

Retiring Right

A Publication of the Oklahoma Public Employees Retirement System

Retiree Edition

OPERS
newsletter

Summer 2004

Legislative Summary Edition

2004 Legislative Session Brings Changes, Including Retiree COLA

The 2004 Regular Session of the Oklahoma Legislature produced several retirement-related changes to the plans administered by OPERS, including a cost of living adjustment (COLA) for most OPERS retirees.

Senate Bill 1134 provides the COLA in the form of a percentage increase that applies to any person who

was receiving benefits as of June 30, 2003 and who continues to receive benefits on or after July 1, 2004. Retirees will see this increase with their July 2004 benefit payment, which is sent or deposited the last working day of July.

The increase is a percentage based on each retired member's years of service and monthly benefit. (See Table).

Years of Service of the Retired Member	Monthly Benefit as of June 30, 2004	Benefit Increase
20 years or more	Less than \$1,500.00	4.5%
	\$1,500.00 to \$2,500.00	4.0%
	Over \$2,500.00	3.5%
15 to 19 years	Less than \$1,000.00	4.0%
	\$1,000.00 to \$2,000.00	3.5%
	Greater than \$2,000.00	3.0%
Less than 15 years	\$800.00 or less	3.5%
	\$800.01 to \$1,499.99	3.0%
	\$1,500.00 or greater	2.5%

The Director's Corner

by Tom Spencer, OPERS Executive Director

It's hard enough to be a new employee, but when you're a new Executive Director of an agency, it's particularly hard. I still consider myself new after beginning my tenure here at OPERS in August of 2003. I am adjusting to my new responsibilities and my staff is still getting used to the "new guy." The good news to public employees and our retirees is that we have an excellent retirement system. We have good people working here who are committed to serve you. However, the purpose of my first column is to let our membership know about the growing funding problem here at OPERS.

Let me start with a definition or two. First, your basic state retirement benefit is in the form of a "defined benefit" plan. In other words, each employee's ultimate retirement benefit is set by a defined statutory formula. No matter how much money comes in, and no matter how well or poorly the stock market performs, your basic benefit is "defined" as a fixed annuity paid to you for life after you retire. Second, the fundamental measurement of the financial well-being of a defined benefit retirement system is its "funded ratio." That is the ratio of a system's assets compared to its liability to pay all of the benefits that the State of Oklahoma has promised to pay. If a system is 100% funded, it has exactly enough assets to pay for the expected benefits it will pay out. Many may disagree, but Oklahoma needs to be striving toward the 100% funded goal for its retirement systems. Unfortunately, OPERS' funded status has been steadily declining for the last six (6) years.

There is no cause for panic or undue alarm. There is no money missing and OPERS has done an excellent job at investing its assets. Over the last 15 years, OPERS has an average return on investment of 9.9% per year. I wish I could do that well with my personal funds. But as well as OPERS has done in the investment arena, your retirement system has been short-changed over the past few years. Back in 1998 OPERS had a funded ratio of 91%, which is not a bad place to be. In 1999 the Legislature cut the amount of money the State and other public employers was contributing to OPERS. For instance, the contribution rate for state employers was reduced from 12.5% of salaries to 10%. Put away your calculators. That's a 20% reduction of employer contributions into OPERS. It couldn't have happened at a worse time. Within a year or so after the cut, OPERS and practically every investor in the United States, experienced three straight years of negative returns in the stock market. The net effect is that at the end of FY 2003, OPERS' funded ratio had sunk to 76.8%. We expect even a lower number when the FY 2004 numbers are calculated by our actuaries.

Fortunately, in 2003 the Legislature authorized a gradual increase of employer contributions to OPERS, but the increase was not scheduled to begin until July 1, 2006. This past session, the Legislature moved the increase to July 1, 2005. It will go up another 1.5% that year and go up 1% per year to a maximum of 16.5% for state agencies. Let's all hold our breath and hope that is enough to reverse the downward trend over the next few years.

Public employees really have a good retirement benefit structure. The best way to improve our retirement benefits is not to change the basic structure of OPERS' benefits. Because our retirement benefits are tied to wages, the best way to improve benefits is to improve wages. Let's not make changes to the basic system that will hurt the funded ratio of OPERS.

Final Benefit Check to the Estate of Members

The final benefit check issued in the month a retired member dies, if not already paid to the member, will be paid to the member's estate or to the member's beneficiary if there is no estate.

Increase in Employer Contributions Beginning July 1, 2005

Beginning July 1, 2005 employer contributions will increase. This increase is to improve the system's funding ratio and ability to pay benefits in the future.

State agencies will contribute 11.5% instead of the current 10%. This percentage will increase by 1% each year thereafter through the fiscal year ending June 30, 2011, when it tops out at a rate of 16.5%. For non-state participating employers and their employees, the total employer and employee contributions will increase from 13.5% to 15% beginning July 1, 2005 and will increase by 1% each year, finally reaching 20% in FY 2011.

OPERS Right of Offset

The Board may offset from any benefits payable to a member or beneficiary, for amounts owed from judgments or settlements involving a crime against the System, fraud or breach of fiduciary obligation to the System, or for overpayments by the System to a member or beneficiary.

Disclosure of Member Information

An amendment permits the disclosure of a member's name, age, amount of contributions paid in, benefits being paid, amount of credited service, and any documents verifying credited service or benefits. The prior consent of the member is not required to release such information. All other information related to a member, as kept in his or her retirement file, shall be kept confidential unless the member has consented to its release. Any information in a member's retirement file is subject to subpoena or court order.

Employee Organizations Annual Mailing to Retirees

Senate Bill 1384 allows organizations with membership limited to state employees, and which has a minimum of 1,000 members, to send one general mailing to all retired members of OPERS annually. The cost of the mailing is to be paid by the organization. The OPERS Board and the organization shall agree on the method of providing a list of OPERS retired members to a third party mailing firm, without invading the members' privacy. OPERS shall not be liable to members for providing their names and addresses.

OPERS Receives Award for Financial Accounting

For the 7th year in a row, OPERS has received a "Certificate of Achievement for Excellence in Financial Reporting" from the Government Finance Officers Association (GFOA). This was awarded for comprehensive annual financial report (CAFR). For a copy of the CAFR, contact OPERS or view it on the publications page of the OPERS website at www.opers.state.ok.us/publications.

Earnings Limitations

The earnings limitations for calendar year 2004 for retirees who have returned to work with an OPERS participating employer are:

- Under Age 64: \$11,640
- Turn age 65 + 4 months in 2004: \$31,080
- Age 65 + 4 months: No limit

These amounts apply for the year 2004 only. The full retirement age will increase each year. In order to draw full retirement benefits, you must adhere to these age and earnings limits.

Once your salary exceeds the allowed amount, your benefits will be suspended for the rest of the calendar year or until your employment terminates.

Why Should I Update My Beneficiary?

Beneficiary designations are important. Like many, you may have forgotten to update your designation after experiencing a life-changing event. The beneficiary you named when you were hired may not be the same person you would want benefits paid to today. Remember, divorce voids the designation of a spouse as beneficiary.

You should consider updating your beneficiaries if you have recently experienced:

- The birth of a child;
- A marriage;
- A divorce; or,
- A death in your family.

Updating your beneficiary is easy. All you need to do is complete and submit a Designation of Beneficiary form. It's available at www.opers.state.ok.us or you can request one by calling us at (405) 858-6737 or (800) 733-9008.

Updating your beneficiary with OPERS doesn't change the designation of your SoonerSave beneficiaries or your life insurance beneficiaries with OSEEGIB. These are separate designations requiring different forms.

How Do I Update My SoonerSave Beneficiary?

To update your SoonerSave Deferred Compensation beneficiaries, complete SoonerSave's Beneficiary Change form. Use it to change beneficiaries for either the 457 or the 401(a) Plan or both. It's available at www.soonersave.com or by calling the SoonerSave offices at (405) 858-6781 or (800) 733-9008.

OPERS has Moved

In April, OPERS moved its office quarters to the 4th floor of the Paragon Building at 5801 N. Broadway Extension in Oklahoma City.

The new location is only accessible via Robinson Street. Visitors are advised to use the following route: exit Broadway Extension on N.W. 63rd Street; travel one block west to Robinson; turn south on Robinson and continue to the Paragon Building.

The OPERS mailing address and telephone numbers did not change and continue to be:

P.O. Box 53007
Oklahoma City, OK 73152
(405) 858-6737
(800) 733-9008





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