

Retiring Right

A Publication of the Oklahoma Public Employees Retirement System



Active Member Edition

Second Quarter, Spring 2007

Returning to Work After Retirement...

People work after retirement for many reasons. It's important to understand if and how your retirement benefits may be affected if you decide to return to work for an agency that participates in OPERS. It's also important to remember that your current employer cannot enter into an agreement with you while you are still working, to rehire you after your retirement. This can be regarded as a sham retirement which violates IRS regulations.

Essentially, your ability to work for an OPERS employer depends on:

- The type of employer you work for;
- Your age;
- How much you earn.

If you are retired and return to work with an employer that is **not** covered by OPERS, there are no employment

SOCIAL SECURITY FULL ELIGIBILITY*

Year Born	Full Eligibility Age
1939	65+4 months
1940	65+4 months
1941	65+8 months
1942	65+10 months
1943-54	66
1955	66+2 months
1956	66+4 months
1957	66+6 months
1958	66+8 months
1959	66+10 months
1960-later	67

*From the Social Security Administration's web site at www.ssa.gov.

restrictions—you can work as soon and as much as you wish with no effect on your OPERS benefit. (Remember though, Social Security has certain income limitations that apply to your Social Security benefit.)

If you return to work with an OPERS participating employer, check our basic rules to protect your benefits:

1. You cannot return to work for an employer that participates in OPERS within the first month after retirement, or your retirement will be cancelled. If you are rehired by the same employer as soon as your first

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The Director's Corner

by Tom Spencer,
OPERS Executive Director

Real Social Security Reform

Did you know that some Congressmen recently held hearings in Illinois on the financial problems of public pension plans? "I'm from the federal government and I'm here to help." The federal government is going to teach state and local governments how to properly finance retirement obligations? They've done such a great job with the Social Security System so where do we sign up for this "help"? To be sure, public pension systems have some fiscal issues that need to be addressed. But I think State and local policymakers are finally starting to "get it" and they know that they must keep benefit promises in balance with the public money being set aside to pay for them.

The debate in Washington over Social Security has apparently been divided into two camps. There are

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month of retirement expires, this raises the appearance of a sham retirement. Your employer cannot agree before you terminate employment, to rehire you after you retire.

2. If you return to work with a participating OPERS employer, you must participate in OPERS by paying retirement contributions no matter how many hours you work or the nature of the work (temporary, seasonal, permanent, etc.) You also must complete the Post-Retirement Employment form. As noted below you are limited to what you can earn from an OPERS employer when you are already collecting an OPERS retirement benefit.

3. You continue to accrue service credit while working for a participating employer, which may increase your benefits. You will have to choose to either (A) continue receiving benefits, subject to earnings limits, or (B) waive the receipt of benefits while employed. Each of these choices is explained below:

A. Continuation of Retirement Benefits While Working

You can continue to receive benefits while you are working, but unless you are eligible for full Social Security retirement (see table on page 1), benefits will cease if your salary exceeds the allowed earnings

2007 EARNINGS LIMITATIONS		
Born after February 28, 1942:	Age 64 and turn 65 + 10 months in 2007:	Age 65 + 10 months and older:
\$12,960	\$34,440	No Limit

restrictions during that calendar year. When you exceed the allowed earnings restriction, your benefits stop for the rest of that calendar year. Your benefits will resume at the beginning of the next calendar year until your salary meets the allowed earnings restriction for that calendar year.

EXAMPLE	
If you earned \$12 an hour for 2,076 hours, the increase in your monthly benefit would be \$41.52	$\frac{\$24,912 \times 1 \text{ (year)}}{12} = \41.52

Each month you work for a participating OPERS employer and contribute to OPERS, you accrue service credit. Every additional year (2,076 hours) of full-time-equivalent service will increase your benefits. The increase occurs in January of each year if you have accrued those hours by June 30th of the previous year. Benefit increases are based upon the compensation earned during the 2,076

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those that think the current system is fine and no changes are required. There are those who want to completely throw out the current system and replace it with individual accounts. There is one idea that I think deserves attention that could help preserve Social Security. However, I'm not suggesting that it is a solution in and of itself.

According to the Public Fund Survey, the public pension systems have an aggregate funded ratio of 86%. That means that, contrary to the federal government, public entities have pre-funded most of their pension liabilities. In other words, the public pension systems have hundreds of billions of dollars invested in real assets like stocks, bonds, and real estate to pay retirees for years to come. What does Social Security have in its trust fund? They have nothing but a collection of federal government IOU's. I wish I was making this up.

What the federal government needs to seriously think about is investing our Social Security funds in assets that could appreciate over time. What would be wrong with putting 25-50% of the trust fund into index equity funds which have very low management fees? This is precisely what has been suggested in several independent studies on Social Security. The National Academy of Social Insurance published a study in February of 2005 and the National Conference on Public Employees Retirement Systems published a similar proposal. This won't fix Social Security by itself but it could very well help over time. It might pump new dollars into the financial markets and also provide a lower cost of capital for the U.S. economy. This could be done without getting rid of the basic structure of Social Security as a lifetime annuity.

accrued hours. The compensation is inserted in the benefit formula with one year of service (see example).

B. Waiver of Retirement Benefits While Working

You can waive the receipt of your retirement benefits while employed with a participating OPERS employer. Then, no earnings limitations apply and you may retire for a second time after accruing the equivalent of 36 consecutive months of full-time service credit. All of your service credit (before and after retirement) will be recomputed based upon the law governing OPERS at the time of your second retirement. When you retire the second time, you may also reselect a retirement option.

Call for Birth Certificates and Other Documents

Even if your retirement is several years away, there are some details you can take care of ahead of time. One of those things is to locate and submit a few of the necessary documents, such as birth certificates, marriage licenses, etc.

Because your age is an important factor in determining retirement eligibility, OPERS requires proof of birth date at the time you retire. A copy of a certified birth certificate is most common, but OPERS accepts other documents as well. A complete list is provided on the forms page of the OPERS website at www.opers.state.ok.us/forms.

If you are married, we will also require a copy of your marriage license. If you are naming a joint annuitant, proof of birth date for that person is required. It is possible OPERS may request other documents depending on your personal situation.

If you send in copies of these documents early, you won't be asked to submit them when you begin the retirement process. If you would like to submit documents early, send them to:

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

It is important to ALWAYS provide your Social Security number and current name when sending anything in to OPERS. Documents will not be returned, so do not send the original or your only copy.

Vesting: How and When Do My Benefits Start?

Most OPERS members who draw a lifetime monthly benefit work and pay OPERS contributions right up until their retirement date. However, some of you are "vested" members. This means you did the following:

- stopped working for a participating employer before you were eligible to retire; and
- had accumulated at least 7 years and 6 months* of service; and
- completed an Application for Vested Benefits.

When you vest, you do not receive a retirement benefit right away, but instead reserve your right to draw it in the future when you become eligible to retire. Some

**At least 6 of those years must be full-time equivalent employment with a participating OPERS employer.*

retirement systems use the term "vested" as a sort of service milestone – meaning a member has enough service to entitle him or her to a future retirement benefit. At OPERS, we would say such a member is "eligible to vest" because we treat vesting as a specific process, where the member completes an Application for Vested Benefits. The entitlement is intact even if the form is not completed, but the vesting process allows us to provide better service.

If you are a vested member, OPERS automatically sends you a reminder when you approach your normal retirement date – but only if we can find you! It's important for you to keep your address current so you can receive not only the reminder, but the vested statement we send every year.

Your membership stays in "vested" status until you do one of three things:

- Return to work with a participating OPERS employer;
- Voluntarily withdraw your OPERS contributions;
- Retire and begin drawing a lifetime benefit from OPERS.

911 Address Changes

Can your address change if you haven't even moved? Yes - it can if you have been affected by the new 911 emergency system, officially called the "Locatable Address Conversion System." If this applies to you, please complete an OPERS Change of Address form and submit it in order to continue receiving important retirement information. It's important to submit the change before the Post Office stops recognizing many rural route addresses.

You can get a Change of Address form from your Retirement Coordinator, or you can download it from the OPERS website at www.opers.state.ok.us/forms.

Membership in OPERS

Each new employee of a participating employer becomes a member of OPERS on the first day of the month immediately following the date of employment - provided all three following requirements are met:

1. **The position the employee holds is permanent, not seasonal or temporary;** and,
2. **The position the employee holds requires at least 1,000 hours work per year** (within 12 months after the first day of employment); and,
3. **The salary of a full-time employee must be equal to**

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or greater than the state minimum wage (for state employees) or the minimum wage established by the local government agency.

With very limited exceptions, membership is mandatory for employees who meet these requirements. (NOTE: The age of an employee is not a factor in determining membership in OPERS.)

Contact OPERS

Mailing Address:

Oklahoma Public Employees Retirement System
Post Office Box 53007
Oklahoma City, Oklahoma 73152-3007

Local Phone:

(405) 858-6737

Outside Local Calling Area:

(800) 733-9008

Website:

www.opers.state.ok.us

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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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