

# Retiring Right

A Publication of the Oklahoma Public Employees Retirement System

Active Member Edition

**OPERS**  
newsletter

## Third Quarter, Summer 2005

### Legislative Session Yields Few Changes

Despite the introduction of several retirement-related bills, the 2005 Regular Session of the Oklahoma Legislature produced few changes to the OPERS plan. Many members closely monitored the progress of bills proposing changes such as:

- Rule of 80 for all members, eliminating Rule of 90;
- The introduction of a Deferred Retirement Option Plan (DROP);
- Public safety employee retirement plan;
- Blended health insurance rates;
- Increase of the \$105 OPERS retiree insurance supplement.

None of these proposals were passed in this session.

“This was definitely a slow year in terms of plan changes,” said Joe Fox, OPERS General Counsel. “But we will likely see several of these issues revisited in the next couple of sessions.”

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### Update on Medicare Gap/Income Leveling Option

Some members have inquired about the status of the option that is commonly known as “Medicare Gap” (or “income leveling”), as provided in last year’s House Bill 1226. This option requires approval from the Internal Revenue Service (IRS) before it can be offered. OPERS staff members, our actuarial consultant and the Board of Trustees first had to develop and approve the details and procedures before IRS

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### The Director’s Corner

by Tom Spencer,  
OPERS Executive Director

### Three-legged Stool Or Pogo Stick?

First let me confess that I stole this title from some other author but I can’t resist catchy headlines. So what the heck am I talking about? Any of you who have attended a financial planning session or seminar know what the “3-legged stool” is in terms of planning for retirement. It refers to

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the three (3) sources of retirement income: pension, Social Security and personal savings. Most financial planners will tell you that all three are needed if you have any hope of enjoying your golden retirement years. The “3-legged stool” description is not only important to identify these three income sources but it also conveys the image of something solid. It won’t wobble much when we sit on it. As a matter of fact, even if one leg comes up a little short, you can still sit on it. With all of the discussion of Social Security reform and State legislatures actively discussing the abolition of defined benefit pensions in favor of “IRA-like” accounts for public employees, will future public employees have a 3-legged stool to rest on in their retirement?

Currently OPERS members and most public employees have a defined benefit pension which will pay us an annuity for our lifetime. Virtually all of us are covered by Social Security that “currently” pays a benefit to us for our lifetime. Virtually every good financial planner will recommend that we invest our personal savings in a wide variety of investments. You should have stock, fixed income, interest bearing accounts and maybe even some real estate. Diversifying your assets is safer than being in only a single type of investment. The SoonerSave program for state employees has many of these options which is a sound way to save. There may be some risk in your holdings but you currently have those two (2) other “legs” to rely on.

The Social Security reform being discussed would place Social Security funds in individual accounts. They would presumably be placed in mutual funds which hold common stocks and bonds. If our defined benefit plan is scrapped and a defined contribution plan is put in its place, it too would presumably be placed in a similar array of investments. If public employees have private accounts for both

our Social Security and our pensions, we will essentially be on our own with all of our retirement assets invested in the stock and bond markets. All of the investment risk will be on us as individuals. It won’t be a 3-legged stool any longer. We will be bouncing into retirement on a pogo stick.

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submission. The Medicare Gap option is included in the comprehensive plan document that was submitted to the IRS on June 15, 2005.

If approved, this option will become available to members who retire before becoming Medicare eligible. To help cover the higher pre-Medicare health insurance premiums, a retiring member could choose to receive a higher benefit until he or she becomes eligible for the lower Medicare supplement rate. At Medicare age, the retiree’s benefit would be greatly reduced. On average, the total benefits paid to the member over a lifetime would remain about the same.

Active OPERS members and retirement coordinators will be notified when OPERS receives a response from the IRS.

## What is Vesting?

In our last issue, we answered the popular questions of “when can I retire?” and then “how much will I get?” In this issue, we’d like to give you a brief summary of vesting for regular members. Some of the vesting provisions are different for other members.

Most OPERS members who draw a lifetime monthly benefit work and pay OPERS contributions right up until their retirement date. However, some stop working, change jobs, move, etc., before they are eligible to retire. If you stop working and paying contributions to OPERS and you have at least 7 years and 6 months\* of service, you can “vest your retirement.” 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.

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Some 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, you receive a statement every year, and a reminder when you approach your normal retirement date. 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.

**Here are a few examples:**

- George, age 52, resigns with 25 years of service. He may vest and draw full benefits in 3 years at age 55. (55 + 25 = 80)
- Mary, age 40, is terminated with 12 years of service. She may vest and draw early (reduced) retirement at age 55, or full retirement at age 62.
- John, age 36, resigns with 7 years and 5 months of service. He is not eligible to vest.

If you are not eligible to vest or retire when you stop working and paying OPERS contributions, you can either 1) withdraw your contributions, or 2) leave them alone and keep your service credit (for the possibility of returning later). Withdrawing your contributions cancels your service and OPERS membership. You may later repay your contributions to reinstate your service (one time, only) if you return to OPERS membership. The cost to repay is the amount you withdrew, plus interest at 10% per year.

In most cases, the vested right to a future retirement benefit is worth more than your contributions. Often the retirement benefit over your lifetime has a monetary value greater than the amount of your contributions. Vesting ensures that you will receive an income during your retirement years, and may also provide a survivor benefit. However, individual circumstances vary and you may decide that withdrawing your contributions is the better choice, such as when the money is needed for an emergency or if it seems unlikely that you will reach eligibility for a future benefit.

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

## New Employees:

### Joe Fox:

Joe joined the OPERS team as General Counsel for OPERS in March. Before coming to OPERS, he served the Oklahoma House of Representatives as a staff attorney and General Counsel for more than 13 years. He graduated in 1983 from Oklahoma State University with a B.S. in Accounting and received a Juris Doctorate from the University of Oklahoma College of Law in 1987.



### Andrea Gabel:

Andrea works at the front desk as an Administrative Assistant. Part of her job is answering the phone and greeting visitors. She started working for OPERS in April after working several years for Fleming Company. Andrea has lived in Oklahoma her entire life and currently lives in Shawnee.



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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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