experience of the Oklahoma Public Employees Retirement System prepared by Milliman, Inc.

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	91.50%	91.70%	91.91%	92.12%	92.34%	92.56%	92.78%	93.01%	93.24%	93.47%	93.69%	93.92%	94.15%	94.38%	94.60%	94.83%	95.05%	95.26%	95.47%	95.68%	95.88%
51	90.97%	91.18%	91.40%	91.63%	91.86%	92.09%	92.33%	92.57%	92.82%	93.06%	93.30%	93.55%	93.79%	94.03%	94.27%	94.51%	94.74%	94.97%	95.20%	95.42%	95.64%
52	90.40%	90.63%	90.87%	91.11%	91.35%	91.60%	91.86%	92.11%	92.37%	92.63%	92.89%	93.15%	93.41%	93.67%	93.92%	94.17%	94.42%	94.67%	94.91%	95.14%	95.37%
53	89.80%	90.04%	90.29%	90.55%	90.81%	91.08%	91.35%	91.62%	91.90%	92.17%	92.45%	92.73%	93.00%	93.28%	93.55%	93.82%	94.08%	94.34%	94.60%	94.85%	95.09%
54	89.16%	89.42%	89.69%	89.96%	90.24%	90.52%	90.81%	91.10%	91.39%	91.69%	91.98%	92.28%	92.57%	92.86%	93.15%	93.44%	93.72%	93.99%	94.27%	94.53%	94.79%
55	88.48%	88.76%	89.05%	89.34%	89.63%	89.93%	90.24%	90.55%	90.86%	91.17%	91.48%	91.80%	92.11%	92.42%	92.73%	93.03%	93.33%	93.62%	93.91%	94.19%	94.47%
56	87.78%	88.07%	88.37%	88.68%	89.00%	89.32%	89.64%	89.97%	90.30%	90.63%	90.96%	91.30%	91.63%	91.96%	92.28%	92.60%	92.92%	93.23%	93.54%	93.84%	94.14%
57	87.04%	87.36%	87.68%	88.01%	88.34%	88.68%	89.02%	89.37%	89.72%	90.07%	90.43%	90.78%	91.13%	91.48%	91.82%	92.17%	92.50%	92.84%	93.16%	93.48%	93.79%
58	86.28%	86.61%	86.95%	87.30%	87.65%	88.01%	88.37%	88.74%	89.12%	89.49%	89.86%	90.24%	90.61%	90.98%	91.35%	91.71%	92.07%	92.42%	92.76%	93.10%	93.44%
59	85.47%	85.83%	86.19%	86.55%	86.93%	87.31%	87.70%	88.09%	88.48%	88.88%	89.27%	89.67%	90.06%	90.46%	90.85%	91.23%	91.61%	91.98%	92.35%	92.71%	93.07%
60	84.63%	85.01%	85.39%	85.78%	86.18%	86.58%	86.99%	87.40%	87.82%	88.24%	88.66%	89.08%	89.50%	89.91%	90.32%	90.73%	91.13%	91.53%	91.92%	92.30%	92.68%
61	83.76%	84.16%	84.56%	84.98%	85.40%	85.82%	86.26%	86.69%	87.13%	87.58%	88.02%	88.46%	88.91%	89.35%	89.78%	90.21%	90.64%	91.06%	91.47%	91.88%	92.28%
62	82.87%	83.29%	83.71%	84.15%	84.59%	85.04%	85.50%	85.96%	86.43%	86.90%	87.37%	87.84%	88.30%	88.77%	89.23%	89.69%	90.14%	90.59%	91.02%	91.45%	91.87%
63	81.95%	82.39%	82.84%	83.30%	83.77%	84.24%	84.73%	85.22%	85.71%	86.20%	86.70%	87.19%	87.69%	88.18%	88.67%	89.15%	89.63%	90.10%	90.57%	91.02%	91.46%
64	81.01%	81.47%	81.95%	82.43%	82.93%	83.43%	83.94%	84.46%	84.98%	85.50%	86.02%	86.55%	87.07%	87.59%	88.11%	88.62%	89.13%	89.62%	90.11%	90.59%	91.06%
65	80.04%	80.53%	81.03%	81.55%	82.07%	82.60%	83.14%	83.68%	84.23%	84.78%	85.33%	85.89%	86.44%	86.99%	87.54%	88.08%	88.61%	89.14%	89.66%	90.16%	90.66%
66	79.05%	79.57%	80.10%	80.64%	81.19%	81.74%	82.31%	82.88%	83.46%	84.04%	84.63%	85.21%	85.80%	86.38%	86.96%	87.53%	88.09%	88.65%	89.19%	89.73%	90.25%
67	78.05%	78.59%	79.15%	79.72%	80.30%	80.88%	81.48%	82.08%	82.69%	83.31%	83.93%	84.54%	85.16%	85.78%	86.38%	86.99%	87.58%	88.17%	88.75%	89.31%	89.86%
68	77.02%	77.59%	78.17%	78.77%	79.38%	80.00%	80.63%	81.26%	81.91%	82.56%	83.21%	83.86%	84.51%	85.16%	85.80%	86.44%	87.07%	87.69%	88.29%	88.89%	89.46%
69	75.95%	76.55%	77.16%	77.79%	78.43%	79.08%	79.74%	80.41%	81.09%	81.77%	82.46%	83.15%	83.84%	84.52%	85.20%	85.87%	86.53%	87.19%	87.82%	88.44%	89.05%
70	74.84%	75.47%	76.12%	76.77%	77.45%	78.13%	78.83%	79.54%	80.25%	80.97%	81.69%	82.42%	83.14%	83.86%	84.58%	85.29%	85.98%	86.67%	87.34%	87.99%	88.63%

This Table is based upon an analysis of actuarial assumptions and experience of the Oklahoma Public Employees Retirement System prepared by Milliman, Inc.

Reduction Factors for Retirement Option C

Expressed as a percentage of the total maximum benefit

Age of Retiree	Factor
47	99.62%
48	99.58%
49	99.53%
50	99.47%
51	99.39%
52	99.31%
53	99.21%
54	99.09%
55	98.94%
56	98.78%
57	98.60%
58	98.38%
59	98.14%
60	97.86%
61	97.55%
62	97.20%
63	96.81%
64	96.39%
65	95.92%
66	95.40%
67	94.84%
68	94.21%
69	93.49%
70	92.68%
71	91.79%
72	90.77%
73	89.64%
74	88.36%
75	86.94%
76	85.36%

Retirement Benefit Payments

In order to allow sufficient time to receive final payroll records and process all retirement documents, **your benefit payment for the first two months** is made by electronic deposit directly to your account in a bank or other financial institution **on the last working day of the second month of retirement**. Thereafter, payment will be issued on the last working day of each month.

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, you may experience a different tax treatment if you reside in a state other than Oklahoma.

Federal Income Tax

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

OPERS will mail you a Form 1099-R at the end of January of each year. This form will show: 1) the gross amount of your retirement benefit for the previous calendar year; 2) the amount of state and federal income tax withheld from your retirement benefit; and, 3) the federal taxable amount of your retirement benefit for the year. The information contained in your

Form 1099-R should be used in completing your state and federal income tax return.

Tax Withholding

You will receive a *Withholding Preference Certificate* from OPERS approximately one month before your 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 your behalf if you maintain health insurance with the Oklahoma State & Education Employees Group Insurance Board (OSEEGIB) in retirement. The monthly contribution is paid in addition to your monthly retirement benefit and is paid directly to OSEEGIB. It is not considered taxable income to you. It continues until you terminate health insurance coverage with OSEEGIB or other qualified plan, or until your 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 all of the following criteria:

1. The member was not an actively participating or a retired OPERS member on July 1, 1998;
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

When you are within two (2) years of eligibility for retirement, you may ask OPERS to calculate an estimate of the amount of the benefits you will receive as of a selected retirement date or your earliest normal retirement date. If you are not within two years of retirement eligibility, you may use the benefit calculation formula contained in this handbook (page 45) or the benefit estimator on the OPERS website 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 (6) months before your 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 your service credit, add up the years and full months you have participated in OPERS. Also include any purchased service, prior service granted free of charge, bonus years and months of unused sick leave (six months maximum). Then, if you have six months or more of service credit past an exact year, round your 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
	19 years 6 months	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
	21 years 5 months	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

Your 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 your 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 years of credited service they have at 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.

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

Permanent Part-Time Employment

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

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

Step 3: Calculation of Monthly Retirement Benefit

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

Final Average Compensation x Credited Service x 2%* ÷ 12

For an example of a benefit calculation, see page 48.

Early (Reduced) Retirement Benefits

To determine your early retirement benefits, calculate the benefit according to the formula given above for normal retirement. The benefit must then be reduced according to your age in years and months. To reduce the benefit, multiply the monthly benefit for normal retirement by the percentage factor for your age as given in the table titled *EARLY RETIREMENT REDUCTION FACTORS* on page 46.

Limitations on Retirement Benefits

Federal tax law places limits on the maximum amount of retirement benefits OPERS can pay to its retirees. Typically, these limits tend ***not*** to affect most OPERS retirees. The limit you may be subject to depends upon a variety of factors, including your age at retirement and the nature of your employment. 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 your retirement benefits.

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

Early Retirement Reduction Factors

Expressed as a percentage of the total maximum benefit.

AGE	%
62 - 0 mo.	100
61 - 11 mo.	0.99444
61 - 10 mo.	0.98888
61 - 9 mo.	0.98333
61 - 8 mo.	0.97777
61 - 7 mo.	0.97222
61 - 6 mo.	0.96666
61 - 5 mo.	0.96111
61 - 4 mo.	0.95555
61 - 3 mo.	0.95000
61 - 2 mo.	0.94444
61 - 1 mo.	0.93888
61 - 0 mo.	0.93333
60 - 11 mo.	0.92777
60 - 10 mo.	0.92222
60 - 9 mo.	0.91666
60 - 8 mo.	0.91111
60 - 7 mo.	0.90555
60 - 6 mo.	0.90000
60 - 5 mo.	0.89444
60 - 4 mo.	0.88889
60 - 3 mo.	0.88333
60 - 2 mo.	0.87779
60 - 1 mo.	0.87223
60 - 0 mo.	0.86667
59 - 11 mo.	0.86111
59 - 10 mo.	0.85555
59 - 9 mo.	0.85000

AGE	%
59 - 8 mo.	0.84444
59 - 7 mo.	0.83889
59 - 6 mo.	0.83333
59 - 5 mo.	0.82778
59 - 4 mo.	0.82222
59 - 3 mo.	0.81667
59 - 2 mo.	0.81111
59 - 1 mo.	0.80555
59 - 0 mo.	0.80000
58 – 11 mo.	0.79444
58 – 10 mo.	0.78889
58 – 9 mo.	0.78333
58 – 8 mo.	0.77778
58 – 7 mo.	0.77222
58 – 6 mo.	0.76666
58 – 5 mo.	0.76111
58 – 4 mo.	0.75555
58 – 3 mo.	0.75000
58 – 2 mo.	0.74444
58 – 1 mo.	0.73889
58 – 0 mo.	0.73333
57 – 11 mo.	0.72778
57 – 10 mo.	0.72222
57 – 9 mo.	0.71667
57 – 8 mo.	0.71111
57 – 7 mo.	0.70555
57 – 6 mo.	0.70000
57 – 5 mo.	0.69444

AGE	%
57 – 4 mo.	0.68889
57 – 3 mo.	0.68333
57 – 2 mo.	0.67778
57 – 1 mo.	0.67222
57 – 0 mo.	0.66667
56 – 11 mo.	0.66389
56 – 10 mo.	0.66111
56 – 9 mo.	0.65834
56 – 8 mo.	0.65556
56 – 7 mo.	0.65278
56 – 6 mo.	0.65000
56 – 5 mo.	0.64723
56 – 4 mo.	0.64445
56 – 3 mo.	0.64167
56 – 2 mo.	0.63889
56 – 1 mo.	0.63611
56 – 0 mo.	0.63333
55 - 11 mo.	0.63055
55 - 10 mo.	0.62777
55 - 9 mo.	0.62500
55 - 8 mo.	0.62222
55 - 7 mo.	0.61944
55 - 6 mo.	0.61666
55 - 5 mo.	0.61389
55 - 4 mo.	0.61111
55 - 3 mo.	0.60833
55 - 2 mo.	0.60555
55 - 1 mo.	0.60277
55 - 0 mo.	0.60000

Retirement Benefit Worksheet

SERVICE CREDIT

		Years	Months	
Participating				1
Military				2
Purchased				3
Prior				4
Elected				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 three highest years of compensation out of the last 10 years of employment prior to retirement, including longevity pay (Remember to apply caps if applicable)		$	11
			12
	+		13
Subtotal	=	$	14
	÷	3 years	15
Final Average Compensation	=	**$**	16

RETIREMENT BENEFIT CALCULATION

Final Average Compensation		$	Line 16
Service Credit	x		Line 10
2% Computation Factor	x	.02	
Maximum Annual Retirement Benefit*	=	$	
	÷	12 months	
Maximum Monthly Retirement Benefit	=	**$**	

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

Retirement Benefit Calculation Example

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

Example: Bill 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. Bill plans to retire August 1, when he has reached age 62.

Step 1: Determination of Service Credit

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

Step 2: Calculation of Final Average Compensation

Bill's three highest years of salary 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, Bill's final average compensation is $43,048.

Step 3: Calculation of Monthly Benefit

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

Will OPERS Benefits Meet Your Needs?

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

Let's use Bill as an example again.

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

Total Service	Benefit as Percentage of Average Compensation
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

The Step-Up allows you to make an election to increase or "step-up" your 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.

You may make the election at enrollment or any time during active participating membership. The election will be effective the first payroll period following your election and acceptance by the employer.

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

Step-Up is an irrevocable election and is binding on all of your future participation in OPERS, even if you change jobs or have a break in service. This includes any return to employment after withdrawal of your 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, you should add an additional 2.91% to your current retirement contribution rate. (See page 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. You can also find the brochure on the OPERS website at www.opers.ok.gov.

Medicare Gap Benefit Option

The Medicare Gap Benefit Option allows most OPERS members who are under the age of 65 at retirement to make an irrevocable election to temporarily increase the amount of their monthly retirement benefit. This temporary increase is intended to help you pay health insurance premiums until you become eligible for Medicare at age 65. However, there is a permanent decrease in your monthly benefit amount after reaching age 65 to offset the increase before age 65. In some cases, the amount of decrease will be greater than the amount of increase.

An election form is sent to each eligible member after OPERS receives your *Retirement Notice and Application*. This form will show the amount of increase in your benefit before age 65 and the amount of decrease in your benefit after age 65. **The opportunity to make this irrevocable election is lost if your signed election form is not received in the OPERS offices before your retirement date.**

As a state, county or local government employee and active OPERS participant, you are eligible to make this election, unless:

- You have received any OPERS retirement benefits prior to May 1, 2006; or
- You are retiring under OPERS disability retirement; or
- You are selecting an Option C type of benefit; or
- The reduction after age 65 would result in your monthly benefit being less than $200.00; or
- Your retirement benefits are subject to a qualified domestic relations order and the reduction after age 65 would result in a monthly payment of less than $100.00 to you or the alternate payee.

Your election of the Medicare Gap Benefit Option will not affect the amount of benefits payable to your surviving spouse or joint annuitant.

If you elect the Medicare Gap Benefit Option and return to post-retirement employment with a participating employer, you will not be eligible to waive receipt of your monthly retirement benefit and retire a second time.

More information about the Medicare Gap Benefit Option can be obtained by requesting a copy of the brochure on this option from a Retirement

Coordinator or from OPERS. You can also find the brochure online at the OPERS website at www.opers.ok.gov.

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 have no effect on your benefits. However, returning to work for an employer who participates in OPERS may affect your benefits in the following ways:

1. **Returning to work with the same agency –** State law prohibits OPERS retirees from returning to work with the same agency from which they retired for a period of one year, unless the member waives receipt of the OPERS retirement benefit for the first year.
2. **Returning to work with a different agency** – You may return to work with a different OPERS participating employer and continue to receive the OPERS benefit after your first full month of retirement subject to the Social Security earnings limitations discussed below**.**
3. **Pre-retirement employment arrangements prohibited –** Retiring members and participating OPERS employers may not enter into employment arrangements before retirement that permit the member to retire and then be rehired on any basis by that same employer. Such an action is a direct violation of the Internal Revenue Service Code and does not constitute an actual retirement.
4. **Retirement contributions** – You will once again participate in OPERS by paying retirement contributions, regardless of the number of hours you work or the nature of the work (temporary, seasonal, permanent, etc.). Participation will begin with the first day of your return to employment. You and your employer will need to complete a *Post-Retirement Employment* form upon returning to work.
5. **Service credit** – You will continue to accrue service credit while you work for a participating employer. The additional credit may increase your retirement benefits, as explained later in this section.
6. **Social Security earnings limitation** – To draw full retirement benefits while working for a participating employer, OPERS retirement benefits are subject to the earnings limits established by the Social Security Administration for each calendar year. This applies only to persons who are younger than the Social Security full retirement age.

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

If you wish to work for an OPERS participating employer as an independent contractor, OPERS must review the contract in advance of performing the contract. The determination of whether or not you are an independent contractor for purpose of participation in OPERS will be made solely by OPERS. Costs associated with errors in participation must be paid by the employer.

Continuation of Retirement Benefits While Working

You may continue to receive benefits while working. However, if you are younger than the normal Social Security retirement age, benefits will cease if your salary exceeds Social Security's allowed earnings limit during the calendar year. The allowed earnings limit is determined by your age. Once your salary exceeds the allowed earnings, your benefits will not be paid for the rest of the calendar year, or until your employment terminates. OPERS may place your benefits on "hold" when it appears the next payment will result in an overpayment. You should notify OPERS if you expect your earnings for the year to stop before reaching the earnings limit. Your benefit will resume at the beginning of the next calendar year and continue until your salary reaches the allowed earnings limit for that calendar year, or until your employment terminates.

The current calendar year's earnings limits are posted on the OPERS website at www.opers.ok.gov. The limits may also be obtained from your Retirement Coordinator or OPERS.

Each month you work for a participating OPERS employer and contribute to OPERS, you earn service credit. Every additional 12 months of full-time-equivalent service (2,076 hours) worked will increase your benefit. Your benefit will be increased effective January 1 of each year, if you have 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 you worked with the participating OPERS employer during the time the additional service credit was earned. This increase is automatic. You are not required to cease employment or make application to receive the increased benefit.

Waiver of Retirement Benefits While Working

You may waive the receipt of retirement benefits while you are working. In such a case, no earnings limit applies and you may retire for a second time, but only after accumulating the equivalent of 36 continuous months of full-time service credit (6,228 hours). All of your service credit (before and after your

first retirement) will be recomputed based upon the law governing OPERS at the time of your **second** retirement. IMPORTANT: Members electing the Medicare Gap Benefit Option may not waive benefits and retire a second time.

If you waive your retirement benefit, but terminate employment without earning the 36 months of service credit, you will not receive the benefits voluntarily waived during your period of employment. However, you may resume receiving the original benefit and receive an additional year of service for each 2,076 hours of service accumulated during your employment (as with those who do not waive their benefits).

DEATH BENEFITS

Beneficiary Designation and Benefit Distribution for Active Members

When you are first enrolled in OPERS, you are asked 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 your passing.

You should name at least one primary beneficiary and one contingent beneficiary. You will be asked to provide complete legal names, Social Security numbers, and addresses of the beneficiaries you name and identify your relationship to them. OPERS encourages you to avoid naming minors 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.

You may change your beneficiary at any time. This is important to remember if your beneficiary dies or if your marital status changes. Use the *Active Member Designation of Beneficiary* form to update your beneficiaries.

It is important to keep your beneficiaries current.

Death of Active and Vested Members

The System provides for three 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 that is available only to your legal surviving spouse, if you were vested, eligible to vest, or eligible to retire at the time of your death. At your death, your surviving spouse will be offered Option B survivor benefits. If your spouse elects to receive the survivor benefit, there will be no benefit payments to your other beneficiaries.
2. The second type of benefit is a one-time lump-sum payment equal to your accumulated contributions. If no surviving spouse benefit is to be paid at your death, your accumulated contributions will be distributed among your primary beneficiaries. If one or more of your primary beneficiaries are deceased, accumulated contributions will be distributed among your remaining living primary beneficiaries.

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

3. The third type of benefit is a survivor benefit that is available only to the surviving spouse or child of an employee of the Department of Corrections who is mortally wounded or killed in the line of duty after June 30, 2004.

NOTE: If you are making a purchase through the installment payment plan (see page 22 for more information) at the time of your death, your survivor has the option to pay the remaining balance within six months.

Applying for Active Member Death Benefits

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

Death of Retired Members

When you pass away as a retired member, your monthly retirement benefit may cease, change, or continue depending on the type of benefit you chose at retirement. For more information about the benefit options, see page 33. In addition, a death benefit will be distributed among your primary beneficiaries. You can designate the percentage which goes to each beneficiary. You will be provided with a form to designate a beneficiary upon retirement. This beneficiary designation may be changed after your retirement date by completing a new form. The death benefit is not insurance and is taxable to the beneficiary. The $5,000 Death Benefit is payable only upon the death of a retiree, but not upon the death of a joint annuitant.

For non-spouse beneficiaries, OPERS must withhold ten percent (10%) for federal tax and five percent (5%) for state tax for Oklahoma residents unless the member's beneficiary either elects not to have OPERS withhold any amount for tax purposes, or rolls the amount into a traditional inherited individual retirement account or annuity (IRA).

A mandatory withholding tax, currently at the rate of twenty percent (20%) for federal tax and five percent (5%) for Oklahoma state tax, is imposed upon distributions of a deceased member's accumulated contributions to a spouse beneficiary who does not roll over the contributions to an IRA.

Excess Member Contributions

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

Applying for Retired Member Death Benefits

Upon the death of a retired member, your surviving spouse, beneficiary or next of kin should 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. Your decision to participate in OPERS is irrevocable, meaning that if you choose to participate in OPERS, you must participate during all subsequent regular legislative sessions. If you choose not to participate in OPERS in your first session, you are prevented from participating as a session employee during all subsequent sessions.

Each legislative session employee who chooses to participate in OPERS does so only during regular legislative sessions (February through May). You cannot participate during extraordinary legislative sessions or interim periods (unless you are an OPERS retiree who has returned to work).

Legislative session employees are generally treated like regular state and local government employees. A few 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, you 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 you must have to be eligible to vest your retirement benefits upon termination of employment is eight full regular legislative sessions. You can only receive normal retirement benefits at age 62 or when your 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 paid 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 ***actual employment 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 one (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 ***actual employment 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.

Medicare Gap Benefit Option – An option that allows most OPERS members who are under age 65 at retirement to make an irrevocable election to temporarily increase the amount of their monthly retirement benefit. There is a permanent decrease in the monthly benefit amount after age 65 to offset the increase before age 65.

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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