

Retiring Right

A Publication of the Oklahoma Public Employees Retirement System

OPERS
newsletter

Active Member Edition

Second Quarter, Spring 2006

IRS Approves Medicare Gap Benefit Option

OPERS has received IRS approval for the Medicare Gap Benefit Option which was a product of Senate Bill 1226 passed in 2004. The Medicare Gap Option was actually just a part of the entire OPERS plan that received a “favorable determination” from the IRS that it is still a “qualified plan” under federal tax law. Before receiving this notification that the option satisfies tax qualification requirements, OPERS had not been able to implement Medicare Gap.

The Medicare Gap Benefit Option will allow most OPERS members who are under age 65 at retirement and who retire on May 1, 2006 or later to make an irrevocable election to temporarily increase the amount of their monthly retirement benefit. The increase is intended to help pay health insurance premiums, which are typically higher before Medicare eligibility at age 65. However, after age 65 there is a permanent decrease in the monthly benefit amount to offset the pre-65 increase.

The amount of the **increase** before age 65 is determined by the OPERS Board of Trustees using criteria prescribed by Senate Bill 1226. The amount of the **decrease** after age 65 is actuarially determined based on the member’s age at retirement.

At the April 13, 2006 meeting, the OPERS Board of Trustees is scheduled to determine the pre-65 increase

amount, and adopt the actuarially-determined post-65 reduction formula for members who elect this option.

In the coming weeks, OPERS will provide further information and details about this option to Retirement Coordinators and to members in future newsletters, on the website, in pre-retirement seminars, and by direct mail to those applying for retirement. A brochure is also being prepared.

Disability Retirement

OPERS members often recognize the terms “early” or “normal” retirement but are sometimes unfamiliar with the less common “disability” retirement. This is an option you should keep in mind if you must stop working before you become eligible for early or normal

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The Director’s Corner

by Tom Spencer,
OPERS Executive Director

Protect What You Have

Do you hear that? If you listen very carefully you will hear a faint drumbeat. Is it coming from Alaska or California? Is it coming from Florida or Colorado? That drumbeat is coming from a group of people who want to do away with defined benefit pensions. They are intent on abolishing a system that has provided income security for millions of Americans and which is still a bedrock for 90% of all public employees. The debate over defined benefit

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retirement systems (like OPERS pensions) versus defined contribution retirement plans (individual retirement accounts) is coming back with a vengeance. Just last year the State of Alaska dumped its defined benefit (DB) pension plan for public employees in favor of a defined contribution (DC) plan. The State of California had the debate last year and the backlash from organized labor caused Governor Schwarzenegger to back off his plan to do the same in that state. However, I think I heard the Governor say, "I'll be back!"

The allure of DC plans to private companies and fiscal conservatives is that a DC retirement plan allows the employer to contribute to the employees' retirement, but walk away from the continuing financial risk of a pension plan. But is that what is in the best interest of public employees? It has been shown that pension systems have lower investment-related costs than DC plans. Public pension systems are "volume buyers" of investment manager services with far lower fees than the fees collected by mutual funds on individual accounts. I hate to break the news to you individual investors, but we generally earn considerably more on our money than you do on your own. Most individuals don't have access to the professional advice that pension systems do, and pension systems can make investment decisions without the emotion that affects individual investors. We invest with the longest of investment horizons. We don't try to time the market like many individuals do. Most of you guess wrong when you try.

Public pension systems have become vulnerable to attack because those who make benefit policy in the United States (legislatures, county officials, municipal councils) haven't been adequately funding the benefits they've promised. Public pensions cannot function properly on a "pay as you go" basis like the Social Security System. The Oklahoma Legislature is helping OPERS with increased funding and it appears that legislators are willing to impose more discipline in the evaluation of retirement-related legislation. Things are looking better but we need time to recover from our current funded ratio of 72%. The advice I have for public employees who are fortunate enough to have pensions is what one of my colleagues from another state recently told me: "Protect what you have. Don't demand more."

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retirement. While we hope you are not faced with a health situation that would make a disability retirement appropriate, it is available for those who qualify.

To qualify for disability retirement benefits from OPERS, all of the following conditions must exist:

1. You have at least seven years and six months of service that includes six or more years of full-time-equivalent participating employment.
2. You were an active regularly-scheduled employee of an OPERS employer when your injury or illness occurred.
3. You qualify for disability benefits from Social Security or Railroad Retirement.
4. The certified date of your entitlement to such benefits was within one year after the last date you were physically on the job.

If all of the above requirements are met, you are eligible to receive OPERS disability retirement benefit payments calculated by the same formula as for normal retirement. However, the types of benefit are limited to "Maximum" or "Option A".*

OPERS disability benefits are usually paid for life. However, you must continue to receive disability benefits from Social Security or Railroad Retirement to remain eligible for continued disability retirement benefits from OPERS. If you recover from the disability, your OPERS retirement benefits must stop until you become eligible for early or normal retirement.

**The disability reduction factors for Option A are adjusted to reflect disabled rather than active status.*

Beating Depression after Retirement

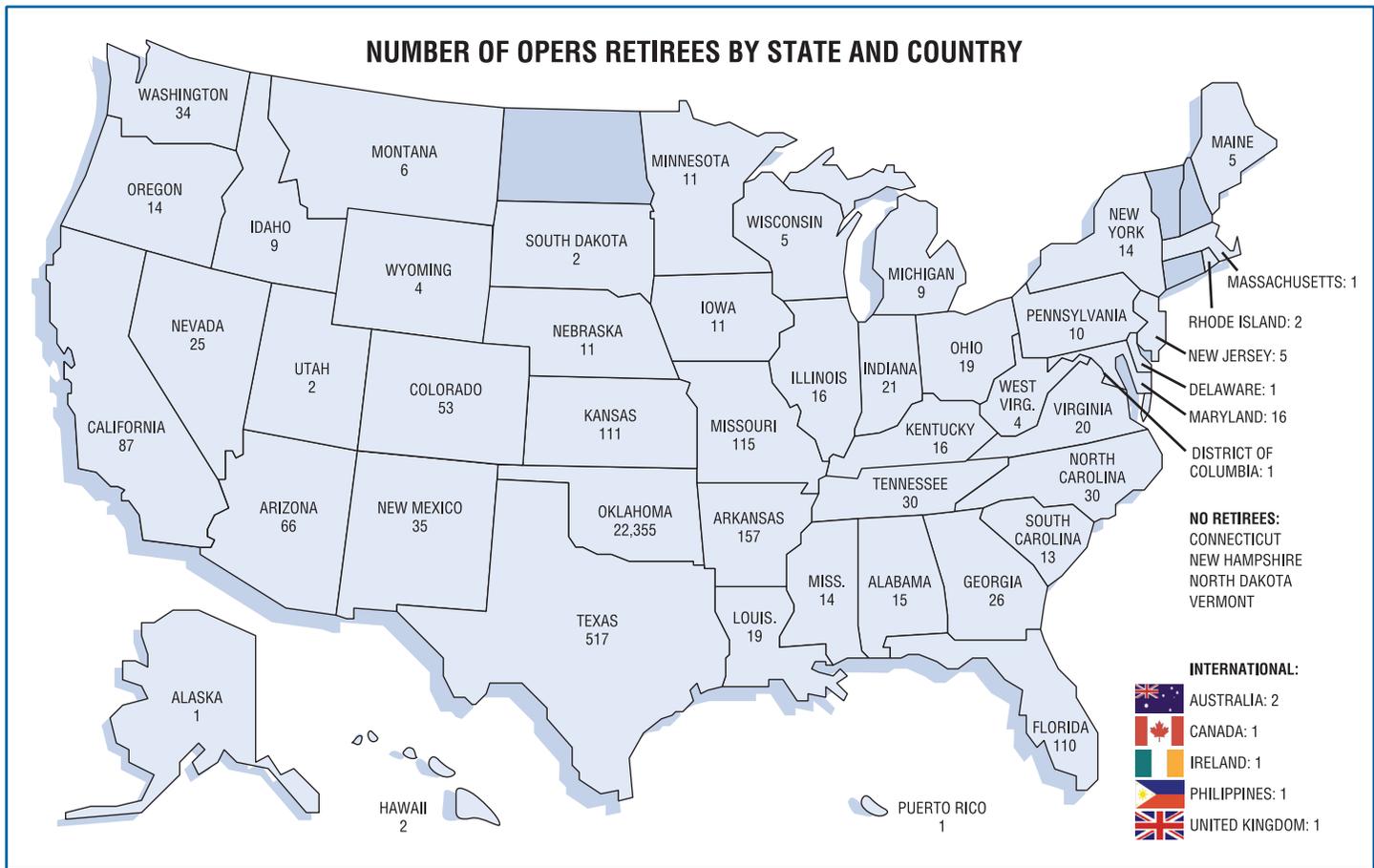
Some of us think of retirement as a time of relaxation, holidays and sleeping late. But it can also be the start of depression.

Retirement is a time of stress -- equal to divorce or the death of a loved one. It involves changes in roles, status, available time and personal outlook.

Depression after retirement is a common problem. People who invest a lot of energy and identity in their work can suddenly experience a feeling of emptiness when they retire.

Those who draw a great deal of self esteem from their work are particularly at risk. They may feel they

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have lost their purpose, and do not have a role to play in society. The impact may be worse for those who are often in the spotlight because they may not realize the effects of that attention on their sense of self worth.

Men appear more at risk as they are still seen as primary breadwinners and their status in society is still measured to a great extent by job and income. There is a common view that suicide rates are highest among the young, but it is older white males who suffer the highest rate, according to the National Institute of Mental Health.

Although women also have jobs and careers, many do not face a similar risk as their time is often also occupied by other responsibilities, such as raising children and running the household. However, no one is immune.

How can you steer clear of depression after retirement?

- Lead a balanced life and build interests outside of work.
- Don't wait until retirement to plan what to do with your time. Plan ahead.
- Surround yourself with a strong network of social

support. People with lots of social contacts enjoy better physical and mental health.

- Make new friends; isolation increases the risk of depression.
- Pursue activities you like; above all, ones that put you in contact with others.
- Try new things, without expecting to be successful right away.
- If you think you may be depressed, seek help as soon as possible.

Major life changes, even good ones, can cause stress. Things that can make retirement stressful include changes in:

- income and financial status
- daily routine
- marriage or other family relationships and friendships
- roles and identity
- health

But, having a plan to prepare you for retirement can relieve those stressful feelings and help you enjoy a new stage in your life.

Retiree Spotlight

In future editions, we would like to spotlight retirees who are making it count! Know an OPERS retiree who is making the most of his or her retirement? Let us know by contacting the OPERS Communications Department at 405-858-6768 or comm@opers.state.ok.us.

This publication, printed by the University of Oklahoma Printing Services, is issued by the Oklahoma Public Employees Retirement System (OPERS) as authorized by its Executive Director. Forty-six thousand three hundred copies have been prepared and distributed at a cost of \$5,595.00. Copies have been deposited with the Publications Clearinghouse of the Oklahoma Department of Libraries.

This summary is for informational purposes only. Individual requirements and benefits may differ, depending on circumstances. Consult the plan provisions or OPERS for detailed information.



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