

Retiring Right

A Publication of the Oklahoma Public Employees Retirement System

Active Member Edition



Second Quarter, Spring 2008

Economic Stimulus Act of 2008

How the stimulus payment works, who it impacts

The Economic Stimulus Act of 2008 will provide 130 million U.S. households with some level of tax relief. **You must file a federal tax return for 2007 to be eligible for the stimulus payment.** This filing requirement applies to some people who do not normally file, including many low-income households and recipients of Social Security, certain benefit recipients from the Department of Veterans Affairs and certain Railroad Retirement benefit recipients.

Most working people will receive between \$300 and \$600 if filing single or \$600 and \$1,200 if married, filing jointly. The payment is not taxable and will not reduce your 2007 or 2008 refund or increase the amount you owe when you file your 2008 return.

Basic Eligibility Requirements

- You must file a 2007 tax form, i.e., Forms 1040, 1040A or 1040EZ, if you have at least \$3,000 of qualifying income. The payment will be available to everyone with adjusted gross income less than \$75,000 for single filers and \$150,000 for married couples filing jointly.
- You also are eligible to receive an additional \$300 per child.
- Recipients of Social Security and certain veterans' benefits are also eligible for stimulus payments. Those who receive at least \$3,000 from any combination of benefits from these programs will receive the payment.

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The Director's Corner America's Debt Burden

Tom Spencer, Executive Director

Subprime mortgages. Had any of you even heard of such a thing until the last few months? "Subprime" sounds harmless enough. I guess it is a better marketing term than, say, "risky" or "potentially worthless." Fortunately for OPERS, we didn't have any direct exposure to these novel little investments. Other public funds and private investors weren't so lucky.

This financial debacle came about for several reasons. First, Americans have developed an insatiable appetite to take on debt without much concern over our ability to repay it. Even lenders were foolish enough to extend credit to those who shouldn't have qualified. There are also those on Wall Street who will always think of creative ways to make a buck while leaving others to pick up the tab and pick up the pieces. We then had

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SoonerSave Seminars

Investment Fundamentals & Ready to Retire

Two free seminars are available to all SoonerSave participants by Great-West, the SoonerSave recordkeeper.

The *Investment Fundamentals* seminar discusses the different investment options that are available through the SoonerSave Deferred Compensation program.

The *Ready to Retire* seminar helps members who are approaching retirement, or recently retired, navigate the payout options and taxation on their SoonerSave account.

For more information about these seminars, go to www.soonersave.com.

RETIREMENT 101

When Can I Retire?

We hear this question every day at OPERS. Many members are not sure when they will become eligible to retire. This is a brief summary of some of the requirements for retirement. For more details, you can ask your Retirement Coordinator, visit our website at www.opers.ok.gov, or just give us a call.

All members hired after 1982 must have the equivalent of at least six (6) full years of full time service and membership in OPERS to qualify for any of the three following retirement benefits:

**age 62
or 80/90**

Normal Retirement - You are eligible for normal, unreduced retirement benefits after reaching age 62. You may also take normal retirement before reaching age 62 when your age plus years of service total one of two numbers - 80 or 90, depending on when you first became a member of OPERS. If you first became a member before July 1, 1992, you may take normal retirement when your age and years of service total 80. If you became a member after June 30, 1992, you may take normal retirement when your age and years of service total 90.

**age 55
with 10**

Early Retirement - Early retirement is also available after reaching age 55 with at least ten (10) years of participating service credit. The amount of your monthly retirement benefit will be permanently reduced from what it would be if you waited for normal retirement. For example, at age 55, your early retirement benefit will be 60% of the normal retirement amount; at age 59, it will be 80%.

8 years

Disability Retirement - Disability retirement is also available at any age with at least eight (8) years of service credit. To qualify for disability retirement, you must be certified as totally disabled by the Social Security Administration and the date of your disability must be within one (1) year of your last day at work in a position covered by OPERS.

How do I Calculate My OPERS Benefit?

The OPERS benefit is calculated using a formula that considers your years of service, salary history and a fixed multiplier of 2%. For regular members, the formula is:

Final Average Salary refers to the highest 36 months out of the last 10 years, including the highest three longevity payments, divided by three.

Service Credit refers to the total years and months of OPERS service rounded to the nearest full year.

Two percent (2%) is the computation factor that is used by OPERS. It can be different for elected officials, hazardous duty employees, or those who elected to participate in Step-Up. Then you can divide by 12 to calculate the monthly gross benefit.

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**Average Salary
Service Credit
X Formula 2%
Lifetime Annual Benefit**

Oklahoma's Growing Health Risks

What you need to know about those extra pounds

The U.S. Centers for Disease Control and Prevention (CDC) has been tracking obesity rates in our country for the last 20 years. The state of Oklahoma, like much of the country, has grown increasingly obese. Across the board, more and more of our population is overweight, obese, morbidly obese or generally unhealthy. Most states are seeing an increase in the number of citizens who fall into these categories, but Oklahomans are growing at a more rapid pace.

More than 880,000 Oklahoma residents are considered obese and approximately 177,000 are morbidly obese (more than 100 pounds overweight). These are staggering numbers and the picture is getting worse. Individuals who are obese have a 50-100 percent increased risk of premature death from all causes, compared to individuals with a healthy weight.

Being overweight or obese increases the risk of many diseases and health conditions, including among others:

- High blood pressure (Hypertension)
- Heart disease
- Some cancers
- Type 2 diabetes
- Stroke
- Osteoarthritis
- Sleep apnea and respiratory problems

Doctors generally agree that the more obese a person is the more likely he or she is to have health problems. By losing as little as 5-10 percent of your body weight, you can significantly reduce the risk of health problems.

So, what can be done? In Oklahoma City, Mayor Mick Cornett has put the city on a diet. He has pledged that Oklahoma City residents will collectively lose one million pounds before the end of 2008 in order to create a healthier future for Oklahoma. To date, more than 15,000 have registered to participate and have collectively lost more than 23 tons of weight. Great job, OKC! For more information on this initiative, go to www.thiscityisgoingonadiet.com.

State employees also have the OK Health Program available to them. This program provides professional health mentoring, self-study modules, and resources for the treatment and prevention of cardiovascular disease and diabetes, as well as assistance in weight control, physical activity, smoking cessation, stress management and nutrition. Active state employees can enroll at any time during the year. For more information on this program, visit the Employee Benefits Council at www.ebc.state.ok.us.

Understanding Your BMI

Source: MSN Health & Fitness

Body mass index (BMI), which was established in 1998 by The National Institute of Health, estimates a person's body fat and health risks. For most people, the BMI provides a more accurate estimate of a person's weight-related health risks over the standard height and weight tables or weight alone.

The BMI estimates your percentage of body fat using your height and weight. Based on this estimate, if your BMI numbers are at or above 25, you are considered unhealthy and could be at an increased [health] risk.

Please keep in mind that the BMI is only a guide and is not perfect. BMI does not consider individual factors such as bone or muscle mass to provide a more accurate assessment of your overall health. For example, if you are physically fit, your BMI may be high or if you have low muscle mass, BMI may underestimate your body fat. Also, if you have excess abdominal fat, BMI may inadequately evaluate your health risks.

Therefore, please use the BMI as an estimate only of your body fat and health risks. We recommend you consult with your doctor to receive a more accurate evaluation.

RETIREMENT 101 *continued*

The Four-Legged Chair

What does stability in retirement look like?

Experts estimate you will need somewhere between 60%-80% of your pre-retirement income to live comfortably in retirement. Research shows that many of us are aware of those percentages, but most have no idea what that means in terms of actual dollars. We spend our entire working lives with goals and we plan the work we need to do to reach those goals. Retirement is the same. You have to know what you want in retirement and make a plan to get there. The “four-legged chair” is a good place to start in determining how much you need for retirement.

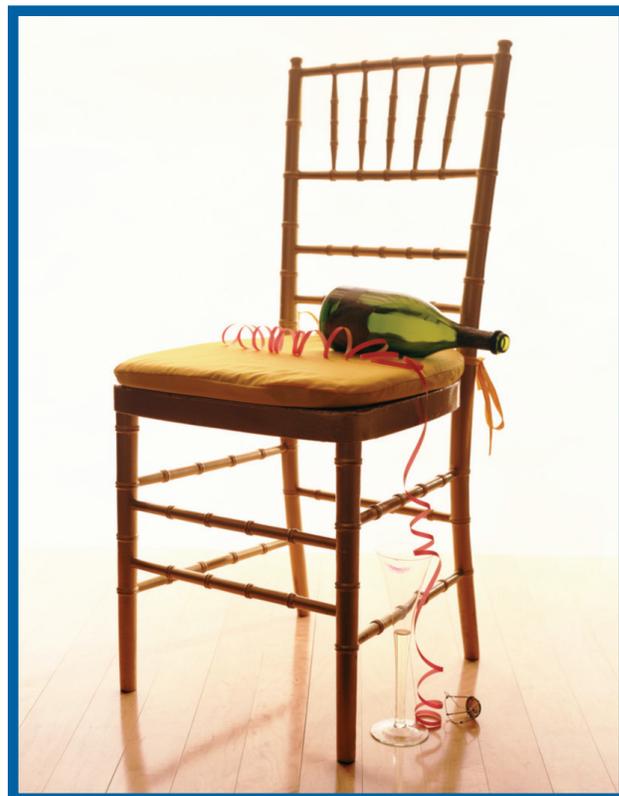
The four-legged chair represents four sources of income that will support us in our retirement years. These four legs include:

- Social Security;
- Employer-sponsored retirement plans;
- Personal savings and investments; and
- Post-retirement employment.

Social Security is the first leg that supports the retirement chair, and your birth date will determine when you may start receiving benefits. See the Baby Boomer article on page 5 for information on the increase of retirees on Social Security. The Social Security website is very informative. Visit them at www.ssa.gov or call (800) 772-1213 for more information.

OPERS is an example of an employer-sponsored retirement plan - the second leg of the chair. When you qualify for retirement from OPERS, your lifetime benefit will be based on a formula that rewards you for longer periods of service and upward movement in your salary throughout your career in public service.

The third leg of the retirement chair is personal savings and investments. This is probably the most important but often most overlooked source of income for retirees. Most of us have very little control over the first two legs, but how we choose to save and invest is our responsibility. Retirement is something you have to buy and, unlike other purchases, you can't take out a loan to pay for it.



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The last leg of the retirement chair is post-retirement employment. The “four-legged chair” used to be a “three-legged stool”. Why the extra leg? More and more people are realizing that they haven't done enough and may have to work a few more years before retirement can be affordable for them.

Financial security in retirement can seem like a scary proposition, but with a basic understanding of where you want to go, you will be on your way toward a secure retirement.

First Baby Boomer Applied for Social Security

Avoid the rush, apply online

The first baby boomer applied for early Social Security benefits on October 15, 2007. Kathleen Casey-Kirschling, a retired school teacher, was born one second after midnight on January 1, 1946, and received her first Social Security check in February 2008. This event marks the beginning of the first wave of baby boomers who will turn 62 this year and become eligible for early retirement benefits.

Social Security Commissioner Michael Astrue said the agency is bracing for a substantial increase of Americans to apply for retirement benefits over the next two decades. "We are already feeling enormous pressure from baby boomers being in their peak disability years and now we're preparing for so many of them to file for retirement."

Over the next two decades, nearly 80 million Americans will become eligible for Social Security benefits—*more than 10,000 per day*. To prepare for this wave of filers, Social Security has developed a wide range of online services. Applying for benefits online is secure and convenient. The online application takes approximately 20 minutes to complete and is very easy to use.

"The volume of retiring baby boomers in local offices is high," Social Security spokeswoman Linda Zamfino said. "The online process is easy and convenient, and those who use it get priority service."

You can apply for benefits on the Social Security website at www.socialsecurity.gov. Applicants who do not have access to the Internet can call (800) 772-1213, or visit their local Social Security office to apply for benefits.

GENERAL REMINDERS

OPERS Forms Available at www.opers.ok.gov

A great resource is only a click of the mouse away.

Did you know these commonly used forms are available on the OPERS website?

- Change of Address
- Designation of Beneficiary
- Member Request
- Application for Military Service

They are available 24 hours a day, 7 days a week. Just print them off, fill out your information, and send it in to our office.

Designation of Beneficiary Form

Do you know who your beneficiaries are?

When was the last time you updated your beneficiaries? It was probably when you initially enrolled with OPERS. Active and vested members can fill out the *Designation of Beneficiary Form for Active/Vested Members*. If you were to pass away before retirement, your beneficiaries are entitled to your accumulated contributions. Your beneficiaries can be changed at any time, and you can name multiple beneficiaries. Please make sure that you keep your beneficiaries current.

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Low and moderate-income workers, including veterans, can get free tax help through the Volunteer Income Tax Assistance (VITA) program. Call 1-800-906-9887 to locate the nearest VITA site.

The Tax Counseling for the Elderly (TCE) Program provides free tax help to people age 60 and older. AARP offers the Tax-Aide counseling program at more than 7,000 sites nationwide during the filing season. To find an AARP Tax Aide site,

call 1-888-227-7669 or visit the AARP Web site at www.aarp.org.

The Internal Revenue Service will begin issuing stimulus payments in early May. The IRS recommends choosing direct deposit when you file, but paper checks are also available and will be mailed starting May 16. There is an Economic Stimulus Calculator on the IRS website, www.irs.gov, which can help you estimate the amount of your payment.

(Director's Corner continued from page 1)

a financial meltdown which hurt an already slowing economy. It has led to the demise of Bear Stearns, one of the oldest and most respected investment firms in the United States. What's the obvious answer to these financial woes? Our government is borrowing money to send us all checks to "stimulate" the economy. Someone please come revive me because I just fainted.

I don't want to scare anyone but I have some alarming statistics to share with you. In a column I wrote back in 2005, I quoted some statistics about personal and governmental debt. I told you then that the average American household owed \$18,654 in consumer debt not including mortgage debt. That figure is now up to \$22,727 per household according to the Federal Reserve (\$30,069 according to the Office of Management and Budget). The consumer debt number in 2005 included an average of \$8,000 per household in credit card debt. That is now up to \$8,700 per household in 2008. In early 2005, our national debt stood at \$7.7 trillion, which was double what it was in 1991. That is the equivalent of \$72,642 per American household. It has increased by 20% in three years and is now \$9.3 trillion or \$85,545 per household.

O.K., I am an unapologetic deficit hawk. I believe that borrowing money is a necessary evil. Anyone can appear "rich" by going on a borrowing / spending spree. When individuals do this, there is always a day of reckoning when their financial world comes crashing down around them. I suggest that it is far worse when our federal government goes on a borrowing and spending spree which has now gone on for decades. The federal government has virtually no restrictions on piling up debt. Unrestrained borrowing only creates the illusion of wealth. I fear that we are building our financial house on sand instead of bedrock. When will our federal government's day of reckoning arrive?

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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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