

# Retiring Right

A Publication of the Oklahoma Public Employees Retirement System

Active Member Edition



## Third Quarter, Summer 2008

### 2008 LEGISLATIVE SESSION SUMMARY

#### *COLA passed in 2008 Legislative Session*

The 2008 Regular Session of the Oklahoma Legislature passed only two bills that directly impact members of OPERS - HB 3112 and SB 1641. The major provisions of the two bills include a cost of living adjustment (COLA) for retirees, changes to rules affecting retirees returning to work, and changes in the way benefits are calculated for elected officials.

#### **Cost of Living Adjustment**

The Legislature passed a four percent (4%) COLA for members who were retired as of June 30, 2007, and are still receiving a benefit as of July 1, 2008. Retirees saw this increase in their monthly benefits paid in July.

# 4%

#### **Rules Changes for Retirees Returning to Work**

The IRS requires a true separation from employment for OPERS members to receive retirement benefits in good faith. Pre-arranged employment agreements between retiring members of OPERS and their previous employers are not considered a good faith separation from employment. HB 3112 prevents a retiring member from returning to work with the same agency for a period of

one (1) year, unless they waive the receipt of their OPERS retirement benefit during that re-employment period.

#### **Revision to Elected Officials' Benefits**

SB 1641 becomes effective Aug. 21, 2008, and closes a benefit provision that allows non-elected service to be counted the same as elected service for retirement. Prior to the passage of this bill, any regular, non-elected member of OPERS who finished their career as an elected official, and

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#### *The Director's Corner* **Energy Independence** *Tom Spencer, Executive Director*

I am writing this column a short time after I paid the highest amount per gallon of gas in my lifetime. I'm sure in a week I will break this record again. I am not in a good mood, and I'm sure all of you feel the same way I do.

I have never disclosed this in a column before but I was born and raised in California. Southern California. Please don't call me a prune picker or refer to my home state as the "land of fruits and nuts." Besides, I've lived here since 1974. I still remember vividly the OPEC oil embargo in 1973 when the price of gas almost doubled overnight from 29¢ a gallon to nearly 60¢. Worse than that were the shortages of gas that resulted. My brother and I used to drive the two family cars down to the gas station an hour before it opened to be the first in line.

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# RETIREMENT 101

## The “Powerful Force” of Compound Interest

In our last edition of Retirement 101, we discussed the “four-legged chair”. Those are the four sources of income that will support you financially in your retirement years, which are:

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

In this issue we want to focus on an important topic related to the personal savings and investments leg – **the power of compound interest**.

Albert Einstein has been credited with saying, “The most powerful force in the universe is compound interest.” While many question whether he ever made that statement – since it came to be known well after his death in 1955 – the truth behind it remains.

Compound interest is one of the simplest and most time-tested savings strategies for gaining some level of financial security and is available to anyone who wants to take advantage of it – regardless of their age or income.

The two most important aspects of compound interest are getting an early start and saving on a fixed schedule. You don’t have to make a lot of money to put the power of compounding to work for you, but you do have to make saving a regular part of your personal budget. In other words, you have to pay yourself the same way you pay your bills. Setting aside even

a small amount of money every month, then investing it over a long period of time, is a powerful tool in reaching financial success.

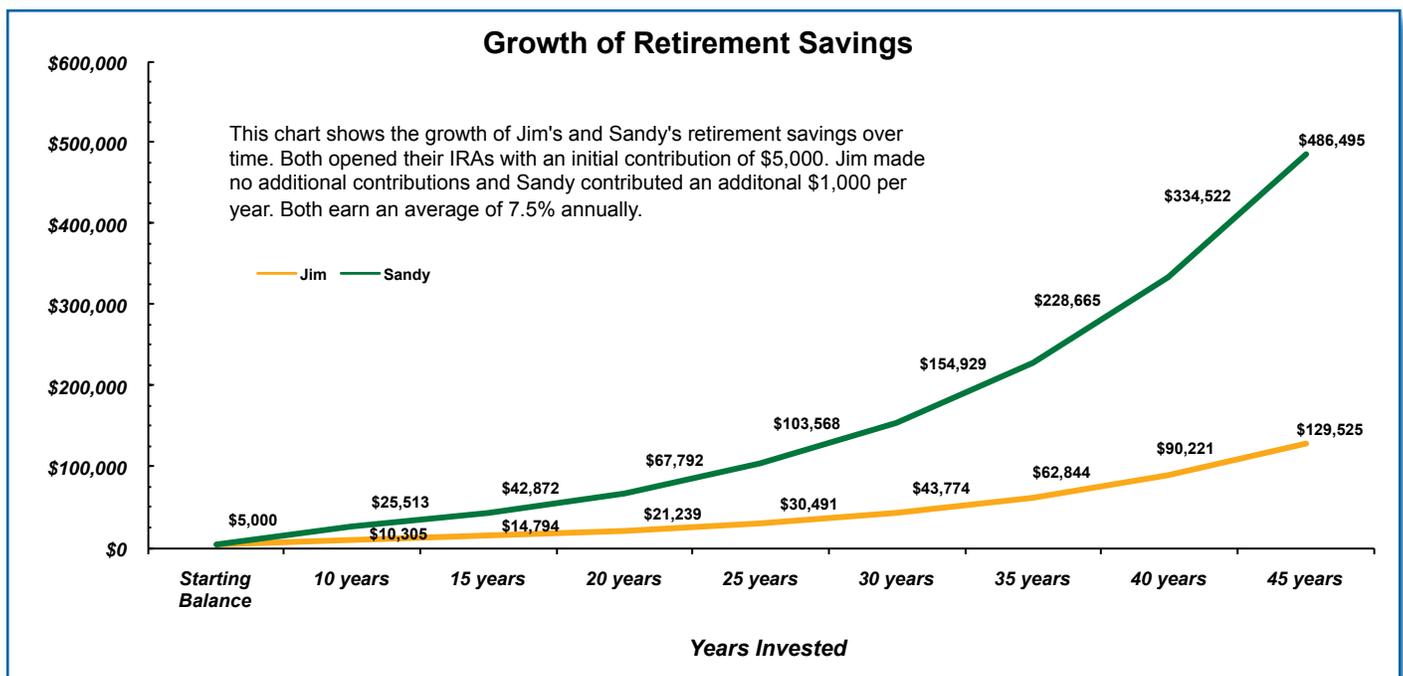
Jim and Sandy are going to show us how the power of compounding works.

Jim is 20 years old and has decided to open a Roth IRA to begin saving for retirement. He opens the account with a one-time \$5,000 contribution that earns an average of 7.5% each year. If Jim never touches that money, that \$5,000 will grow to become \$129,525 when he plans to retire at age 65. Now, let’s imagine Jim waited 15 years until he was age 35 to make that same \$5,000 contribution. With 15 fewer years to invest, his \$5,000 has grown to \$43,775 – a strong return on his investment, but his delay has cost him more than \$85,000 at retirement!

Sandy, on the other hand, has decided to make the same \$5,000 initial contribution at age 20, but will also contribute an additional \$1,000 per year to her Roth IRA until she retires. At age 65, her retirement account has grown to \$486,495. If she waits until age 35 before starting her investment plan, her account would grow to \$154,930. Sandy’s delay has also been expensive, but due to regular contributions she is much better prepared for retirement.

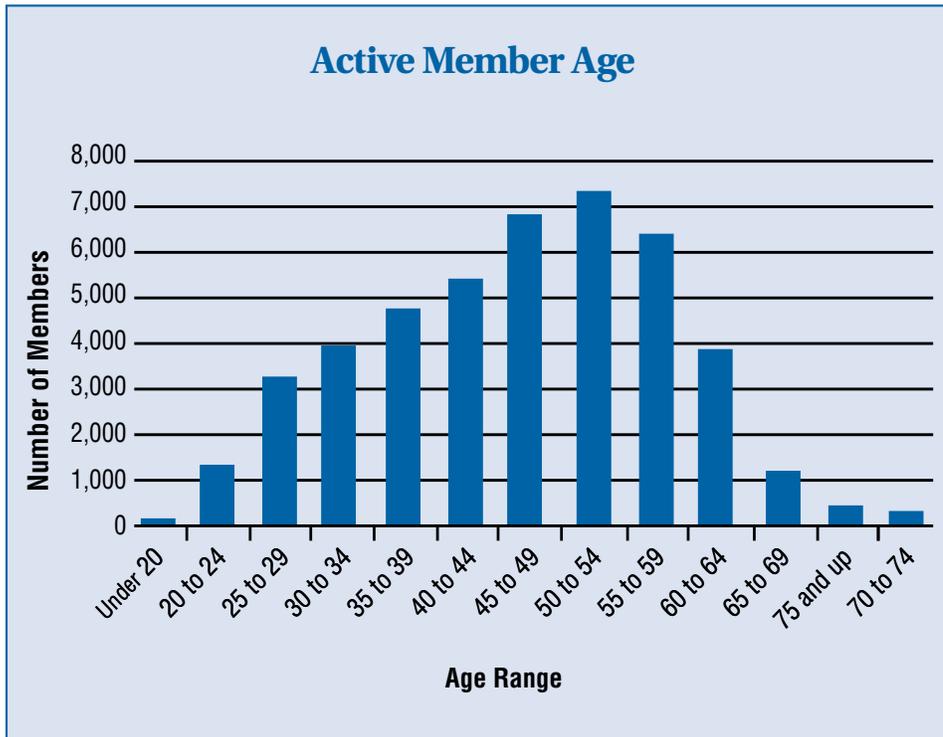
The graph below shows the growth of Jim’s and Sandy’s retirement savings based on when they start their personal

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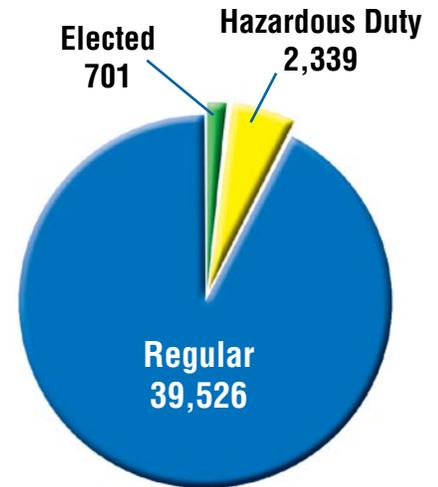


# ACTIVE MEMBER STATISTICS

There are nearly 43,000 active members in OPERS.  
Here are some interesting facts about our members:



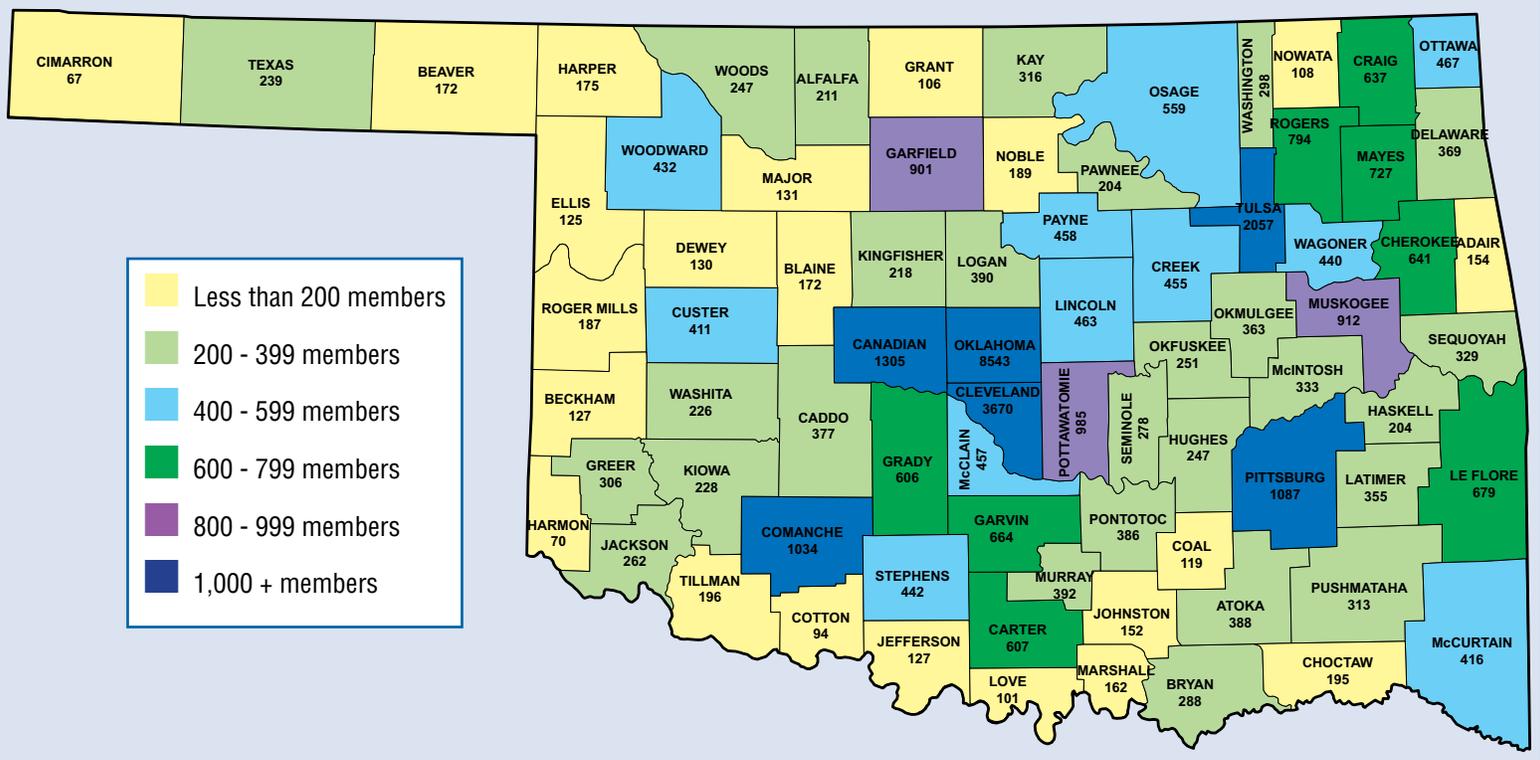
## Membership Type



*Largest Participating Employer - Department of Human Services (7,476)*

*Smallest Participating Employer - 15 agencies have one member*

## Membership Count by County



## Addiction

According to the *Addiction Project* – an HBO production in partnership with the Robert Wood Johnson Foundation, the National Institute on Drug Abuse (NIDA) and the National Institute on Alcohol Abuse and Alcoholism (NIAAA) – more than 23 million Americans are struggling with an addiction. Yet only 10 percent are getting the treatment they need. The term addiction is often reserved for drug and alcohol abuse, but can apply to other compulsions like gambling or over-eating. Addiction can also be called a devotion, dependency, attachment, or dedication.

The American Psychiatric Association says that a person is dependent if their pattern of substance use leads to clinically significant impairment or distress shown by three or more of the following in a 12-month period:

1. Tolerance as defined by either of the following:
  - A need for markedly increased amounts of the substance to achieve intoxication or desired effect; or,
  - Markedly diminished effect with continued use of the same amount of the substance.
2. Withdrawal, as manifested by either of the following:
  - The characteristic withdrawal symptom of the substance; or,
  - The same or a closely related substance is taken to relieve or avoid withdrawal symptoms.
3. The substance is often taken in larger amounts or over a longer period than was intended (loss of control).
4. There is a persistent desire or unsuccessful efforts to cut down or control substance use (loss of control).
5. A great deal of time is spent in activities necessary to obtain the substance, use the substance or recover from its effects (preoccupation).
6. Important social, occupational or recreational activities are given up or reduced because of substance use (continuation despite adverse consequences).
7. The substance use is continued despite knowledge of having a persistent or recurrent physical or psychological problem that is likely to have been caused or exacerbated by the substance (adverse consequences).

If you believe that you have an addiction or have a friend or family member with an addiction, contact any of the resources on this page for help.

### For more information on addictions, visit these resources.

Tobacco kills about 6,000 Oklahomans each year. The Oklahoma Tobacco Helpline is designed to assist Oklahomans who have a desire to quit smoking or using other tobacco products. Call 1-800-QUIT-NOW (1-800-784-8669).

The Problem and Compulsive Gambling Helpline  
1-800-522-4700  
Toll-Free, 24-Hours a Day  
Certified Gambling Counselors.

For help with substance abuse, contact the Oklahoma Department of Mental Health and Substance Abuse at [www.odmhsas.org](http://www.odmhsas.org) or on the Reachout Hotline at 1-800-522-9054.



(Director's Corner continued from page 1)

We'd grab breakfast and come back to see dozens of cars lined up behind ours. Many times, we could only purchase 10 gallons at a time. I was only 17 years old, but I felt confident that by the time I reached middle age, we would certainly be running our cars on something other than gasoline. We had just sent 12 men successfully to the moon and back between 1969 and 1972. Certainly the good old U.S. of A. could figure this one out, right?

A few things have been done in an attempt to cut consumption. In 1974, Congress set the maximum speed limit at 55 m.p.h. That was gone by 1995. In 1975, Congress enacted "CAFE" standards mandating higher fuel efficiency for passenger cars. Attempts at increasing these standards have been controversial. I'm not passing judgment on either of these measures. However, what has this nation done since 1973 to find alternative fuels to run our automobiles? Not a whole heck of a lot. We've dabbled in burning ethanol and a little on electric or hybrid cars, but it appears that we are a long way off in getting off our oil addiction. How different our country and world might be today if our government could have created an "Apollo" project for true energy independence back in the 1970s. Many say that we have enough oil and natural gas to get us through the next 100 years, but is that the extent of our vision? What do we do then? Our continued reliance on imported oil is a current economic problem and has dominated much of our foreign policy for too long. I hope that our national leaders will have the vision and courage to make true energy independence a priority.

(Retirement 101 continued from page 2)

savings and investment plan. As you will see, getting started early and making regularly scheduled contributions to your savings are the keys to harnessing the power of compounding.

In each case, Jim and Sandy have taken the initiative and done great things to help provide for a more successful financial future. Compound interest is a "get rich slowly" scheme that takes patience and discipline, but the rewards can be tremendous. The young person who starts saving now, and earns even a modest rate of return, in 30 or 40 years is going to have a lot to show for it.

Carefully consider your risk tolerance and time horizon when making investment decisions. The longer you have to invest, the better able you are to weather the ups and downs of riskier investments. When you have less time to invest, you may be resigned to more conservative investments that have a lower rate of return.

There are many great articles and online resources available regarding compound interest and how it can work for you. One example is [www.moneychimp.com/calculator](http://www.moneychimp.com/calculator) which has a free online compound interest calculator.

## Annual Statements are Coming

Fiscal Year 2008 is officially over and we will be sending annual statements in the mail in the coming weeks. These statements provide individual information about your retirement contributions, beneficiaries, and plan details for both OPERS and SoonerSave. Statements will be mailed to the address listed in our current records.

### Remember to keep your address and beneficiaries current with OPERS.

Active members who need to update their address can find the *Change of Address* form on our website at [www.opers.ok.gov/forms](http://www.opers.ok.gov/forms) and fax it to (405) 848-5946. If the beneficiary listed on your statement needs to be changed or corrected, you can also find the form for active or vested members on the forms page of the website.

## Fillable Forms Available on Website

Now introducing - fillable forms on the OPERS website. You can type your information in to an Adobe PDF, print and mail it to OPERS.

The Change of Address and beneficiary forms are available at [www.opers.ok.gov/forms](http://www.opers.ok.gov/forms) in the fillable format.

Look for more forms to become available in the fillable format as they are updated.

The image shows a screenshot of the OPERS 'Change of Address' form. At the top left is the OPERS logo. To the right of the logo, it says 'Oklahoma Public Employees Retirement System', 'P.O. Box 83027 • Oklahoma City, OK 73182-3027', '1-800-731-8268 or (405) 858-0731 • (405) 848-5946 fax', and 'www.opers.ok.gov'. On the far right, it says '915-160-08 65'. The title of the form is 'Change of Address'. Below the title, it says 'Please type or print in blue or black ink.' and 'Check one:  Retired - currently drawing a retirement benefit,  Vested - not currently working but eligible to draw a benefit in the future,  Active/Other - please provide your Agency name: \_\_\_\_\_'. There are three main sections: 'PART 1: PROVIDE YOUR NAME AND SOCIAL SECURITY NUMBER BELOW.' with fields for 'Name (first, middle, last)' and 'Social Security number'; 'PART 2: PROVIDE YOUR COMPLETE NEW ADDRESS AND TELEPHONE NUMBERS BELOW.' with fields for 'Mailing address', 'City', 'State', 'Zip+4', 'Home telephone', and 'Work telephone'; and 'PART 3: PROVIDE THE INFORMATION REQUESTED.' with two numbered sections. Section 1 asks 'The changes made above will change my permanent records in the following Plans:' with checkboxes for 'Oklahoma Public Employees Retirement System Defined Benefit Plan', 'Oklahoma State Employer's Deferred Compensation Program (SoonerSave)', and 'Oklahoma State Employer's Deferred Savings Incentive Program (SoonerSave)'. Section 2 asks 'The changes made above will become effective: \_\_\_\_\_'. At the bottom, there is a section 'PART 4: READ THE FOLLOWING, SIGN AND DATE IN THE SPACE PROVIDED.' with a statement 'I understand that I must properly complete and submit this form before any changes to my permanent retirement records can be made.' and fields for 'Signature' and 'Date'.

*(Legislative Summary continued from page 1)*

had at least six (6) years in elected office, was able to count all of their non-elected service as if they were in office for their entire career. This may have given certain elected officials a larger pension than they actually paid for throughout their career.

Members who are elected officials prior to the effective date of the bill are not affected by the change in law. Current OPERS members who are elected after the effective date will have a benefit cap of 100% of their highest annual salary that they received. The loophole is eliminated completely for those who join OPERS after the effective date of the bill. These members will receive a benefit consisting of two separate calculations. Their non-elected years will be multiplied by 2%, and their elected years multiplied by the applicable percentage selected and paid for by the member.

## 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:**

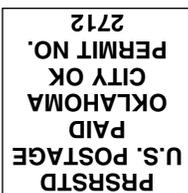
(800) 733-9008

**Website:**

[www.opers.ok.gov](http://www.opers.ok.gov)

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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.*



P.O. Box 53007  
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