

Retiring Right

A Publication of the Oklahoma Public Employees Retirement System



Legislative Edition

Third Quarter, Summer 2006

2006 Retirement-Related Legislation

Only one retirement bill was enacted during the regular session this year, and one retirement bill was enacted during the special session. Among other things, these bills address contribution rates for state employees and a cost of living adjustment for retirees.

Senate Bill 1894

Oklahoma Pension Legislation Actuarial Analysis Act ("Georgia" Bill)

The bill applies to OPERS, the Uniform Retirement System for Justices and Judges, and the Teachers Retirement System. The bill has three (3) prominent features. All retirement bills with fiscal impact must be introduced in odd years and voted on in even-numbered years. This can be bypassed for an "emergency" bill by a 3/4 vote of each house. Each such bill must be analyzed for actuarial fiscal impact by the "Legislative Actuary." The actuary is hired by the Legislative Service Bureau. Finally, any retirement bill with fiscal impact must contain adequate funding either through a lump-sum appropriation or an increase in contributions sufficient to pay the cost of the change. The bill permits the Legislature to grant Cost of Living Adjustments (COLAs) without following the restrictions in the bill. COLAs can be given by the Legislature as long as they do not exceed the actuarial assumption of the System. OPERS assumes it will pay a 2% COLA each year for actuarial purposes.

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4% COLA for Retirees

After failing to pass Cost of Living Adjustments (COLAs) in the regular session, the Oklahoma Legislature came through for retirees in the Special Session. Any person receiving benefits from OPERS and URSJJ as of June 30, 2005, who is still receiving the benefit on July 1, 2006, will get a 4% increase in that benefit. The increased benefits will take effect with the payments and checks at the end of July. Retirees, disability retirees, Option C beneficiaries, and surviving joint annuitants will all get this increase. As an example, if a retiree's gross benefit was \$1,000 per month, the new gross benefit will be \$1,040.

The Director's Corner

by Tom Spencer,
OPERS Executive Director

The Global Economy

Up until last April, I didn't feel that old. I turned the big 5-0 this year. Even though I'm the Retirement System director, I didn't think much about my own retirement when I was just in my 40's. Now I'm feeling much older and can tell you the hour

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and minute when I'll be eligible to retire. I won't be retiring any time soon, but if I'm still employed at that time, I will feel pretty good about my career. (Start the harmonica and banjo music while I reminisce.) Back when I started representing state retirement systems in 1984 as a young Assistant A.G., things were very different. No state retirement system could invest in anything but U.S. stocks and bonds. The idea of purchasing foreign stock was sheer heresy. "Support them furren' cumpnies? Not on your tintype!" In the last two decades, public funds have grown increasingly comfortable investing all over the world. Many barriers to foreign investment have come down and we indeed are living in the days of a "global economy." For an eye-opening story of how much the U.S. economy has integrated with the rest of the world, check out "The World is Flat" by Tom Friedman. There are accountants in India doing hundreds of thousands of U.S. federal and state tax returns right now for goodness sakes!

If OPERS and the other retirement systems had been out of the international stock market in the last three years, they would have missed out on some impressive investment returns. OPERS earned an annualized return of 24.8% for the calendar years 2003-2005 in the international equity markets. Sounds all rosy doesn't it? Well we have to take the bad with the good. China is growing so fast that they are consuming more and more oil. The oil supplies are shrinking and we are now paying about \$3 per gallon for gas. China's economy grew at a stunning 9.9% in 2005. American jobs are being outsourced to India. India's economy rose an impressive 7.6% in 2005. Competition from foreign companies that pay lower wages is largely responsible for the closing of the Dayton Tire plant in Oklahoma City. There will be more to come. At the same time, foreign companies like Honda and Toyota are building plants in the United States and providing jobs for Americans.

I think it's too late, and ill-advised, to react with protectionist trade barriers. If we are going to continue to be the world economic leader, we need to outsmart our competitors and capitalize on industries where we still dominate. We need to insist that our global trading partners play by the rules, but we need to continue to do business and invest in the world marketplace. So if you'll excuse me, I need to go count the euros, yen and pesos in our portfolio.

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House Bill 1179 XX (Special Session)

OPERS & URSJJ Retiree Cost of Living Adjustment (COLA)

The Legislature passed COLAs for all state retirement systems during the special session (see page 1).

OPERS Option C Retirement Benefit

Section 33 of the bill amends the "Option C" retirement benefit option in 74 O.S. § 918. Option C provides for a benefit paid to a member which is only slightly reduced from the maximum benefit. If the member dies before the passage of ten years, a beneficiary is guaranteed to receive the same payment for the remaining part of the ten-year certain period. Under current law, if a member dies before the passage of the ten-year period, and the beneficiary isn't alive or doesn't survive for the ten-year period, the estate of the member or the beneficiary receives the payment. The amendment permits OPERS to pay the present value of the payments in a lump sum so it can be distributed immediately.

OPERS Employee Contribution Rate

Section 34 amends 74 O.S. § 919.1 and makes the OPERS state employee contributions a flat 3.5%. The current rate structure of 3% on the first \$25,000 of salary and 3.5% on the remainder is repealed. All state employees who earn at least \$25,000 per year will only pay \$125 more due to this increase.

"Blending" Legislation May Reduce the Need for Medicare Gap

OPERS retirees under age 65 have historically paid a high cost to continue their health insurance coverage. This is because the premiums are typically higher before Medicare eligibility. Some members have reached retirement eligibility, but continue to work, simply because they cannot afford the higher pre-Medicare premiums.

In 2004, Senate Bill 1226 provided for the Medicare Gap Benefit Option and in May of 2006, OPERS received IRS approval to implement it. This option allows most OPERS members who are under age 65 at retirement to temporarily increase the amount of their monthly retirement benefit. However, after age 65 there is a permanent decrease in the monthly benefit amount to offset the pre-65 increase. The election is irrevocable.

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Now, recent legislation may reduce pre-Medicare health insurance rates for many members.

It is our understanding that Senate Bill 1601 calls for a “blending” of premiums for active employees and pre-Medicare retirees for all medical insurance plans offered by the Oklahoma Employees Benefits Council (EBC) and the Oklahoma State and Education Employees Group Insurance Board (OSEEGIB), beginning in 2007. In other words, the premiums for active employees and retirees under 65 must be the same. If this had occurred for 2006, we have been advised that the monthly rate for coverage under the HealthChoice medical plan for a retiree under age 65 would have been lowered by about \$80.00.

Because the Medicare Gap Option and the blended insurance premiums are both meant to help retirees under age 65 pay health insurance premiums, members may find that the lower premiums expected as a result of the blended rates will reduce or eliminate the need for and interest in the Medicare Gap Option.

For complete information about retiree insurance rates, contact the following:

For State Employees:

EBC, (405) 232-1190 or (800) 219-8115.

For Local Government Employees:

OSEEGIB, (405) 717-8701 or (800) 543-6044

To read the Medicare Gap Benefit Option brochure, visit the publications page of our website at www.opers.state.ok.us/publications.

Annual Statements: Help us find you!

In late summer of each year, OPERS sends each active member an annual statement. The statement lists accumulated contributions and beneficiary designations, as well as valuable information about retirement eligibility and other topics. **However, each year we get several thousand statements back in the mail because members have not kept their OPERS mailing address current.** If you have moved and have NOT completed a Change of Address form, please do so before annual statements are mailed in August. You can call us or download the Change of Address form at www.opers.state.ok.us/forms.

Faxed Address Changes Now Accepted for Most Members

OPERS is now accepting mailing address changes for active or vested members of OPERS or SoonerSave that are received by fax as well as those received by mail or other delivery. Receipt of an original form or letter is still required to change

the address or name of a retiree, survivor, beneficiary, member in the process of withdrawing contributions, or any other address to which a payment may be sent. Originals and faxes must still bear the signature of the member, as well as the member’s name and Social Security number.

Change of Address forms are available on our website at www.opers.state.ok.us/forms. Our fax number is (405) 848-5967.



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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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