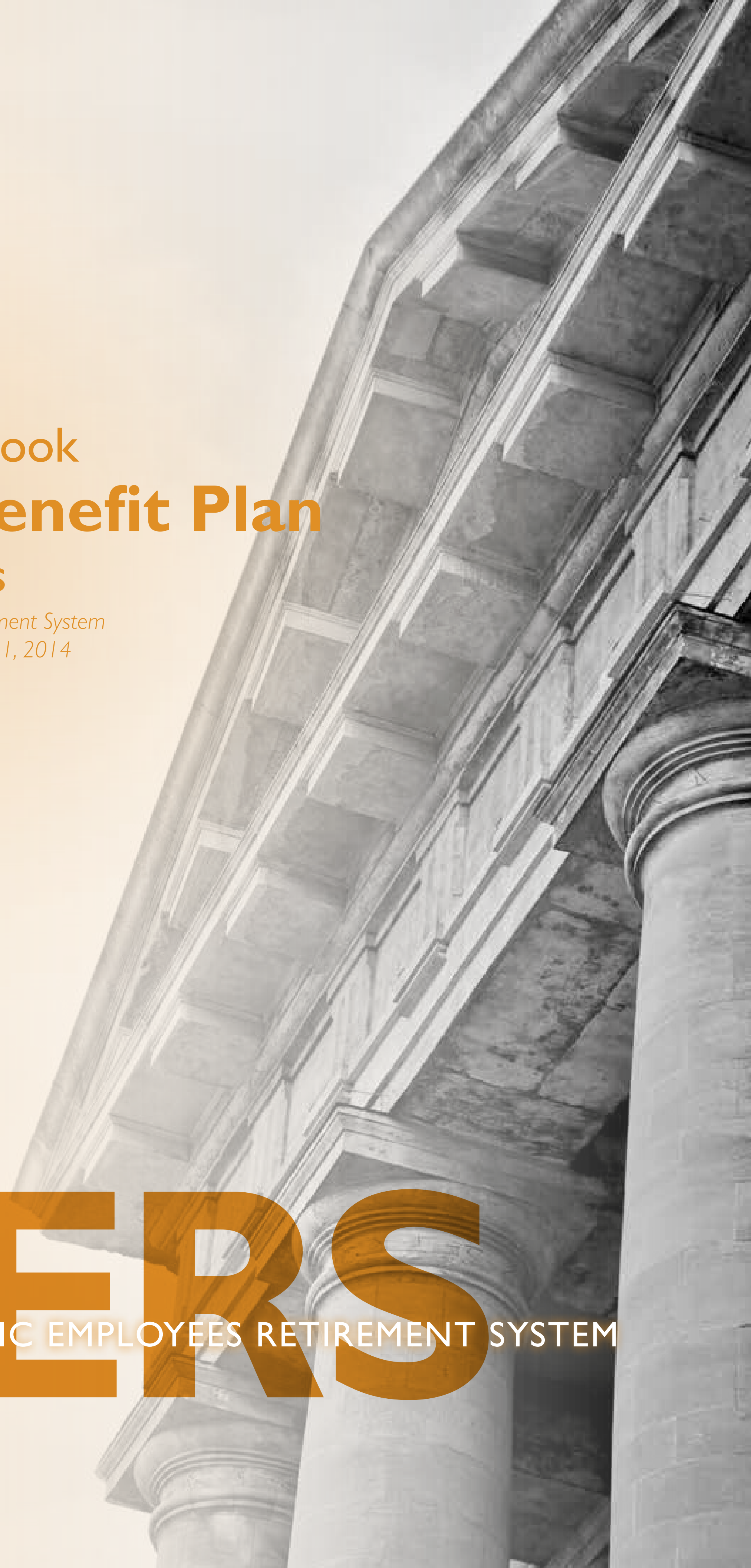

Member Handbook

Defined Benefit Plan

Elected Officials

Oklahoma Public Employees Retirement System
Describing plan provisions as of July 1, 2014

OPERS

OKLAHOMA PUBLIC EMPLOYEES RETIREMENT SYSTEM

Oklahoma

Public Employees Retirement System

Member Handbook

Defined Benefit Plan

Elected Officials

Describing Plan Provisions as of July 1, 2014

No information provided in this handbook is intended to constitute legal, tax or investment advice. You are encouraged to consult a professional tax advisor before receiving any distribution from the plans mentioned. While we have made every attempt to provide the most current and correct information, the information provided in this handbook is based on the laws and rules in existence as of July 1, 2014, and is subject to change or modification. Current laws will always be followed and take precedence over material in this handbook. It is your responsibility to clarify conflicting or questionable information received from a Retirement Coordinator. Neither OPERS nor the Board will be liable for or bound by any mistakes, errors or misrepresentations of your coordinator.

This publication is issued by the Oklahoma Public Employees Retirement System as authorized by the Executive Director. Copies have been deposited with the Publications Clearinghouse of the Oklahoma Department of Libraries

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Contact Us

By Telephone

OKC Local
(405) 858-6737

Toll-Free
1-800-733-9008

On the Web

Website
www.opers.ok.gov

Email
info@opers.ok.gov

By Mail

Mailing Address
P.O. Box 53007
Oklahoma City, OK 73152-3007

Physical Address
5801 Broadway Extension, Suite 400
Oklahoma City, OK 73118-7484

Staff

Tom Spencer
Executive Director

Rebecca Catlett
Defined Benefit Administrator

Joseph A. Fox
General Counsel

Kristi Ice
Legislative and Policy Director

Patrick W. Lane
Communications Director

Garry McCoy
Director of Information Technology

Ray Pool
Defined Contribution Administrator

Susan Reed
Chief Financial Officer

Brad Tillberg
Chief Investment Officer

Linda Webb
Director of Member Services

Brian Wolf
Assistant Chief Financial Officer

Driving Directions to OPERS

The OPERS office is not accessible from the Broadway Extension, as our physical address suggests. Our office is only accessible via Robinson Avenue, which is one block west of the Broadway Extension (US-77/I-235), as shown on the map below. Visitors are advised to use one of the driving routes explained on this page rather than trying to obtain driving directions using online mapping services.

From the North

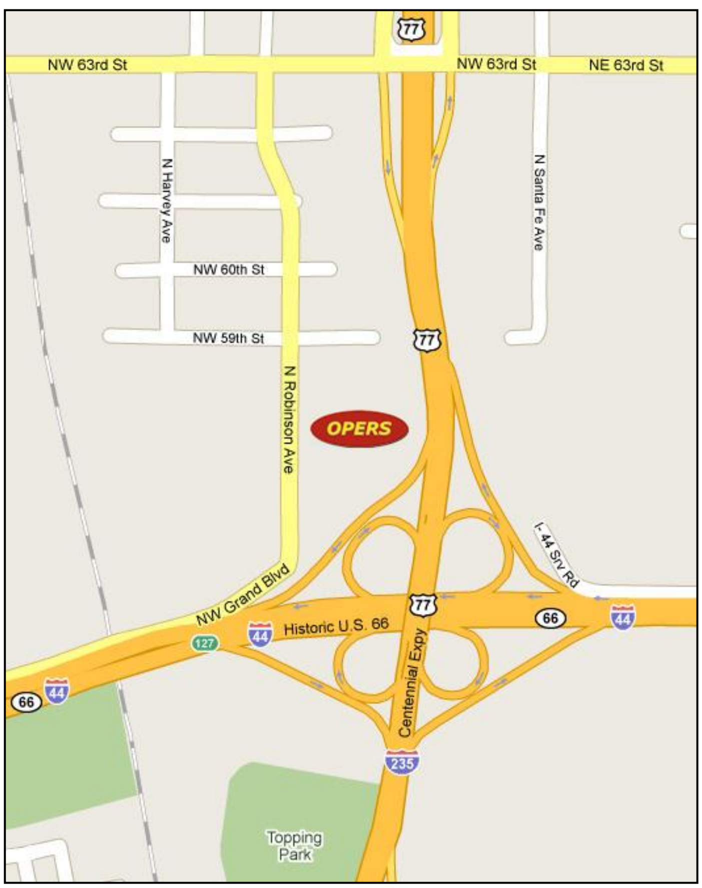
Travel south on I-35 to the I-44 West exit (#133) to Lawton/Amarillo. Merge onto I-44 W. Take the I-235/US-77 North exit (#127), towards Edmond. Keep right at the fork in the ramp then immediately take the 63rd street exit. Use caution. At the light, turn left. Take the inside lane on 63rd street one block west to the light at Robinson. Make a left and continue to the Paragon Building.

From the South

Travel north on I-35 to I-235 North (the State Capitol/Edmond exit) which becomes Broadway Extension. Merge into the right lane prior to the 63rd Street exit but use caution. Look for merging traffic. Exit to 63rd Street. Turn left at the light on 63rd Street. Take the inside lane on 63rd street one block west to the light at Robinson. Make a left and continue to the Paragon Building.

From the East or West

Travel on I-40 to I-235 North (the State Capitol/ Edmond exit) which becomes Broadway Extension. Merge into the right lane prior to the 63rd Street exit but use caution. Look for merging traffic. Exit to 63rd Street. Turn left at the light on 63rd Street. Take the inside lane on 63rd street one block west to the light at Robinson. Make a left and continue to the Paragon Building.



About this Handbook

This handbook is a summary of the provisions of the defined benefit plan for state and county elected officials administered by the Oklahoma Public Employees Retirement System, written in layperson's terms. It is not a plan document. As much as possible, this handbook has been written without technical terms, avoiding the formal language of the retirement laws and rules. The Oklahoma Public Employees Retirement System (OPERS) reserves the right to correct any errors contained herein to comply with federal or state statutes, rules, and regulations that govern the Plan. Any information contained in the handbook that refers to federal or state tax regulations is not intended to be tax advice. You are encouraged to consult a professional tax advisor before receiving any distribution from the plans mentioned in this booklet. If questions of interpretation arise as a result of the attempt to make the retirement provisions easy to understand, federal and state law, rules and regulations remain the final authority.

The information contained in this handbook is made available as a public service. No information provided is intended to constitute legal or investment advice. While we have made every attempt to provide correct information, we do not guarantee the accuracy of information, or the accuracy of other publications referenced herein. No one shall be entitled to claim detrimental reliance on any information herein.

The information provided in this handbook is based on the laws and rules in existence as of July 1, 2014, and is subject to change or modification based on changes in law, rule, or policy.

Representatives or Retirement Coordinators from participating employers are not agents of OPERS. OPERS is not responsible for erroneous information provided by employer representatives.

Welcome to OPERS!

At the Oklahoma Public Employees Retirement System (OPERS), we strive to provide timely and accurate information to you throughout your career in public service in the most convenient format for you, whether in print, on the web, over the phone or in person.

This member handbook is a summary of your retirement benefits administered by OPERS and is organized to provide a quick and easy reference to answer two basic questions:

When can you retire?

and

What benefits will you receive?

In addition to providing a *secure, lifetime* benefit when you retire, OPERS is committed to providing the best possible customer service and welcomes any questions you may have throughout your membership. Our friendly, knowledgeable staff is well-versed on your retirement benefit and ready to help you get the most out of it.

We believe the better informed and prepared you are, the more confident you will be in making important financial decisions leading to retirement. To that end, OPERS also offers a variety of member education opportunities to assist you in the financial planning process. Please visit the *Member Education* page of the OPERS website for more information on our seminars at www.opers.ok.gov/confidence.

Retirement can and should be a time of great excitement, but early preparation is important to ensure a successful retirement. Whether you are a new employee, transitioning between careers or about to retire, OPERS will be with you every step of the way.

Sincerely,
Your Friends at OPERS

*Essential*OPERS

MEMBERSHIP AND PARTICIPATION

As an elected official, participation in OPERS is not mandatory, but must be determined within 90 days after you take office. The decision to participate is irrevocable and binding upon all future elected offices. Participation in OPERS begins on the date you take office.

CONTRIBUTIONS

If you were first elected before November 1, 2011, the contribution rate you chose will determine the benefit computation factor used to calculate your retirement benefits. The elected official contribution rates and corresponding computation factors are available online at www.opers.ok.gov.

If you were first elected on or after November 1, 2011, current contribution rates are 3.5% for elected officials and 16.5% for county/state.

VESTING

Vesting means you have accumulated enough service credit to entitle you to a lifetime monthly retirement benefit in the future. If you were first elected before November 1, 2011, you must have six full years of participating service to become vested. If first elected on or after November 1, 2011, you must have eight full years of participating elected service to become vested in OPERS.

ELIGIBILITY FOR NORMAL RETIREMENT BENEFITS

If you were first elected before November 1, 2011, you can begin receiving unreduced retirement benefits:

- **Age 60** – When you are at least age 60 with six full years of full-time-equivalent participation as an elected official; or,
- **80 Points** – When the sum of your age and years of service equals 80.

If you were first elected on or after November 1, 2011, you can begin receiving unreduced retirement benefits:

- **Age 62** – When you are at least age 62 with 10 years of full-time-equivalent participation as an elected official; or,
- **Age 65** – When you are at least 65 with eight years of full-time-equivalent participation as an elected official.

ELIGIBILITY FOR EARLY RETIREMENT BENEFITS

If you were first elected before November 1, 2011, you can begin receiving reduced retirement benefits once you have reached age 55 and have at least 10 years of participating service.

If you were first elected on or after November 1, 2011, you can begin receiving reduced retirement benefits once you have reached age 60 and have at least 10 years of participating service.

If you choose early retirement, you will receive a **permanent** actuarial reduction in your benefit based on your age at retirement.

Defined Benefit Plan Elected Officials

ELIGIBILITY FOR DISABILITY BENEFITS

If you must terminate participation in OPERS due to significant health problems resulting in permanent disability, you may be entitled to disability benefits if:

1. You qualify for payment of disability from the Social Security Administration or the Railroad Retirement Board, the disability onset date falls within one year of your last date physically on the job, and you were an active employee with a participating OPERS employer at the time of disability onset; and,
2. You have at least eight years of credited service (including six full years of full-time-equivalent employment).

CALCULATING YOUR RETIREMENT BENEFITS[1]

Your gross annual retirement benefit is calculated by multiplying your:

- **Highest Annual Compensation**– Your highest annual compensation received as an elected official prior to retirement or termination is used to calculate your final compensation.
- **Total Service Credit** – The years and full months you have participated in OPERS, including any purchased service, prior service, and bonus years. Total service is rounded up or down to the nearest full year.[2]
- **Computation Factor**[3] – The computation factor is determined based on when you began participation as an elected official and your contribution level. The elected official contribution rates and corresponding computation factors are available online at www.opers.ok.gov.

TERMINATION OF EMPLOYMENT AND WITHDRAWAL

If you terminate employment with a participating employer and did not accrue enough service for retirement eligibility or vesting, you may choose to:

- **Leave the contributions with OPERS to retain membership and any service credit previously earned.** Upon re-employment with a participating employer, this previously earned service will be added to any new service credit and used in determining your retirement benefits; or,
- **Withdraw the contributions you have paid into OPERS.** You will lose all service credit, including prior service credit earned before the date of withdrawal, and you will no longer be a member of OPERS. No accumulated interest or increased value is paid on the withdrawn money.

---

[1] Retirement benefits for elected officials are calculated in one of the three ways, depending upon when your membership in OPERS occurred:

- If you were an elected official prior to August 22, 2008, and retired as an elected official, all of your service will be calculated at the elected official computation factor.
- If you were an OPERS member prior to August 22, 2008, but became an elected official after August 22, 2008, your retirement benefit will be calculated with all service at the elected official computation factor, but the benefit will be capped at 100% of your highest annual compensation.
- If you began your OPERS participation (elected or non-elected) after August 22, 2008, your benefit will consist of two separate calculations for elected and non-elected service.

[2] In 2012, the legislature eliminated the rounding of service credit for new members. Consequently, total credited service for members who begin participating in OPERS **on or after November 1, 2012**, shall be based on actual years and months of credited service without rounding up or down.

[3] Members first elected or appointed to office on or after November 1, 2011, may elect to increase or *step-up* the computation factor from 2% to 2.5%; thereby increasing the amount of their retirement benefits. Members electing the Step-Up are required to make an additional retirement contribution. A brochure on the Step-Up program can be obtained from OPERS or your Retirement Coordinator.

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Your Financial Well-Being

The path to a rewarding retirement requires making positive financial decisions throughout your working life. In this section, we highlight some basic information to consider in your financial planning process. OPERS also provides a number of seminars focusing on these and other topics related to retirement planning. More information on member education is available at www.opers.ok.gov/confidence.

What Does Stability in Retirement Look Like?

"FOUR-LEGGED CHAIR"

Retirement is something you have to buy and, unlike other purchases, you can't take out a loan to pay for it. You have to know what you want in retirement and make a plan to get there.

Experts estimate we will need at least 70-90% of our pre-retirement income in retirement. That percentage can be even higher as we age and medical expenses require a greater share of our income. For women, who have historically shouldered more of the burden of caring for young children and elderly parents, the percentage can be higher, as well, considering the time spent out of the workforce as a caregiver (see *Women in Retirement* on page 37).

Your lifetime benefit from OPERS is based on a formula that rewards you for longer periods of employment and upward movement in your compensation.

The "four-legged chair" is a good place to start in determining how much we need for retirement. The four legs of the chair represent the four sources of income we need to support us in our retirement years:

- Social Security;
- Employer-sponsored retirement plans (like OPERS);
- Personal savings and investments; and
- Working in retirement.

Social Security is the first leg supporting the retirement chair, and your birth date determines when you may start receiving benefits. Social Security benefits are calculated based on how much you earned and paid into the Social Security system during your working career. Generally speaking, Social Security benefits were designed to replace a larger portion of pre-retirement income for lower wage earners and a smaller portion for higher wage earners. For more information, see *Social Security* on page 56.

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 is based on a formula which rewards you for longer periods of service and upward movement in compensation throughout your career in public service. The OPERS benefit formula and retirement eligibility are discussed in later sections.

The third leg of the retirement chair is **personal savings and investments**. This is probably the most important, and 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 outside of Social Security and other retirement plans, is our responsibility.

The final leg of the retirement chair is **working in retirement**. The "four-legged chair" used to be referred to as the "three-legged stool". Why the extra leg? More and more people are either looking to transition into retirement by staying engaged through work, or simply have yet to achieve the financial security needed to retire.

Armed with this information, it is time to begin looking at our current financial condition and what we can do to make a more effective retirement plan.

Budgeting

You may have heard the saying, "If you don't know where you're going, any road will take you there." To some, this quote appeals to a sense of freedom and a wandering spirit. However, when it comes to your finances, not having a plan can be an expensive mistake.

Short-Term Planning for Long-Term Financial Security
A budget helps us make important decisions about where we spend our money and ensure it is directed to those things we truly value – those things providing long-term financial security. Here are a few steps to get you started:

A budget helps up make important decisions about where we spend our money and ensure it is directed to those things providing long-term financial security.

1. **STEP ONE: Establish your financial goals.** Before you start mapping out how much money will be allocated to different areas, sit down and determine your goals. What short-term goals do you have for the next five years and long-term goals for the next 10 years and beyond? How important are these goals, what will you need to accomplish them, and what resources will be available to finance them? Armed with a clear picture of your financial goals, you can work toward establishing a budget to help you reach them.
2. **STEP TWO: Identify income and expenses.** The most obvious source of income is your paycheck, but do you have other income sources? Expenses can be broken down into two basic categories. *Fixed expenses* are those that are constant every month and easily identified (housing, utilities, food and transportation). *Discretionary expenses* are those items outside of the normal necessities of living (entertainment, travel, hobbies etc.).
3. **STEP THREE: Compare the numbers.** After establishing where your money comes from and where it goes each month, compare the numbers. Are you spending more or less than you make? What areas of spending are really draining you? Where can you make some cuts? If you have extra money left over at the end of the month, where is it going? Hopefully to the third leg of the chair – personal savings and investments.

4. **STEP FOUR: Keep a watchful eye.** A budget isn't something you can create and just forget about. You need to regularly (monthly) take a look at your income and expenditures to make sure you are still on track.

It's easy to get side-tracked financially, so be prepared for the unexpected. If you slip up one month, make the necessary adjustments and try to make it up the following month. Once you get comfortable with your monthly budget and notice the trends in your savings and spending, try looking out a little further with an annual budget. The farther out you can plan, the fewer budget-busting surprises you may experience. The key is to be flexible, yet disciplined.

Budgeting Tips to Help You Stay on Track

- Find a budgeting system that works for you. It can be as simple as the back of an envelope or as sophisticated as a spreadsheet or other financial software.
- Start your new budget at a time when it will be easy to follow and stick with the plan (e.g., the beginning of the year, as opposed to right before the holidays).
- Involve the entire family and agree on a budget up front. Meet regularly to check your progress.
- Distinguish between "wants" (discretionary expenses) and "needs" (fixed expenses).
- Avoid using credit cards for everyday expenses. It may seem like you're spending less now, but you eventually have to pay the credit card bill.
- Stay disciplined – make budgeting a part of your normal monthly routine.
- Build rewards into your budget, but plan for them within the budget. Don't let the reward bust the budget.

Unless we find a way to quantify our financial situation, we will struggle to get on a positive financial footing.

Net Worth

A Swedish proverb offers: "Worry often gives a small thing a big shadow." Fretting over our finances can become a major distraction in our work and personal lives. Some people would rather not know the whole picture when it comes to how much money they have versus how much they owe. However, unless we can find a way to quantify our financial situation, we will struggle to get on a positive financial footing. Another way to say it is: if you can measure it, you can manage it.

Using Net Worth as a Scorecard

Understanding and calculating your net worth on a regular basis (once a year should do it) is a good way to quantify ***what you own*** versus ***what you owe***. This simple formula can help you identify if you are on a positive financial path:

Your Net Worth = Your Assets (Own) – Your Liabilities (Owe)

Totaling your liabilities, or putting a number on how much money you owe, can be a stressful exercise. However, it's the first step in building financial wealth and shouldn't be avoided. Don't be discouraged if you find yourself in a negative net worth situation. A mortgage payment in its early stages can be a significant liability when compared to your assets. A college loan for someone fresh out of school is likely to dwarf what a person will make when accepting their first job. This is not uncommon.

The key is to make sure you are on a positive path to building net worth over time. Increasing your assets (and/or decreasing your liabilities) by 5-10% annually is an example of a positive short-term wealth-building goal you can set for yourself.

The Power of Compound Interest

Compound interest is one of the simplest and most time-tested savings strategies for building wealth and is available to anyone who chooses to take advantage of it – regardless of age or income. Here are four wealth-building tips to maximize the power of compound interest:

- **Live below your means.** The less we spend, the more we can save. We should set aside money to pay ourselves the same way we pay our bills.
- **Start saving now.** Time is the most valuable component of putting compound interest to work for you. Get an early start. Procrastination equals lost earnings.
- **Make savings automatic.** Saving on a fixed schedule means making it a regular part of your budget like any other recurring expense.
- **Ditch credit, pay with cash.** Don't get caught paying too long on past consumption. Using cash instead of pulling out the credit card eliminates a debt to be paid down the road and provides greater financial freedom to redirect money to savings.

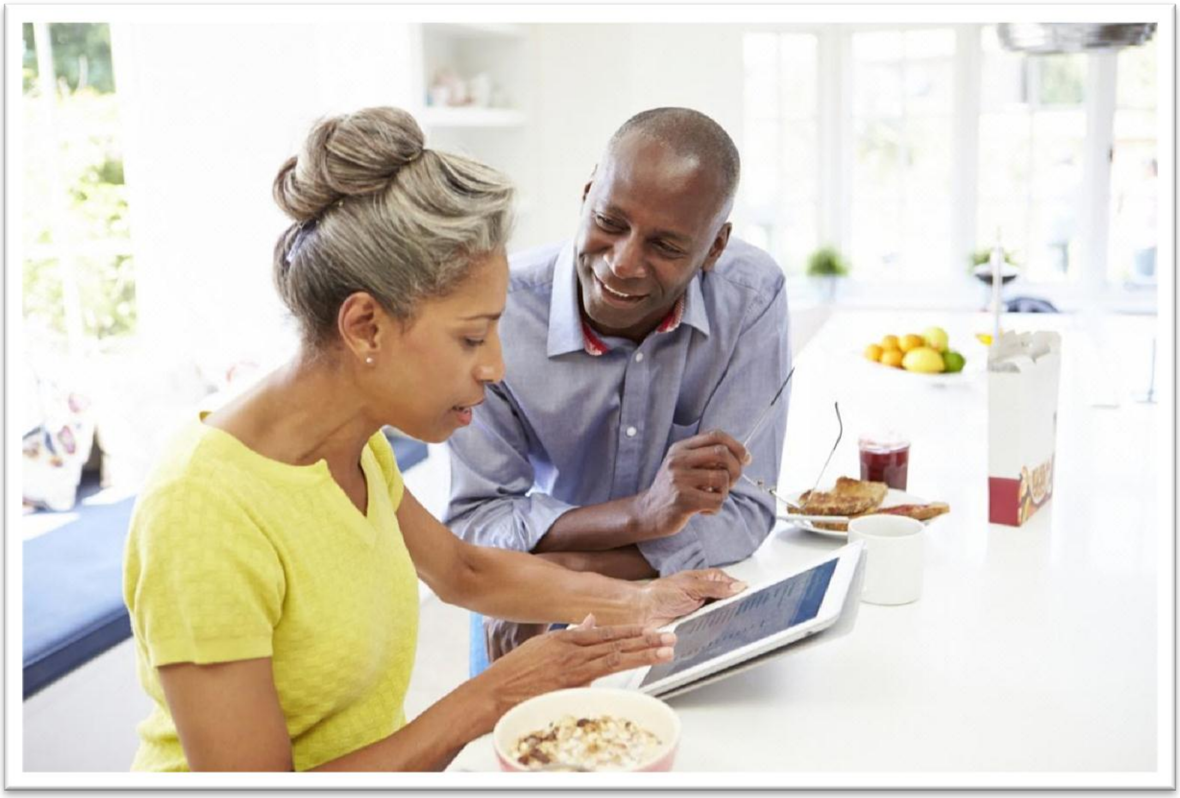
Your money habits should support your personal values, priorities, and needs.

Debt Reduction

Debt is one of the biggest obstacles to getting on a positive, long-term financial footing. When we are confronted with the choice of paying down a debt or setting aside a few dollars toward retirement, debt wins almost every time. So our goal should be to minimize debt so we can improve our long-term financial security.

Your money habits should support your personal values, priorities and needs. Having a large net worth and successfully managing your money isn't dependent on how much money you *earn*, but how much you *keep*. For example, paying the interest on credit cards for too long will work against the dual goal of decreasing liabilities (paying down the credit card) and increasing assets (redirecting that money to savings and investments).

There is fierce competition for every dollar we earn. Credit cards, cars payments, mortgages, our children's education, they are all fighting for a portion of our paycheck. This makes it even more important to have a budget and long-term financial plan in place to help prioritize where our money goes. When we over-burden ourselves with too much debt, retirement security becomes much more difficult to achieve.



Understanding Your Retirement Plan

It is our goal to help you fully understand how your retirement plan works and what you can expect as a member throughout your career in public service. The OPERS Defined Benefit Plan is funded by contributions made by you and your employer and the investment earnings on those contributions. The plan is designed to provide a secure, lifetime retirement benefit for state and local government employees who serve the people of Oklahoma.

About OPERS

The Oklahoma Public Employees Retirement System administers retirement plans for several different types of government employees, including state and local government employees, state and county elected officials and hazardous duty employees. OPERS publishes unique editions of the handbook for each of these groups. This version of the member handbook discusses plan provisions for elected officials.

DEFINED BENEFIT PLAN

The defined benefit plan administered by OPERS is qualified under Section 401(a) of the Internal Revenue Code. The plan provides a lifetime retirement benefit when you meet certain eligibility requirements. You participate in OPERS by contributing a portion of your salary each pay period. Your employer also contributes on your behalf. The paid contributions are invested by OPERS, under the direction of the Board of Trustees, to provide benefits to present and future members of the system. The amount of contributions does not determine the amount of the benefit OPERS promises you. Rather, OPERS retirement benefits are based on a formula discussed on the next page.

SOONERSAVE

Members of the OPERS defined benefit plan who are state employees are also eligible to participate in two defined contribution plans administered by OPERS and collectively known as *SoonerSave* – the Oklahoma State Employees Deferred Compensation Plan (DCP) and the Oklahoma State Employees Deferred Savings Incentive Plan (SIP). Participation in these plans is voluntary.

The DCP is an Internal Revenue Code Section 457(b) plan and allows eligible state employees to supplement retirement benefits by investing pre-tax dollars through voluntary salary deferral. Employee contributions are deposited in the DCP and federal and state taxes will remain deferred until contributions are withdrawn.

The SIP is qualified under Section 401(a) of the Internal Revenue Code and supplements employees' retirement benefits by contributing to a plan on their behalf. Currently, the state of Oklahoma contributes the equivalent of $25 a month to the SIP plan if the state employee is contributing at least $25 a month to the DCP plan. The employee selects where the money in both plans is invested among available investment options.

SoonerSave is an excellent way to defer federal and state taxes on your income while saving for the future. In both plans, contributions and any earnings grow tax-deferred until the money is withdrawn, usually during retirement.

State employees are encouraged to consider participating in these plans as a way to supplement income from the OPERS defined benefit plan and from Social Security.

For more information about SoonerSave, call 1-800-733-9008 or (405) 858-6737. Additional information, including enrollment forms, is available through the SoonerSave website at www.soonersave.com.

How Your Benefit Is Calculated

BENEFIT FORMULA

Your OPERS retirement benefit is calculated using a simple formula consisting of three components:

Years of Service **X** *Highest Annual Compensation* **X** *Computation Factor*

Each of these three components is explained in further detail in later sections.

Note: The benefit calculation for members who have both elected and non-elected participation in OPERS varies significantly based on your original entry date into OPERS, when you were first elected or appointed to elected office, and if you ended your service as an elected official (see *Revisiting the Benefit Formula* on page 48 for more information). If you have both elected and non-elected service, we encourage you to contact OPERS regarding the calculation of benefits beyond what is discussed in this handbook.

Your Annual Retirement Benefit

=

Years of Service

X

Highest Annual Compensation

X

Computation Factor

VESTING AND ELIGIBILITY FOR RETIREMENT

There is a difference between being vested and being eligible to retire. Being ***vested*** simply means you have met the minimum service requirements to earn a future retirement benefit, but have yet to meet the age requirements. Being ***eligible*** to retire means you have met both the service and age requirements to receive the benefit.

If you were first elected or appointed to office before November 1, 2011, you must have six full years of participating elected service to become vested. If first elected or appointed on or after November 1, 2011, you must have eight full years of participating elected service to become vested in OPERS.

OPERS provides three types of retirement benefits: normal, early and disability. Those who became members on or after January 1, 1983, must have six or more full years of full-time-equivalent employment with a participating employer to be eligible to retire under any of the eligibility requirements for normal, early or disability retirement. In addition to the eligibility requirements discussed in this section, you must provide the proper notice and terminate employment to be retirement-eligible.

NORMAL RETIREMENT

Eligibility requirements have changed over the years resulting from changes in the law. Your eligibility for full, unreduced (normal) retirement benefits depends on when you initially became a member of OPERS.

If you were first elected or appointed to office before November 1, 2011, you can begin receiving full, unreduced retirement benefits under one of the following:

- **Age 60** – You are at least 60 years of age with six years of full-time-equivalent participation[4] as an elected official; or,
- **80 points** – The sum of your age and years of service equals 80.

If you were first elected or appointed on or after November 1, 2011, you can begin receiving full, unreduced retirement benefits under one of the following:

- **Age 62** – You are at least age 62 with 10 years of full-time-equivalent participation as an elected official; or,
- **Age 65** – You are at least age 65 with eight years of full-time-equivalent participation as an elected official.

EARLY RETIREMENT

Your eligibility for reduced (early) retirement benefits also depends on when you initially became a member of OPERS.

If you were first elected or appointed to office before November 1, 2011, you can begin receiving permanently reduced retirement benefits as of the first day of the month coinciding with or following your 55th birthday or any subsequent month up to age 60.

If you were first elected or appointed on or after November 1, 2011, you may begin receiving permanently reduced retirement benefits as of the first day of the month coinciding with or following your 60th birthday or any subsequent month up to age 62.

You must have at least 10 years of participating service to be eligible for early retirement. At least six of the 10 years must be full-time-equivalent employment. The remaining four or more years may be other types of

[4] *Full-time-equivalent participation* refers to your actual employment with a participating OPERS employer and is credited on service where you are making contributions or purchasing service that constitutes full-time employment with a participating employer.

service, such as military service, service transported from the Oklahoma Teachers' Retirement System, bonus years, etc.

If you retire before your normal retirement date, you will receive a reduced retirement benefit (see *Appendix 4 – Early Retirement Reduction Factors*). The reduction required is based on your age in years and months on the actual date retirement benefits are to begin.

DISABILITY RETIREMENT

If you must terminate participation in OPERS due to significant health problems resulting in permanent disability, you may be entitled to monthly disability retirement benefits if you meet the following two conditions:

1. You qualify for payment of disability benefits as certified either by the Social Security Administration or the Railroad Retirement Board, provided:
    a. The date of disability onset established by the Social Security Administration or the Railroad Retirement Board falls within one year of your last date physically on the job; and,
    b. You must have been an active employee with a participating employer at the time of disability onset.
2. You have at least eight years of credited service. Prior and participating service may be combined, but you must have at least six full years of full-time participating employment with a participating employer.

Funding your benefits is a shared responsibility between you, your employer, and OPERS.

The amount of your disability retirement benefit is calculated by the same formula as for normal retirement. There is no minimum age requirement for receipt of disability retirement benefits. For more information, see *Application for Disability Retirement* on page 46.

How Your Benefit Is Funded

Funding your retirement benefit is a shared responsibility between you, your employer and OPERS. You participate in OPERS by paying contributions and accruing service credit. Your employer also pays contributions to OPERS to help fund your benefit. The OPERS Board of Trustees then invests those contributions in accordance with its established investment policy.

EMPLOYEE AND EMPLOYER CONTRIBUTIONS

If you were first elected or appointed to office before November 1, 2011, the contribution rate you chose at enrollment will determine the benefit computation factor used to calculate your retirement benefits. The following are the contribution rates and corresponding computation factors for elected officials first elected before November 1, 2011:

ELECTED OFFICIAL CONTRIBUTION RATE[5]	BENEFIT COMPUTATION FACTOR
4.5%	1.9%
6.0%	2.5%
7.5%	3.0%
8.5%	3.4%
9.0%	3.6%
10.0%	4.0%

If you were first elected or appointed on or after November 1, 2011, the current contribution rates are 3.5% for elected officials and 16.5% for the county or state, which provides a 2.0% benefit computation factor used to calculate your retirement benefits.

INCREASE OF CONTRIBUTION RATES

In certain cases, elected officials may increase the rate of contributions they previously paid into OPERS. You may increase the contribution rate paid on elected service which occurred prior to December 1, 1999. The contribution rate may only be increased to the level you are currently paying. The cost will be the difference in contributions that would have been paid on your elected salaries earned prior to December 1, 1999, plus 10% interest per year. You may make payment in a lump sum or through amortized payments over a period of up to 60 months with an annual interest rate of 7.5% (See *Installment Payment Plan* on page 27,), or by a pre-tax rollover or transfer from a qualified plan or IRA. For the amount of payments required and payment method details, contact OPERS.

STEP-UP PROGRAM

Members first elected or appointed to office on or after November 1, 2011, may participate in the Step-Up Program. The Step-Up Program is a way to increase your retirement benefits from OPERS by paying an additional

[5] Elected officials initially elected or appointed between November 1, 2010, and October 31, 2011, may only participate at the 4.5% contribution rate and corresponding 1.9% benefit computation factor, or at the 10.0% contribution rate and 4.0% corresponding benefit computation factor.

employee contribution to increase or "step-up" the benefit computation factor from 2.0% to 2.5% in the benefit formula.

All actively participating state and local government employees, except hazardous duty employees (such as correctional officers, probation and parole officers, fugitive apprehension agents and Military Department firefighters), are eligible to make this voluntary election.

You may make this election at enrollment or any time during active participating membership. The election will be effective the first payroll period following your election and acceptance by the employer.

Step-Up[6] is an irrevocable election and is binding on all of your future participation in OPERS, even if you change jobs or have a break in service. This includes any return to employment after withdrawal of your contributions or retirement.

The Step-Up will only increase your computation factor to 2.5% on **full years** (12 months) of participating service accrued after your election (NOTE: 2,076 hours equals a full year of participating service).

The additional retirement contribution for the Step-Up is actuarially-determined and currently stands at 2.91% of compensation for retirement purposes. Simply add an additional 2.91% to your current retirement contribution rate to determine your total contribution rate. **Note:** contribution rates are subject to change.

For more information, see the Step-Up brochure available online at www.opers.ok.gov/publications or from your Retirement Coordinator.

As an elected official, participation in OPERS is not mandatory, but participation must be determined within 90 days after you take office.

OPERS INVESTMENTS AND FINANCIAL INFORMATION

The members of the OPERS Board of Trustees serve as fiduciaries of plan assets. The primary fiduciary responsibility of the Board is to ensure retirement plan assets are responsibly managed in accordance with the actuarial needs of the system and with sound financial investment practices.

All plan assets are managed by professional external investment managers selected and evaluated by the Board. For more information on OPERS investments, including a full copy of the Board's investment policy, visit our website at www.opers.ok/investment.

A Comprehensive Annual Financial Report (CAFR) is published each fiscal year and is available to those who want more detailed financial information about the OPERS defined benefit plan.

[6] Members electing the Step-Up are not permitted to participate in the Excess Benefit Plan to the extent any excess benefit is attributable to the Step-Up election. The Excess Benefit Plan applies only to a very small number of members and permits members whose benefit may exceed federal tax laws to receive the excess over such limits.

OPERS also publishes a Popular Annual Financial Report (PAFR) each year summarizing the CAFR and is mailed to all members in the *Retiring Right* newsletter. You can view the CAFR and PAFR online at www.opers.ok.gov/publications.

Getting Started

MEMBERSHIP AND ENROLLMENT REQUIREMENTS

As an elected official, participation in OPERS is not mandatory, but participation must be determined within 90 days after you take office. The decision to participate is irrevocable and binding upon all future elected offices. Participation in OPERS begins on the date you take office.

Retirement Coordinator

You are served by a Retirement Coordinator at your place of employment who is responsible for enrolling you in the OPERS plan and serving as the liaison between you, your employer and OPERS. Your coordinator can provide plan information, assist with forms, and provide instructions to you on behalf of OPERS. Retirement Coordinators are knowledgeable about many questions, but they are not an employee of OPERS. You should contact OPERS for official verification if a question or discrepancy about plan information should arise. A listing of Retirement Coordinators is available online at www.opers.ok.gov/coordinator-listing.

Please keep your beneficiary designation current. Changing life events can create the need for a change of beneficiary.

BENEFICIARY DESIGNATIONS

Naming Beneficiaries

When you enroll in OPERS, you are asked to name a primary and contingent beneficiary by completing a *Beneficiary Designation* form. Beneficiaries may receive your accumulated retirement contributions if you pass away before retirement.

Multiple beneficiaries may be named. If one or more of the primary beneficiaries is deceased, your contributions will be distributed among the remaining living primary beneficiaries. Contingent beneficiaries will receive the contributions only if there are no living primary beneficiaries. If you were eligible to vest or retire, OPERS will offer your surviving spouse a survivor benefit in lieu of, or in addition to, other beneficiary payments. For more information, see *Death of Active and Vested Members* on page 32, or *Death of Retired Members* on page 62.

Minors as Beneficiaries

You are encouraged to avoid designating minors as beneficiaries. However, the Uniform Transfers to Minors Act permits certain payments to adult custodians, or to banks and trust companies, on behalf of minors who are named as beneficiaries.

Revocable Trust as Beneficiary

If you name a revocable trust as beneficiary, you must provide the name of the trust and the date the trust was created, and a copy of the Memorandum of Trust.

Beneficiary Changes

Please keep your beneficiary designation current. Changing life events, such as marriage, divorce, birth, and death, can create the need for a change of beneficiary. You can change your beneficiary by completing a new beneficiary designation form, which can be obtained from your Retirement Coordinator or online at www.opers.ok.gov/forms. Separate beneficiary designations are required for the SoonerSave plans.

Divorce and Beneficiary Designation

Divorce voids the designation of your spouse as your beneficiary. Once your divorce is final, you must complete a new designation form, naming a new beneficiary. You may designate a divorced spouse as your beneficiary, but you are still required to complete a new form, dated after the date of the divorce decree and renaming your former spouse as a beneficiary. For more important information regarding divorce see page 28.

Please be sure to keep your address current with OPERS. The address change form can be obtained online at www.opers.ok.gov/forms.

Your Rights and Responsibilities

CONFIDENTIALITY

OPERS protects the confidentiality of information contained in your member records. Generally, you must give written consent to its release. However, by law, certain information will be disclosed without your consent if requested in writing for a specific purpose. The disclosed information may include:

- Name
- Age
- Amount of contributions paid in to OPERS
- Benefits being paid (and verifying documents)
- Amount of credited service (and verifying documents)

Any information in your retirement file is subject to subpoena or court order.

ADDRESS CHANGES AND CORRESPONDENCE

Please be sure to keep your address current with OPERS. Members who change their mailing address should complete a *Change of Address* form and submit it to OPERS. The form can be obtained online at www.opers.ok.gov/forms.

In all correspondence with OPERS, we ask you to provide:

- Your full name
- Your Social Security number
- Name of your participating employer
- Your current mailing address
- Your original signature.

All documents, forms, inquiries and requests must be signed by you. No person may act on your behalf, including your spouse or parent, except an authorized attorney-in-fact, pursuant to a durable or statutory power of attorney. The power of attorney must be in substantial compliance with Oklahoma law and/or the Uniform Durable Power of Attorney Act and be filed with and approved by OPERS. The power of attorney terminates upon your death. If a guardian has been appointed for you, only the named guardian can act on your behalf. A certified copy of the filed court order of appointment must be filed with OPERS.

Honorable service is a condition of both public employment and the receipt of public employee retirement benefits.

FORFEITURE OF BENEFITS

Honorable service is a condition of both public employment and the receipt of public employee retirement benefits. Title 51, Section 24.1 of the Oklahoma Statutes provides for forfeiture of your retirement benefits if you are convicted of a felony or other crime violating your oath of office. Forfeiture can also occur if you plead guilty or *nolo contendere.* Forfeiture does not occur for those successfully completing a deferred sentence; however, benefit payments are not payable until you complete the deferred sentence.

Forfeiture applies to all benefits accrued after September 1981, but does not include your contributions to OPERS. The statute prevents vesting of the right to receive retirement benefits if you commit certain offenses prior to retirement. However, benefit forfeiture can also occur after you retire if the offense occurred while you were a public official or employee, even if you are not convicted until after you retire.

HEARINGS

Title 74, Section 904 of the Oklahoma Statutes governing OPERS makes provision for aggrieved persons to have an administrative hearing to address their grievance. This procedure is available to appeal any administrative action of OPERS. A request for a hearing must be submitted in writing to the Executive Director at the OPERS office in Oklahoma City within 30 days of notice of the action which the person is appealing. The request for a hearing should clearly set forth the facts and the basis for the grievance, along with the relief requested.

The hearing procedures can be found in the Permanent Rules at 590:1-1-6. A hearing examiner will conduct the evidentiary hearing with the Board of Trustees issuing the Final Order. The hearing shall be conducted in accordance with the Administrative Procedures Act as provided for in 75 O.S. §250 et seq.

This is the exclusive remedy for aggrieved persons. As a general rule, no court action can be pursued until this remedy is exhausted.

NOTES

Throughout Your Career

OPERS enjoys a long-term relationship with our members, whose work in public service may span a period of decades. Many changes may occur throughout your career impacting your benefits. In this section, we discuss how service credit and life events affect your retirement benefits.

Service Credit

Service credit is one of the driving forces in the amount of retirement benefits you will receive from OPERS – the more service you accrue and/or purchase, the higher your benefit will be.

In this section, we discuss the amount of service you must have to become vested for benefits and the different types of service credit that can be used toward retirement eligibility.

ROUNDING OF TOTAL SERVICE CREDIT

For members who began participating in OPERS **before November 1, 2012**, your total years and months of service credit in OPERS will be rounded to the nearest full year to determine your total service credit when calculating your retirement benefits. Six or more months of a fractional year will be rounded up to the next full year, and fewer than six months will be rounded down.

In 2012, the legislature eliminated the rounding of service credit for new members. Consequently, total credited service for members who begin participating in OPERS **on or after November 1, 2012**, shall be based on actual years and months of credited service without rounding up or down.

VESTING AND ITS IMPORTANCE

As previously mentioned, ***vesting*** means you have earned enough service credit to become entitled to a future lifetime monthly retirement benefit. If you were first elected or appointed to office **before November 1, 2011**, you must have six full years of participating elected service to become vested. If first elected or appointed **on or after November 1, 2011**, you must have eight full years of participating elected service to become vested in OPERS.

If you terminate employment with an OPERS employer and have accrued enough service to vest, you can elect a vested benefit, which means you are eligible to receive a retirement benefit once you reach the age requirement for retirement. A detailed discussion on the *Election of a Vested Benefit* can be found on page 29.

ELECTED SERVICE

Elected service credit is accumulated after you take office and begin to participate in OPERS by election or by default.[7]

If you quit or your term of office ends, and you return to work as a non-elected member of OPERS, you are no longer considered an elected official for

[7] If you serve 15 days or more of a calendar month when you take or leave office, you will receive credit for a full month.

retirement purposes. The elected portion of your service would still be calculated under the elected officials' benefit provisions, but you would become subject to the retirement eligibility provisions for a non-elected member.

NON-ELECTED PARTICIPATING SERVICE

Many elected officials also accumulate non-elected service credit before or after serving as an elected official. Non-elected service refers to participation in OPERS as either a state and local government employee or hazardous duty member of OPERS.

Participating service is your period of contributing employment after your employer's entry date into OPERS and is earned by: a) working or having paid leave to cover time off; and, b) paying retirement contributions on salary earned.

Full-time participating service credit is earned for your full-time employment. An employee who is not receiving pay and for whom contributions are not being paid is not earning participating service. You also do not earn service credit for Worker's Compensation payments, but you can choose to take advantage of the temporary total disability purchase discussed on page 29 if you are an elected official.

The retirement benefit for non-elected periods of service may be calculated differently than elected service depending upon when you were first elected or appointed to office and if you obtained enough service credit to vest under the elected official plan provisions of OPERS (see *Elected and Non-elected Participation* on page 49 for more information).

MILITARY SERVICE

If you are an active member of OPERS who served in the Armed Forces of the United States and received an honorable discharge, you are eligible for up to five years of service credit for specified periods of active military service during which you were a war veteran. The credit is limited to specific periods of active military service listed in paragraph 23 of Section 902 of Title 74 of the Oklahoma Statutes, which includes the following:[8]

- **45th Division**
  September 16, 1940 – December 7, 1941
- **World War II**
  December 7, 1941 – December 31, 1946

[8] The list is for convenience only. The official periods for which military service is granted is found in Section 902(23) of Title 74 of the Oklahoma Statutes.

- **Korean War**
  June 27,1950 – January 31, 1955
- **Vietnam War**
  February 28, 1961 – May 7, 1975 (For the period from February 28, 1961 – August 4, 1964, military service must have been in the Republic of Vietnam.)
- **Gulf War / Persian Gulf War / Operation Desert Storm**
  August 1, 1990 – December 31, 1991

Other qualifying periods of military service include wars or military operations which lasted for 90 days or more and are authorized by Congressional authorization or resolution or Presidential Executive Order. Qualifying service is only for the period served in the designated area of responsibility and excludes active duty for training only. Such wars or military operations include, but are not limited to, the following:[9]

- **The former Yugoslavia**
  (including Bosnia, Herzegovina, Croatia and Macedonia)
  By Public Law 104-117
  Beginning date November 21, 1995 – Ending date to be determined
- **The Kosovo Area**
  By Executive Order 13119 and Public Law 106-21
  Beginning date March 24, 1999 – Ending date to be determined
- **Afghanistan / Operation Enduring Freedom**
  By Executive Order13239 and Public Law 107-40
  Beginning date September 18, 2001 – Ending date to be determined
- **Iraq War / Second Gulf War / Operation Iraqi Freedom**
  By Public Law 107-243
  Beginning date March 10, 2003 – Ending date to be determined

To be eligible for credit, you will need to submit an *Application for Military Service* and a Defense Department Form 214 ("DD214") and other military documents showing active duty dates and honorable discharge.

Eligible military service is free for members joining OPERS prior to July 1, 2000. Members joining OPERS after June 30, 2000, may purchase eligible military service at actuarial cost.

Employees joining OPERS after June 30, 2003, will not receive credit for military service in OPERS if the credit was already received for the same period(s) of military service in another Oklahoma state retirement system.

The actual periods for which military service can be granted are governed by Oklahoma State statute and can change from time to time. Consult the statutes and OPERS before relying solely on the above information.

[9] The list is for convenience only. The official periods for which military service is granted is found in Section 902(23) of Title 74 of the Oklahoma Statutes.

UNIFORMED SERVICES EMPLOYMENT AND REEMPLOYMENT RIGHTS ACT (USERRA)

A member who is absent from work due to voluntary or involuntary military service can take advantage of the right, created under the Uniform Services Employment and Reemployment Rights Act (USERRA), to buy back service credit lost during the military absence. To assert rights under USERRA, see your Retirement Coordinator, or contact OPERS immediately upon your return to employment. Certain time limits and conditions must be met, and contributions may be required to be paid before service can be granted. For more information about USERRA, contact OPERS or see your Retirement Coordinator.

FREE PRIOR SERVICE

Prior service refers to a period of employment with an eligible employer before that employer began participating in OPERS. Prior service is granted free of charge to all eligible members only if the employer joined OPERS before 1975. Certain military service also qualifies as prior service (see *Military Service* on page 21). Proof of such service will have to be verified in writing by the Retirement Coordinator of each participating employer from payroll and personnel records on file in their office.

PURCHASED PRIOR SERVICE

Members who were employed by a participating employer that joined OPERS after 1974, are not eligible for free prior service credit. However, the period of service credit before 1975 may be purchased at the actuarial cost computed by OPERS. The member and Retirement Coordinator will need to complete and submit an *Application for Purchase of Prior Service* and OPERS will contact you directly with the purchase cost.

PURCHASE OF SERVICE CREDIT FROM OTHER OKLAHOMA STATE RETIREMENT SYSTEMS

You may purchase years of credited service you accumulated while you were a member of the:

- Oklahoma Firefighters Pension and Retirement System
- Oklahoma Police Pension and Retirement System
- Uniform Retirement System for Justices and Judges
- Oklahoma Law Enforcement Retirement System
- Oklahoma Teachers' Retirement System

However, service from the above systems may only be credited if you are not receiving, or eligible to receive, retirement credit or benefits for that same service in any other public retirement system. The cost to purchase such service shall be the actuarial cost to fund your projected benefits with the additional service credit.

If you wish to purchase this service, you will need to submit written documentation to OPERS from the respective system(s) listed on the previous page. The documentation should include dates of membership and service and a statement indicating you are no longer eligible for benefits from that system. No other documentation will be accepted. OPERS will calculate the actuarial cost to purchase the service credit and contact you.

TRANSPORTING SERVICE FROM TEACHERS' RETIREMENT SYSTEM

Transport-Eligible Organizations

- Oklahoma Teachers' Retirement System
- Oklahoma State System of Higher Education
- State Board of Education
- State Board of Career and Technology Education
- Oklahoma Department of Career and Technology Education
- Oklahoma School of Science & Mathematics
- Oklahoma Center for the Advancement of Science & Technology
- State Department of Rehabilitation Services
- Oklahoma State Regents for Higher Education
- Department of Corrections
- State Department of Education
- Oklahoma Board of Private Vocational Schools
- Board of Regents of the Oklahoma Colleges
- Oklahoma Student Loan Authority

You have an alternative to purchasing service credit for service earned with the Oklahoma Teachers' Retirement System (OTRS) called "transporting". Transporting service is a way of purchasing credit in OPERS for service earned in the Oklahoma Teachers' Retirement System. The OTRS employee and employer contributions on deposit for you, plus interest, will be available for transport to OPERS to purchase the service credit.

Contact OTRS in writing to start the transport process. Only currently participating members of OPERS can transport service earned with OTRS. There are two methods for transporting service:

Method 1

If you are an active OPERS member on or after July 1, 2000, who has service credit in OTRS, and whose last service with OTRS was with one of the entities listed to the left, you may transport OTRS service to OPERS without cost to you provided you have not previously withdrawn contributions for that service in OTRS.

When you transport service credit from the OTRS to OPERS, you will receive credit for the transported service immediately upon transfer of the funds required to transport the service.

If you withdrew your contributions from OTRS, you are only eligible to use Method 2.

Method 2

Members not eligible to transport OTRS service under Method 1 have another option available. Under Method 2, you may either:

- Pay any difference between the amount of funds provided by OTRS and the cost of the service in OPERS to receive full credit for the years sought to be transported; or,
- Receive prorated service credit for only the amount of service that could be purchased with the funds provided by OTRS.

All service credit not transported will be irrevocably canceled and cannot be reinstated, transported, or purchased at a later date.

Important: If your normal retirement date calculation is based upon the sum of your age and number of years of credited service totaling 80 in OTRS, then you shall retain 80-point eligibility (as explained on page 10) in OPERS under either Method 1 or Method 2 transport. However, you must still accrue a minimum of six full years of full-time-equivalent participation with an OPERS employer to qualify for vesting and retirement benefits.

Transporting service by either method will cancel all of your service credit in OTRS. The election to transport is irrevocable once funds have been transferred. Transported employee contributions retain their original, before or after-tax status after transport.

Transporting Service from OPERS to OTRS

Certain active OTRS members have similar provisions for the transport of OPERS service to OTRS. Those who repay withdrawn OPERS contributions for the sole purpose of transporting OPERS service to OTRS can only use the Method 2 transport.

BONUS YEARS

Required employee contributions you paid prior to June 30, 1977, count as bonus years of participating service credit, if the contributions are on deposit with OPERS at the time of your retirement.

You are entitled to no more than five bonus years. If you lost bonus years through a withdrawal from OPERS, repayment of the withdrawal will reinstate the lost bonus years.

Contributions	Participating Service
$1.01 to $500	1 year
$500.01 to $1,000	2 years
$1,000.01 to $1,500	3 years
$1,500.01 to $2,000	4 years
>$2,000.01	5 years

OTHER SERVICE PURCHASES

Purchase of Incentive Credit

You may purchase up to two full years of incentive credit at actuarial value. Incentive credit may be used as participating service or addition to age. To qualify, you must be actively participating in OPERS and:

- Eligible for normal or early retirement because of age; or,
- Within two years or two points of eligibility for normal retirement; or,
- Within two years of eligibility for early retirement; or
- A non-elected OPERS retiree who has returned to work.

Incentive credit purchased by a retiree who has returned to work will not count toward the 36 months of full-time-equivalent re-employment required for re-retirement after waiving benefits. Incentive credit cannot be purchased to become eligible for disability benefits. See *Waiver of Retirement Benefits While Working* on page 62 for more information

The purchase of incentive credit is irrevocable. For example, let's assume at age 59, Bill purchases incentive credit for age to become eligible for normal retirement as if he were age 60. After Bill makes the purchase, his circumstances change and he decides to continue working until he is actually age 60. Bill's former purchase of incentive age is not helping him become eligible to retire because he has actually worked until age 60. However, Bill's purchase was irrevocable, so OPERS cannot refund the amount Bill paid for incentive age credit.

The amount you will pay to purchase incentive credit is the actuarial cost. For more information, see *Actuarial Cost* on page 27 for more information.

Purchase of OESC Service

You may purchase service credit for any years of employment you had with the Oklahoma Employment Security Commission (OESC) if you are not receiving, or eligible to receive, service credit for that employment with any other public retirement system. The purchase will be at the actuarial cost to fund your projected benefits with the additional service credit. You must submit written verification of the dates of employment from the Retirement Coordinator of OESC. OPERS will notify you of the cost.

Purchase of Elected Service

You may purchase service credit for prior service as an elected official if you are currently a non-elected member and are not receiving, or eligible to receive, retirement credit for that service with any other public retirement system. The purchase will be the actuarial cost to fund your projected benefits with the additional service credit. You should contact OPERS in writing and provide documentation of the dates of your county or state elected service.

Purchase of Service Due to a Reduction-In-Force

All inquiries about the purchase of service due to a reduction-in-force will only be entertained *after* your participating employer has officially notified OPERS of those employees subject to a reduction-in-force. OPERS will then communicate detailed instructions about the purchase of termination credit to those members affected by a reduction-in-force.

Federal Limits on the Purchase of Retirement Credit

Use caution if your retirement planning involves the purchase of any type of retirement credit. Federal law may limit your ability to complete the purchase of retirement credit during one calendar year. If the cost to purchase retirement credit exceeds the federal limit, you must complete your purchase of the credit under the limits set for the next calendar year, or alter the amount of credit purchased. In some cases, the federal limits may prohibit the purchase entirely. Contact OPERS to determine how the federal limits apply to your purchase of retirement credit.

Installment Payment Plan

The repayment of a withdrawal or the purchase of service accrued with another state retirement system can be made through an installment payment program. Installment plan payments must be made through payroll deduction and will include interest at a current annual percentage rate of 7.5%. The maximum time period to make such a purchase is 60 months and the minimum monthly payment is $25.00. Failure to complete all payments may result in the loss of part of the service credit. Service is not credited until the purchase is complete. For the rules governing installment payment plan purchases, contact OPERS or see OAC 590:15-1-10.

Rollovers into OPERS to Purchase Service

You may ask OPERS to accept a transfer or rollover from an eligible retirement plan or Individual Retirement Account (IRA) to repay a withdrawal or purchase service credit. OPERS will provide the appropriate form upon request. SoonerSave members may transfer funds from the Deferred Compensation Plan to repay withdrawals or purchase service credit. For information on rollovers out of the OPERS plan, see page 32.

ACTUARIAL COST

Most service credit purchases are at actuarial cost. The actuarial cost represents the present value of the incremental projected or future benefit discounted based upon your age at the time of purchase. A major factor in the determination of the incremental benefit is the difference between the amount of the future benefit you would receive without the purchased credit and the amount of the future benefit after purchase, computed as of the earliest age you would be eligible to retire with full benefits.

Actuarial cost has no relationship to contributions that would have been paid. Actuarial cost more closely represents the actual cost to OPERS resulting from your additional credit, and, as such, assists in maintaining a financially-sound retirement system for all. The purchase price takes into account the past loss of the use of those funds for investment purposes and the length of time the funds will be available for investment before OPERS begins to pay benefits to the member. As a general rule, the earlier a purchase is made, the less the cost will be. The actuarial cost for a younger member with fewer years of service credit will not be as high as for a member who is closer to retirement, since OPERS will have investment use of those funds for a longer period of time before being required to pay benefits.

Life Events

Participating in OPERS is an important part of securing your financial future, but it isn't the only part you need to consider. Many changes happen throughout a person's career, and in this section we will discuss some of the more common life events affecting the average person's retirement, such as divorce, changing jobs or becoming disabled.

DIVORCE AND YOUR OPERS BENEFIT

Earlier we mentioned divorce voids the designation of a spouse previously named as your beneficiary. Again, you may designate a divorced spouse as your beneficiary, but you are required to complete a new beneficiary designation, dated after the date of the divorce decree, renaming your former spouse as a beneficiary.

Divorce Benefit Valuation

Members who are in the process of a divorce often request OPERS to calculate the value of the retirement benefit. If you do not have enough service credit to be eligible to elect a vested benefit, OPERS can only provide the amount of your accumulated contributions. If you have enough service credit to be eligible to elect a vested benefit, OPERS will provide the amount of monthly benefits you would receive based on your service during the period of the marriage. However, OPERS cannot determine the present value of your retirement benefit.

Divorce voids the designation of a spouse previously named as a beneficiary.

You may obtain this valuation from OPERS, but it will not be released to your attorney without your consent. A non-OPERS member may only obtain this valuation by subpoena.

Qualified Domestic Relations Orders (QDRO)

Benefits are not subject to execution, garnishment or attachment and cannot be assigned or alienated. However, benefits may be divided pursuant to a Qualified Domestic Relations Order (QDRO). A QDRO is an order issued by a state district court pursuant to domestic relation laws relating to marital property rights requiring benefit payments to a spouse, former spouse or for the support of a minor child or children. The order must meet the statutory criteria for a QDRO and be on a form approved by OPERS.

The QDRO must be approved, accepted and on file with OPERS to be enforceable. You are encouraged to have your attorney submit a draft of the QDRO to OPERS for approval **prior to** obtaining the final order. The QDRO form and instructions are available on the OPERS website.

DISABILITY AND WORKER'S COMPENSATION

Worker's Compensation/Temporary Total Disability

You can purchase participating service for the time when you received temporary total disability benefits, subject to each of the following requirements:

1. You are a state employee;
2. You were absent from work due to a work-related injury or illness;
3. You were absent on temporary total disability after July 1, 1997;
4. You were employed immediately prior to and during the period of absence;
5. You notify OPERS in writing of your desire to purchase credit for the period of absence **within four months after the earliest of the following events**:
    a. Return to your job duties with your employer; or,
    b. Termination of your employment; or,
    c. Termination of your disability benefits.
6. Your employer certifies to OPERS the dates during which disability benefits payments were paid to you;
7. You and your employer pay contributions plus interest for the period of absence.

For more information, see *Disability Retirement* on page 11.

TERMINATION OF EMPLOYMENT AND ELECTION OF A VESTED BENEFIT

If you have accumulated enough service credit to vest when you leave OPERS-covered employment, you are eligible to receive a retirement benefit when you meet the age requirement for retirement. For those first elected **before November 1, 2011**, you must have six full years of participating elected service to vest. For those first elected **on or after November 1, 2011**, you must have eight full years of participating elected service to vest.

If you choose the right to a retirement benefit in lieu of withdrawing your accumulated contributions upon termination of employment, you have elected a vested benefit. When you elect a vested benefit, you do not immediately begin receiving a retirement benefit. You do, however, reserve your right to a retirement benefit in the future when you become eligible to retire under OPERS. The benefit at that time will be based upon the highest annual salary as an elected official and service credit you earned before termination.

In most cases, the receipt of a retirement benefit over one's lifetime has a monetary value generally greater than the amount of your accumulated contributions. Also, electing a vested benefit ensures you will receive an income from OPERS during your retirement years or provide a survivor benefit to your spouse or other joint-annuitant in the event of your death.

To apply for a vested benefit, you and your Retirement Coordinator must complete the *Application for Vested Benefits* form and submit it to OPERS.

ELIGIBILITY FOR RETIREMENT AT TERMINATION

You may be eligible for either normal, early, or disability retirement when your employment terminates. State law requires you to give notice of your intention to retire at least 60 days prior to your retirement date.[10] If you are unable to meet this notice requirement before termination, you may do one of two things:

1. Elect a vested benefit at the time employment terminates. You should also give notice to OPERS of your intended retirement date. This may also allow you to retain insurance coverage.
2. Request a waiver of the 60-day notice requirement.

To apply for a vested benefit, you and your Retirement Coordinator must complete a form entitled *Application for Vested Benefits* and submit it to OPERS.

If your employment with a participating employer terminates before becoming vested or eligible to retire, you may withdraw the money you have paid in to OPERS.

TERMINATION OF EMPLOYMENT AND WITHDRAWAL

The following is not intended to be tax advice. Members are encouraged to seek the advice of a professional tax advisor before making withdrawal decisions.

If your employment with a participating employer terminates before becoming vested or eligible to retire, you may withdraw the money you have paid in to OPERS. You will lose all service credit, including prior service credit earned before the date of withdrawal, and you will no longer be a member of OPERS. No accumulated interest or increased value is paid on the money withdrawn. Members are not entitled to the employer's share of contributions, which always remains in OPERS to be used toward future retirement benefits. Withdrawal cancels all service purchases and any future repurchase will be at new actuarial cost.

[10] The 60-day notice requirement does not apply to disability retirement. The retirement date for disability is determined by the disability entitlement date established by the Social Security Administration and the member's last date of payroll received from the participating employer.

Leaving Contributions with OPERS
Leaving contributions with OPERS allows you to retain membership and any service credit previously earned. Upon reemployment with a participating OPERS employer, this previously earned service will be used in determining your retirement benefits. Those who withdraw may find they have to meet additional or different eligibility requirements for retirement if they become OPERS members again.

Application for Withdrawal
To withdraw, you and your Retirement Coordinator will need to complete an *Application for Withdrawal* form and file it with OPERS as soon as possible after termination.

You and your Coordinator will complete and sign a portion of the application. Your mailing address must be accurate and valid at the time the withdrawal payment is to be issued. If you change your address during the waiting period, you are asked do so in writing, with an original signature. This can be accomplished by letter or by completing a *Change of Address* form.

Upon receiving your withdrawal application, OPERS will provide you, if eligible, an estimate of your retirement benefit and other information which constitutes an offer to you of an election of a vested benefit. At that time, you must choose to either: 1) withdraw your contributions; or, 2) elect a vested benefit.

Withdrawal Payments
Approximately two months after receipt of your withdrawal application, OPERS will notify you of the amount and taxable status of funds available for withdrawal and the scheduled payment date.

If you choose to withdraw and you are *not* eligible to vest, you can expect to receive payment during the fifth month following the date of termination. If you are eligible to vest, you cannot expect to receive payment until: 1) OPERS has informed you of retirement benefits you would receive; and, 2) you have declined the vested benefit in writing.

Taxation of Withdrawn Contributions
Member contributions paid by state employees after January 1, 1989, are taxable in the calendar year in which the withdrawn contributions are received. Contributions paid in prior to January 1, 1989, are not taxable when withdrawn.

If you withdraw taxable contributions, you will have the mandatory taxes (currently 20% federal and 5% state tax) withheld from your payment, unless the contributions are rolled over. The withdrawn contributions must be reported as income on your income tax return. You will receive a 1099-R form after the end of the calendar year.

Withdrawn contributions may also be subject to an early distribution penalty (currently 10%). The additional tax is imposed only in certain conditions and does have exceptions. For more information, consult IRS Publication 575 and, as with all tax matters, consult a tax advisor.

Rollovers (Also see IRS Publications 575 and 590)
Withdrawn contributions may be "rolled over" directly to another retirement plan which accepts rollovers or to an Individual Retirement Account (IRA). If contributions are rolled over, the IRS will not currently tax the contributions and OPERS will not withhold the mandatory taxes (currently 20% for federal and 5% for state taxes) on taxable contributions. All members applying for withdrawal will receive tax and rollover information and a *Rollover Application* no less than 30 to 60 days prior to the scheduled payment date.

REINSTATING WITHDRAWN SERVICE

Upon returning to employment with an OPERS participating employer, you may restore service credit lost due to withdrawal. You must repay to OPERS the sum of the contributions withdrawn, plus interest at ten percent (10%) per year.[11] Upon written request, OPERS will calculate the total cost to repay and the payment options. Withdrawn service may only be reinstated once. Subsequent withdrawals of the same service may not be repaid.

DEATH OF ACTIVE AND VESTED MEMBERS

You are asked to designate a primary and a contingent beneficiary when you are first enrolled in OPERS. The designation of a beneficiary is extremely important, since it allows OPERS to pay death benefits to the person(s) of your choosing upon your passing.

You should name at least one primary beneficiary and one contingent beneficiary. You will be asked to provide complete legal names, Social Security numbers, and addresses of the beneficiaries you name and identify your relationship to them. OPERS encourages you to avoid naming minors as beneficiaries. The Uniform Transfers to Minors Act, however, permits payments to adult custodians or to banks and trust companies on behalf of minors who are named beneficiaries of a deceased member of OPERS.

You may change your beneficiary at any time. This is important to remember if your beneficiary dies or if your marital status changes.

OPERS provides for two types of death benefits upon the death of an active or vested (non-retired) member, which are listed below. However, no benefits

[11] Purchased service, lost as a result of a withdrawal, may be reinstated and repurchased at the actuarial cost calculated as of the repurchase date.

shall be payable before the date the deceased member would have met the requirements for normal or early retirement:

1. The first type of benefit is a survivor benefit and is available only to your legal surviving spouse, if you are vested, eligible to vest, or eligible to retire at the time of your death. Your surviving spouse will be offered Option B (explained on page 42) survivor benefits. However, no benefits shall be payable before the date the deceased member would have met the requirements for a normal or early retirement. If your spouse elects to receive the survivor benefit, there will be no benefit payments to your other beneficiaries.

2. The second type of benefit is a one-time lump-sum payment equal to your accumulated employee contributions. If no surviving spouse benefit is to be paid at your death, your accumulated contributions will be distributed among your primary beneficiaries. If one or more of your primary beneficiaries are deceased, accumulated contributions will be distributed among your remaining living primary beneficiaries. Contingent beneficiaries will receive accumulated contributions only if there are no living primary beneficiaries.

NOTE: If you are making a purchase through the installment payment plan (see page 27 for more information) at the time of your death, your survivor has the option to pay the remaining balance within six months.

Applying for Active Member Death Benefits

Upon the death of an active member, your surviving spouse, beneficiary, or next-of-kin must contact OPERS as soon as possible after your death.

NOTES

Approaching Retirement

There are several things to consider and plan for to ensure a smooth transition into retirement. In this section, we discuss payments options, obtaining information on insurance, benefit estimates, and the necessary vital documents to complete your retirement application. Lastly, we provide a step-by-step explanation of the benefit calculation, as well as a few examples to illustrate the steps involved.

Are You Ready to Retire?

We all must define "retirement readiness" for ourselves – why we retire, when we retire, how much we need to retire. These are all unique questions to each of us with very personal considerations, but what are some guidelines on gauging how prepared we are for retirement.

RETIREMENT RISKS

Being prepared for retirement is more than just reaching a certain age or having a certain amount of money set aside. You also need to consider the unique risks involved to evaluate how prepared you and your retirement plan are in addressing those risks.

The Society of Actuaries (SOA) has explored the risks new retirees face today. The following is a quick overview of the risks outlined in the 2011 SOA handout entitled *Managing Post-Retirement Risks: A Guide to Retirement Planning*. This should not be viewed as an exhaustive list of retirement risk, but a good place to begin. For more information, visit the SOA website at www.soa.org.

Longevity

Advances in medicine have improved our life expectancy from previous generations, and many of us underestimate how long we may live in retirement. The average life expectancy for a 65-year old is approximately 19 and 21 more years for men and women, respectively. However, average life expectancy is just that, an average. You should consider your health and family history to determine individually how long you should plan, but experts recommend planning to live 10 to 15 years past the average life expectancy. Will your retirement plan provide that kind of security for you?

Inflation

"Inflation is when you pay fifteen dollars for a ten-dollar haircut you used to get for five dollars back when you had hair." – *Sam Ewing, author*

Unfortunately, inflation is no laughing matter. When you live on a fixed income in retirement and consumer prices rise, you lose purchasing power. Your dollars do not go as far as they once did. It is like compound interest in reverse – the prices of things we consume increase at a faster rate when compared to our income.

Unexpected Health Care Needs and Costs

Declining health is a reality for us all as we age. As a result, health care takes a greater share of our retirement income later in life. Rising medical costs are increasing much faster than the rate of inflation and places a greater burden on retirement assets, especially for those who are not yet eligible for Medicare. We must also be aware of long-term care and the substantial costs late in retirement. See page 59 for more information on long-term care.

Stock Market and Interest Rate Risk

You may think of retirement as a destination, or a finish line of sorts. However, given our discussion on longevity, inflation and rising health care costs above, many of us remain exposed to market risk well into retirement. Considering we are no longer in the accumulation phase of building wealth, but in the withdrawal phase of turning assets into cash, market fluctuation can have dramatic effect on our available resources. The timing of a downturn in the market has a greater impact on you when retired than when you were working because you have less time to weather the impact.

Other risks we may need to incorporate into our retirement plan include:

- Death of a spouse or change in marital status;
- Unforeseen needs of family members;
- Changes in housing needs;
- Employment risk; and,
- Bad advice, fraud or theft.

WOMEN IN RETIREMENT

Working women may face several situations making saving for retirement more difficult, including potentially shorter working careers and typically living longer than their male counterparts.

According to the U.S. Department of Labor, women are more likely to work in part-time jobs that do not provide a retirement plan. Working women are also more likely than men to interrupt their careers to take care of family members. Therefore, they work fewer years and contribute less toward their retirement savings, resulting in lower lifetime savings.

According to the U.S. Department of Labor, the average woman spends 27 years in the workforce versus 40 years for the typical male, which translates into a significant difference in income replacement for women at retirement.

Caring for Family

Historically, women have shouldered more of the responsibility of caring for sick and elderly family members, as well as young children. These traditional roles continue today. The average woman spends 27 years in the workforce versus 40 years for the typical man, which translates into a significant difference in income replacement for women at retirement.

For example, a 2% computation factor in OPERS means you are replacing two percent of your income for every year of service credit. Using the averages stated above, a woman who spent her entire career in a position covered by OPERS would replace 54% of her pre-retirement income versus 80% for her male counterpart. This leaves a significant income gap for women to meet the minimum income replacement experts recommend for retirement. This problem is compounded by the longer life expectancy of women.

Financial Impact of Living Longer

On average, a female retiring at age 65 can expect to live another 21 years – two full years longer than a man retiring at the same age. According to www.wiserwomen.org, 75 percent of women 85 and older are widows, and, on average, widowhood itself causes a 20 percent decline in income.

While these statistics may seem discouraging on the surface, they are only meant to serve as a warning to plan accordingly. The death of a spouse often means a drop in income from a spouse's pension and even Social Security. Also, at advanced ages, medical costs will require a disproportionate amount of our savings.

COMPARING RETIREMENT INCOME AND EXPENSES

Income vs. Expenses

Similar to our discussion on *Budgeting* on page 3, as we approach retirement, it becomes even more important to take a hard look at what income sources we will have coming in against the retirement expenses going out.

First, determine your annual essential and discretionary expenses. **Essential expenses** are the items you need to maintain a basic standard of living, such as mortgage/rent, utilities, insurance and taxes. **Discretionary expenses** are those items that, if needed, could be cut back, such as the money you spend on hobbies, traveling, eating out, gifts, etc. Keep in mind, what may be a necessity to one person may be a luxury to another. We all must define our wants and needs.

Next, determine your annual lifetime income sources and managed income sources. **Lifetime income sources** would be things like Social Security and your OPERS pension – income sources not directly under your control but guaranteed for your lifetime. On the other side, **managed income sources** are items under your direct control but not guaranteed for your lifetime, such as your retirement savings, rental income, inheritance or employment in retirement.

The goal is to have your essential expenses met with your lifetime income sources to ensure you can maintain your basic standard of living, and discretionary expenses met with your managed income sources.

Compare your expenses to your income sources and calculate your retirement income gap. Add your essential income gap and your discretionary income gap together to determine your overall income gap.

Your combined income gap is the amount of money you will need to withdraw from your personal savings each year to maintain the same level of spending.

Example:

	Essential Expenses	$30,000
-	Lifetime Income Sources	$23,000
	Income Gap A	$7,000
	Discretionary Expenses	$10,000
-	Managed Income Sources	$7,000
	Income Gap B	$3,000
	Combined Income Gap	**$10,000**

Once you determine your Combined Income Gap, you need determine how long your resources will last if you continue this same level of spending.

How Long Will Your Savings Last?
The following is for illustrative purposes only. Keep in mind, this is unique to everyone and factors like inflation, interest rates, working in retirement and lifestyle will impact how long your savings will last.

If you remember our discussion on longevity from page 36, you will recall experts recommend planning on living longer than 20 years in retirement.

If we were to adopt a 30-year rule, we could determine how much we need to pull from our savings each year and multiply that number by 30 (assuming inflation and taxes are offset by the interest earned).

A quick calculation of how much we need to save would be to multiple our combined income gap by 30. In the example above, an annual combined income gap of $10,000 would require a $300,000 nest egg to be financially prepared for retirement.

When you are within two years of eligibility for retirement, you should ask OPERS to calculate a benefit estimate as of your earliest normal retirement date or other desirable date.

Retirement Benefits

BENEFIT ESTIMATES

When you are within two years of eligibility for retirement, you should ask OPERS to calculate a benefit estimate as of a selected retirement date or your earliest normal retirement date. If you are not within two years of retirement eligibility, you should use the benefit illustration contained in this handbook (page 51) or the benefit estimator on the OPERS website to calculate an approximate retirement benefit estimate.

Estimate requests should be made at least six months before your selected retirement date. It is necessary to make assumptions about future salary and service to estimate future benefits. OPERS cannot guarantee the accuracy of any benefit estimate until all service and salary information is received by OPERS.

INSURANCE

All members planning to retire or terminating employment and electing a vested benefit must make elections regarding their group insurance coverage. For members covered under the Employees Insurance Board Division (EGID) of the Office Management and Enterprise Services (OMES), these elections must be made within 30 days of termination and can affect eligibility for any premium contribution made by OPERS.

All questions regarding insurance coverage through the Employees Group Insurance Division should be addressed to them at the address or telephone numbers listed below.

Employees Group Insurance Division
3545 NW 58th Street, Suite 110
Oklahoma City, OK 73112
(Local) 717-8780
1-800-752-9475
www.ok.gov/sib

If you are not covered through the EGID, you should contact your insurance provider for instructions.

*Roughly **90 days** before your planned retirement date, contact your Retirement Coordinator and ask for the Retirement Notice and Application.*

*Your completed application must be received in the OPERS offices at least **60 calendar days** before your retirement date.*

HEALTH INSURANCE SUPPLEMENT

OPERS pays an insurance premium supplement on your behalf if you maintain health insurance with the Employees Insurance Division of OMES in retirement. The monthly contribution is paid in addition to your monthly retirement benefit and is paid directly to OMES. It is not considered taxable income to you. It continues until you terminate health insurance coverage with OMES or other qualified plan, or until your death.

Application for Retirement

RETIREMENT NOTICE AND APPLICATION

Your retirement date will be the 1st day of your desired month and year. Once you have chosen a retirement date, it is time to begin the retirement process by completing and submitting a *Retirement Notice and Application*. This form can be obtained from your Retirement Coordinator.

The key to a successful start of the retirement process is the proper and timely completion of the *Retirement Notice and Application*. Roughly 90 days before your planned retirement date, contact your Retirement Coordinator and ask for the application. Both you and your Retirement Coordinator will complete a portion of the *Retirement Notice and Application*. For additional help, please contact OPERS.

Your completed *Retirement Notice and Application* must be received in the OPERS office in Oklahoma City **at least 60 calendar days before** your retirement date.[12] This requirement may only be waived by the OPERS Executive Director. Official filing deadlines can be found on the OPERS website at www.opers.ok.gov/dates-and-deadlines.

You are presumed to be familiar with the plan provisions and aware of the notice requirement. Any member seeking a waiver of the 60-day notice requirement must show good cause. Good cause is generally shown in cases of an unforeseen hardship, such as illness of the member or the member's family, or a reduction-in-force, or layoff from employment. Good cause is also generally shown in cases of error or delay on the part of the employer, and the error or delay is due to no fault of the member.

Official filing deadlines can be found on the OPERS website at www.opers.ok.gov/dates-and-deadlines.

CHOOSING A PAYMENT OPTION

OPERS offers four types of retirement benefit payments described below. The one thing each of these payments has in common is a monthly benefit will be paid to you upon retirement for the remainder of your life. The difference between these payment options is what happens to the benefit when you pass away.

Maximum (Single-Life Annuity with ½ Survivor Annuity)
The Maximum type of benefit is paid monthly for your lifetime and includes an automatic 50% survivor benefit for your eligible spouse. Your surviving spouse must have been married to you for at least three continuous years preceding your death. Your surviving spouse is disqualified from receiving survivor benefits when he or she remarries. If your spouse predeceases you, your Maximum benefit ceases the last day of the month of your death. Married members may elect this type of benefit only with spouse consent.

In lieu of the Maximum benefit described above, you may choose an Option A, B, or C type of benefit. Joint-annuitants under Options A and B and the beneficiary under Option C do not have to be your spouse. If you name your spouse under Options A or B, remarriage does not disqualify him or her from receipt of survivor benefits.

[12] Retirement applications should not be submitted more than six months prior to the selected retirement date.

Option A (One-Half Joint and Survivor Annuity)
Under this option, you will receive a reduced retirement benefit during your lifetime (see *Appendix 1 – Normal Retirement Reduction Factors for Option A*). After your death, one-half of your reduced retirement benefit will be paid to your surviving joint-annuitant for the remainder of his or her lifetime. Your joint-annuitant must be a specific person.

All married members must retire under Option A, unless your spouse consents to your retirement under one of the other benefit types by signing the Spouse Consent portion of the *Retirement Notice and Application.* If you are divorced or your spouse is deceased, you will need to provide proof of the divorce or death.

Option B (100% Joint and Survivor Annuity)
Under Option B, a reduced retirement benefit (see *Appendix 2 – Normal Retirement Reduction Factors for Option B*) is paid to you during your lifetime. After your death, the same monthly benefit is paid to your surviving joint-annuitant for his or her lifetime. Your joint-annuitant must be a specific person. Under federal limitations, Option B is only available to you if you choose your spouse as joint-annuitant or you choose a non-spouse joint-annuitant who is no more than 10 years younger than you. Married members may only elect this type of benefit with spouse consent.

Option C (Single-Life Annuity with a 10-Year Term Certain Period)
Under this option, a reduced retirement benefit is paid to you during your lifetime (see *Appendix 3 – Normal Retirement Reduction Factors for Option C*). If you die within the first 10 years of the start of benefit payments, the same monthly payment will be made to your beneficiary (or beneficiaries) for the balance of the ten-year period. If you live longer than 10 years after your retirement date, no monthly benefits will be paid to your beneficiary after your death. Your beneficiary does not have to be a specific person, and multiple beneficiaries may be named.

Beneficiaries may be changed at any time. The amount of benefits payable under Option C is based on your age. Married members may only elect this type of benefit with spouse consent. If you die with no living beneficiaries, or if your beneficiaries die before the expiration of the 10-year period, the person responsible for the estate will be given the option for the estate to either: 1) receive monthly benefits for the remainder of the ten-year period; or 2) receive the present value of the remaining benefit payments in a one-time, lump-sum distribution.

What's the Difference?

Joint-annuitant – a specific person you designate to receive a lifetime retirement benefit under Options A or B upon your death. The person named as joint-annuitant cannot be changed after retirement, even in the event of a divorce.

Beneficiary – a person or entity designated by you to receive your accumulated contributions, death benefits, or a retirement benefit under Option C. Unlike a joint-annuitant, your beneficiary does not have the right to a benefit for his or her lifetime. Also, you may change a beneficiary at any time.

RESPONSE FROM OPERS AND NEXT STEPS

After receiving the *Retirement Notice and Application*, OPERS will send you an acknowledgment letter, a *Beneficiary Designation – Retiree Death Benefits* form and a *Direct Deposit Authorization* form. Direct deposit is required for payment of your monthly benefit.

Vital Documents

OPERS will also request vital documents necessary to complete your request. OPERS will need the following documents:

- Birth certificates for you and your joint-annuitant, if applicable,
- A marriage license, divorce decree or death certificate verifying your current marital status.

You will need to respond as quickly as possible to any requests for information or documents to avoid a delay in benefit payments or retirement.

Medicare Gap Benefit Option

A form entitled *Medicare Gap Benefit Option Election* will be sent to you after OPERS receives your *Retirement Notice and Application*.

The Medicare Gap Benefit Option allows most OPERS members who are under the age of 65 at retirement to make an irrevocable election to temporarily increase the amount of their monthly retirement benefit. This temporary increase is intended to help you pay health insurance premiums until you become eligible for Medicare at age 65. However, there is a **permanent decrease** in your monthly benefit amount after reaching age 65 to offset the increase you receive before age 65. In some cases, the amount of decrease will be greater than the amount of increase.

The opportunity to make this irrevocable election is lost if your signed election form is not received in the OPERS offices before your retirement date.

As a state or local government employee and active OPERS participant, you are eligible to make this election, unless:

- You have received OPERS retirement benefits prior to May 1, 2006;
- You are retiring under OPERS disability retirement;
- You are selecting an Option C type of benefit;
- The reduction after age 65 would result in your monthly benefit being less than $200.00; or,
- Your retirement benefits are subject to a qualified domestic relations order and the reduction after age 65 would result in a monthly payment of less than $100.00 to you or the alternate payee.

Your election of the Medicare Gap Benefit Option will not affect the amount of benefits payable to your surviving spouse or joint-annuitant.

If you elect the Medicare Gap Benefit Option and return to post-retirement employment with a participating employer, you will not be eligible to waive receipt of your monthly retirement benefit and retire a second time. For more information, see *Waiver of Retirement Benefits While Working* on page 62.

More information about the Medicare Gap Benefit Option can be obtained by requesting a copy of the brochure on this option from a Retirement Coordinator or from OPERS. You can also find the brochure online at the OPERS website at www.opers.ok.gov/publications.

Preliminary Benefit Statement and Final Payment of Benefit

OPERS will also mail you a *Preliminary Benefits Statement* prior to your effective retirement date. This letter will provide:

- An accounting of your service credit;
- An estimate of your gross monthly benefit;
- The date your first payment will be issued;
- Rules for returning to work after retirement; and,
- Withholding charts and a *Withholding Preference Certificate* form to authorize federal and state income taxes to be withheld.

OPERS will mail you a final retirement letter about the time the first retirement payment is issued. This letter will contain:

- A final statement of benefits;
- A list of deductions, including tax withholding and insurance premiums; and,
- A statement of the amount of contributions you have paid (taxable and non-taxable).

IMPORTANT: You will not receive a retirement payment the first month. Your first two benefit payments will be deposited on the last working day of the second month of retirement.

Postponement or Cancellation of Retirement

Once you have submitted your *Retirement Notice and Application*, you may only postpone, cancel, or change your retirement before the effective retirement date. If you postpone or cancel your retirement and you wish to retire at a later date, you must complete a new *Retirement Notice and Application* form. If the retirement is canceled, you must again meet the 60-day notice requirement.

Changes in Type of Retirement

If you retire under early retirement provisions and become qualified for a disability retirement with a disability date on or after July 1, 1999, you may apply to receive disability benefits in lieu of the early retirement benefits.

The type of retirement you choose may **not** be changed on or after the effective date of retirement.

Changing a Payment Option

If you retire under Options A or B, and your joint-annuitant passes away before you, your benefit changes to the Maximum benefit option. This is referred to as the "pop up" provision. The benefit increase becomes effective the first day of the month following the date of death. You must notify OPERS of the death and provide a certified death certificate to initiate the increase. Timely notice is important, as OPERS is required to pay no more than six months of retroactive benefits increase.

The only types of benefit available for disability retirement are the Maximum benefit and Option A. An eligible member who chooses to change from an early retirement to a disability retirement, and who selected Option B, must change to Option A. A member who selected Option C in this circumstance must change to the Maximum benefit.

The type of benefit you choose may not be changed on or after your retirement date under any other conditions, and no other person may be substituted or named as your joint-annuitant.

Limited Benefit

In 1987, members whose annual salary exceeded $25,000 were given the opportunity to make contributions on salary above $25,000 but not exceeding $40,000. Some members elected to pay these additional retirement contributions on salary above $25,000 to become entitled to a higher retirement benefit. However, subsequent legislation eliminated the need for these additional contributions and provided for a transfer of the excess contributions to the Oklahoma State Employees Deferred Savings Incentive Plan for members who were actively participating July 1, 1998.

Those members who made contributions on salary above $25,000 prior to 1994, but were not active members on July 1, 1998, will receive a limited additional monthly retirement benefit when they retire, provided they meet all of the following criteria:

1. The member was not an actively participating or a retired OPERS member on July 1, 1998;
2. The member had either vested his or her retirement benefits or was eligible to vest his or her retirement benefits as of July 1, 1998; and,
3. The member paid contributions on compensation earned above $25,000 prior to July 1, 1994.

After these members retire, they will receive an additional taxable payment of $200 per month until the total amount paid equals the amount of excess contributions the member paid on compensation earned above $25,000 prior to 1994.

APPLICATION FOR DISABILITY RETIREMENT

To apply for disability retirement, you will need to send OPERS a complete (all pages) copy of the Award Letter or Award Notice. Upon receipt and determination of probable eligibility, OPERS will send you an *Application for Disability Benefits* to complete and return. You will also receive an estimate of your benefit amount. OPERS will then send your application to your employer for the Retirement Coordinator to complete and verify the following:

1. The last date you were physically on the job;
2. The last date you received compensation for which retirement contributions were paid (excluding longevity pay); and,
3. Your resignation date.

A legible copy of the complete Award Letter from the Social Security Administration (Baltimore, Maryland or Program Center) or an Award Notice from the Railroad Retirement Board are the only documents accepted by OPERS as proof of disability.

You may only elect Option A (see page 42) or the Maximum Benefit. The disability reduction factors for Option A are adjusted to reflect disabled rather than active status and are different than the reduction factors for Option A listed in this handbook. If you are receiving state disability insurance payments, the benefit paid by disability insurance will be offset or reduced by the amount of the benefits paid by OPERS and by the Social Security Administration.

Benefit payments begin as of the same date as your Social Security disability. However, you will not receive disability benefits for any month you received pay from the employer on the regular payroll (excluding longevity payments). This means you cannot receive disability payments until your employment has terminated.

You must continue to receive disability benefits from Social Security or Railroad Retirement to be eligible for continued disability retirement from OPERS. If you recover from the disability, your retirement benefits must end until you become eligible for early or normal retirement.

Disability Benefits in Lieu of Early Retirement
If you retire under early retirement provisions, and become qualified for a disability retirement on or after July 1, 1999, you can apply to receive disability benefits in lieu of the early retirement benefits. Any early retiree who believes he or she meets these requirements should contact OPERS.

Benefit Payments

RETIREMENT BENEFIT PAYMENTS

Your benefit payment for the first two months is made by electronic deposit directly to your account in a bank or other financial institution **on the last working day of the second month of retirement**. All subsequent payments will be issued on the last working day of each month.

LIMITATIONS ON RETIREMENT BENEFITS

Federal tax law places limits on the maximum amount of retirement benefits OPERS can pay to its retirees. Typically, these limits tend ***not*** to affect most OPERS retirees. The limit you may be subject to depends upon a variety of factors, including your age at retirement and the nature of your employment. Those most likely to be affected by the limits are the youngest group of retirees who are also among the highest in terms of highest annual compensation. Each member who receives a retirement benefit estimate or applies for retirement may be notified of these limitations and whether they will reduce your retirement benefits.

TAXATION OF RETIREMENT BENEFITS

The following information is not intended to be tax advice. OPERS encourages all members to seek advice from a tax advisor on matters of taxation. Currently, benefits from OPERS are considered income for Oklahoma income tax purposes and for federal income tax purposes.

Oklahoma State Income Tax

Under Oklahoma tax provisions, a portion of retirement benefits paid to an Oklahoma resident may be excluded from an individual taxpayer's gross income each year. However, you may experience a different tax treatment if you reside in a state other than Oklahoma.

Federal Income Tax

If you have any accumulated nontaxable contributions (post-tax contributions) as of your retirement date, you will be able to reduce the taxable portion of your benefit to the extent of your nontaxable contributions in accordance with the Internal Revenue Service's Safe Harbor provision. Generally, this method allows OPERS to spread your accumulated nontaxable contributions over your life expectancy or the joint life expectancies of you and your joint-annuitant. OPERS will calculate this exclusion for you, and the resulting taxable portion will appear on your Form 1099-R. However, you may consult IRS Publication 575 for more information about the Safe Harbor method.

OPERS will mail you a Form 1099-R at the end of January of each year. This form will show: 1) the gross amount of your retirement benefit for the previous calendar year; 2) the amount of state and federal income tax withheld from your retirement benefit; and, 3) the federal taxable amount of your retirement benefit for the year. The information contained in your Form 1099-R should be used in completing your state and federal income tax return.

Tax Withholding

You will receive a *Benefit Recipient's Withholding Preference Certificate* from OPERS approximately one month before your retirement payments begin. This form indicates whether or not state and federal tax should be withheld from the monthly benefit and, if so, at what rate. If the form is not completed and received by OPERS, taxes will be withheld at the rates for an individual who is married and has three exemptions. A new Withholding Preference Certificate form may be completed at any time to change future withholdings.

Revisiting the Benefit Formula

In this section, we explain the components of the OPERS benefit formula and how to calculate your service credit and highest annual compensation. Lastly, we will show you a benefit illustration to show how these parts come together to comprise the retirement benefit calculation

Once again, the formula for calculating your gross annual retirement benefit is as follows:

Years of service **X** *Highest annual compensation* **X** *Computation factor*

DETERMINING YEARS OF SERVICE CREDIT

Elected Participation Only

If all of your OPERS participation was as an elected official, simply add up the years and full months you have participated as an elected official. If you have six months or more of a fractional year of service credit, round up to nearest full year. If you have less than six months, round down. Service is not rounded up or down until all service has been added together. Only the total of all service credit is rounded up or down.

Note: Only members who began participating before November 1, 2012, have their fractional years of service rounded up or down to the nearest full year. Those who became members on or after November 1, 2012, have their total service calculated based on their actual years and months of service without rounding.

Elected and Non-Elected Participation in OPERS

If you have both elected and non-elected participation in OPERS, your benefit calculation may vary significantly from the standard elected benefit formula. The primary reason for this is that non-elected participation in OPERS has a different benefit computation factor than elected service.

To qualify for elected official benefits, your OPERS participation must end in an elected position with the minimum vesting requirements[13]. Your original entry date into OPERS and when you were first elected or appointed to elected office also affect how your benefit is calculated. The following explains how your elected and non-elected service credit influences the elected official benefit calculation:

1. **If your non-elected and elected participation both began before August 22, 2008**

   All participating service (elected and non-elected) is calculated under the elected official computation factor selected when you enrolled as an elected official.

2. **If your non-elected participation began before August 22, 2008, and your elected participation began on or after August 22, 2008**

   All participating service (elected and non-elected) is calculated under the elected official computation factor selected when you enrolled as an elected official. However, the annual retirement benefit is capped at 100% of your highest annual compensation.

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[13] If you were first elected or appointed to office **before November 1, 2011**, you must have six full years of participating elected service to become vested in OPERS. If first elected or appointed **on or after November 1, 2011**, you must have eight full years of participating elected service to become vested.

3. **If your non-elected and elected participation both began on or after August 22, 2008**

   Your elected and non-elected participation is calculated separately using the respective computation factors for both periods of service.

4. **If your elected participation began on or after November 1, 2011**

   Your computation factor is the same for your elected and non-elected participation. Consequently, all of your service is calculated using the standard OPERS computation factor.

CALCULATING HIGHEST ANNUAL COMPENSATION

Your highest annual compensation received as an elected official prior to retirement is used to calculate your OPERS benefit. Please note that only compensation on which retirement contributions has been paid is used.

For members who did not elect to pay on contributions above $25,000 prior to 1994, annual compensation for years from 1988 to 1994 is capped at $25,000, if used to calculate the highest annual compensation. See *Limited Benefit* on page 45 for more information on salary caps.

Minimum Final Average Compensation

20 or more years	=	$13,800
15 – 19 years	=	$ 6,900
Less than 15 years	=	No Minimum

Minimum Final Average Compensation
The minimum final average compensation for persons who became members of OPERS on or after July 1, 1995, is determined by the number of years of credited service they have at retirement. The minimum final average compensation for persons who became members of OPERS prior to July 1, 1995, is $13,800 regardless of the number of years of service accumulated.

CALCULATING MONTHLY RETIREMENT BENEFIT

Normal (Full, Unreduced) Retirement Benefits
Once your years of service credit and highest annual compensation are determined, it is then possible to calculate your monthly retirement benefit. Simply multiply your highest annual compensation by your number of years of elected service. The result is then multiplied by the computation factor you chose at enrollment and divided by 12 months.

Note: Once again, if you also have non-elected service, your dates of participation will impact how your non-elected service is treated in the benefit calculation. Some members will have all of their service (elected and non-elected) calculated at the elected official computation factor, while others will have it calculated using non-elected factors (i.e., state and local or hazardous duty participation). See *Elected and Non-Elected Participation in OPERS* on the previous page for more detail.

Add the elected and non-elected results together to determine your total OPERS benefit amount.

Early (Reduced) Retirement Benefits
To determine your early retirement benefits, first calculate the benefit according to the benefit formula for normal retirement. The benefit must then be reduced according to your age in years and months. To reduce the benefit, multiply the monthly benefit for normal retirement by the percentage factor for your age as given in *Appendix 4 – Early Retirement Reduction Factors*.

BENEFIT ILLUSTRATION

This benefit illustration highlights a very specific set of circumstances. Once again, the calculation of elected official benefits in OPERS, particularly when non-elected service is involved, can vary significantly depending on the member's dates of participation and where his/her participation in OPERS ended. Please consult OPERS if you have any questions regarding your particular set of circumstances.

At the age of 34, Susan began her participation in OPERS as a deputy county clerk on January 1, 1993. After 10 years of participation as a non-elected member, Susan was elected county clerk and took office on January 1, 2003. She served for two full terms (eight years of elected service) and left office on December 31, 2010, at the age of 52.

Susan also served in the armed forces and was eligible to purchase 18 months of military service credit to be used toward retirement. Susan plans to retire at the earliest date of eligibility for normal retirement.

Since Susan ended her participation in OPERS as an elected official and met the minimum vesting requirements for elected official benefits, she is entitled to OPERS benefits under the elected official benefit provisions.

Step 1: Service Credit
The following is the breakdown of Susan's total service credit in OPERS. Susan's total service will be rounded to the nearest full year of participation. In this case, her 19 years and 6 months of total service is rounded up to 20 years.

	Years	Months
Elected Participating Service	8	0
Non-Elected Participating Service	10	0
Military Service	1	6
Total OPERS Participating Service	**19**	**6**

Step 2: Highest Annual Compensation
Susan's highest annual compensation is $43,048. On page 49, we discussed how elected and non-elected service credit influences the benefit calculation for elected officials. Susan falls into the second category explained on that page where all of her participating service (elected and non-elected) is calculated under the elected official computation factor she selected. However, if her retirement benefit exceeds her highest annual compensation, the benefit will be capped at 100% of highest annual compensation.

Step 3: Calculating Monthly Benefit

Now that we have Susan's service credit totals and highest annual compensation, we can calculate her monthly retirement benefit amount. When Susan chose to participate as an elected official, she chose to participate at the highest contribution level, which provides a 4% computation factor in the elected benefit formula.

In this example, Susan gets the benefit of all her service, elected and non-elected, at the higher elected official computation factor of 4%. As you will see below, Susan's Maximum Annual Retirement Benefit amount is less than her Highest Annual Compensation, which means her benefit falls beneath the 100% cap previously mentioned. She will receive the full amount of her benefit calculation.

Calculation for Elected Official Benefit		
Highest Annual Compensation		$43,048.00
Total OPERS Participating Service Credit	**x**	20
4.0% Computation Factor	**x**	0.04
Maximum Annual Retirement Benefit	**=**	**$34,438.40**
	÷	12 months
Maximum Monthly Retirement Benefit	**=**	**$2,869.87**

Step 4: Determining Retirement Eligibility Date

Susan is eligible to retire with full, unreduced benefits at the **earlier** date of:

- Age 60 with six years of participating service, or
- 80 Points – when the sum of her age and years of service equals 80.

Susan left office at the age of 52 years and 6 months. When added to her unrounded service total of 19 years and 6 months, Susan left office with 72 points toward retirement eligibility. In eight years, Susan will reach 80 points at the age of 60 years and 6 months. Since Susan will reach age 60 before she reaches 80 points she is eligible to retire with full, unreduced benefits on the first of the month following her 60th birthday.

WILL OPERS MEET YOUR NEEDS?

You can determine how much your OPERS benefit will help meet your financial needs in retirement by using a simple formula: Service Credit x Computation Factor. Put another way, for every year of service credit with OPERS, you replace X% of your pre-retirement income. You can then calculate how much money you will need to accumulate through personal savings and Social Security to make up the difference between your OPERS benefit and the retirement income you need to support your desired lifestyle in retirement.

Let's use Susan as an example again.

Susan plans to retire when she has 20 years of service credit. Multiplying her 20 years by the 4% elected official computation factor equals 80%. This means

Susan’s OPERS benefit is replacing approximately 80% of her pre-retirement earnings. If Susan’s highest annual compensation is $43,048, her annual OPERS retirement benefit equals $34,048 or 80% of her pre-retirement earnings.

If Susan decides she needs 120% of her pre-retirement income ($51,658) to support her desired lifestyle in retirement, then she will need to ensure Social Security and her personal savings will provide the additional 40%, or $17,610 per year during her retirement.

NOTES

Life in Retirement

The retired life offers numerous possibilities. Many members continue working after entering retirement. There are a few rules and guidelines regarding post-retirement income to maintain your eligibility and to continue receiving retirement payments. In this section, we will discuss topics related to reemployment in retirement and financial aspects of aging, elder care and death.

Social Security

As discussed earlier, Social Security serves as a primary income source for us in retirement. Like other significant financial decisions, understanding how and when to begin taking Social Security can be confusing. The following is a brief summary of a few key items regarding Social Security. However, you should contact the Social Security Administration for further information to determine how it fits within your retirement plan.

When to Start Benefits

You may begin collecting Social Security as early as age 62. However, by taking it at your earliest age, you may take a reduction in benefits of 25% or more for the rest of your life. If you wait until your Social Security Full Retirement Age, you will see no reduction in your benefits. Furthermore, the basis for future cost-of-living adjustments will be based on the larger original benefit.

If you wait until age 70 you can collect even more, thanks to the delayed-retirement credit worth 8% a year. Say your normal retirement age is 66 and you would collect $1,000 a month at full retirement age. If you wait until 70, your check would grow to $1,320 – a full 32% more. Conversely, if you retired four years earlier than your full retirement age at age 62, your monthly payment would be only $750. With average life expectancies at an all-time high, chances are good you'll be around to enjoy the higher benefits (see *Longevity* on page 36).

Spousal Benefits

Couples have additional options. Spouses are entitled to the greater of either the Social Security benefit based on his/her own working record, or up to 50% of a spouse with a higher benefit. Widows and widowers are entitled to the higher earner's full retirement payout. Dual-earner couples who have reached their full retirement age can even claim twice by first signing up for a spousal payment, then claiming again later based on their own work record (which will then be higher due to delayed claiming). Ex-spouses are also eligible for benefits if the marriage lasted at least 10 years.

Earnings Limitations

Am I required to stop working to collect Social Security benefits? No, you can receive benefits while working; however, if you are younger than the full retirement age (currently 66) and earn more than a certain amount, your monthly benefits will be temporarily reduced. Once you reach full retirement age, your benefits will be increased to make up for what was lost.

If you're turning 66 in 2014, the amount you can earn without a reduction in benefits is $41,400. If you are younger than 66 for all of 2014, the amount you can earn without a reduction in benefits is $15,480. After you reach your full retirement age, you keep all of your benefits no matter how much you earn.

The Social Security Administration website is very informative. Visit them at www.ssa.gov, or call (800) 772-1213 for more information.

Estate Planning

As stated earlier, it is important to keep your beneficiaries current. Your beneficiary is entitled to your accumulated contributions if you die before becoming eligible to retire. Also, each retired member has a $5,000 death benefit paid to their named beneficiary. If you have yet to name a beneficiary or have not updated your beneficiary designation since a divorce or death of a previously named beneficiary, your benefits may be paid to your estate.

Having a solid estate plan in place can also ensure your retirement benefits will be paid to the correct people. This section is meant to give you a brief introduction into estate planning and what important issues you may face at different stages in your life. This is by no means an exhaustive discussion. Please consult an estate planning professional about your specific needs. A list of items to have handy when starting or updating your estate plan is provided below.

The Basics

A **will** is a document to inform your loved ones on how to handle your estate upon your passing. Even if you have few material belongings, a will is still relevant and can decrease the tax liability associated with transferring your belongings to others. A will can also allow you to leave specific items to specific people.

Since an accident can happen at any time, a **durable power of attorney** is another important planning tool for everyone at every stage in life. A durable power of attorney lets you name someone to manage your affairs if you become physically or mentally unable to do so. Along that same line, an **advanced medical directive** is a document allowing your loved ones to honor your chosen medical decisions if you become unable to make those decisions in an emergency.

Planning for Married Couples

It is important both you and your spouse have a will, especially if you have children, and name a guardian for your children. If you die without a will, the court will decide how to handle your estate and who to appoint as your children's guardian. One of many possible outcomes decided by the court is having half of your estate going to your spouse and the other half divided between your children. The court will also have to approve your spouse to control the children's portion of your estate. This can cause a huge headache and legal entanglements for your family. You might consider establishing a **trust** for your children in the event both parents die at the same time.

You should also consider **life insurance** to provide for your family after you are gone. Would your family be able to manage financially, now and in the future, in the event of your death and the loss of your income?

Planning for the Elderly or Ill

Now is the time to make sure your documents are up to date and your family knows where your important documents are kept. It is also time to make your family aware of your decisions. Make sure your will is current with correct beneficiary information and taking into consideration any changes in the law or in your estate.

Remember, as an active, vested or retired member of OPERS, there may be benefits paid at your death to your named beneficiaries. You can change these beneficiaries at any time by completing a *Beneficiary Designation Form*. You can download the form from the OPERS website at www.opers.ok.gov/forms, or request one by calling (800) 733-9008.

The Information You Need

It is helpful to have as much of the following information on hand when planning your estate:

- The names, addresses, and birth dates of those persons included in your will.
- The names, addresses, and phone numbers of possible guardians (if you have young children) and executors or trustees.
- The amount and sources of your income, including interest, dividends, and other household income, such as your spouse's salary or income your children bring home, if they live with you.
- The amounts and sources of all your debts, including mortgages, installment loans, leases, and business debts.
- The amounts, sources and beneficiaries of retirement benefits, including IRAs, pensions, government benefits, and profit-sharing plans.
- The amounts, sources, and account numbers of other financial assets, including bank accounts, annuities, outstanding loans, etc., and names of any joint owners or pay-on-death designees.
- A list of life insurance policies, including the account balances, issuer, owner, beneficiaries, and any amounts borrowed against the policies.
- A list (with approximate values) of valuable property you own, including real estate, jewelry, furniture, jointly owned property (name the co-owner), collections, heirlooms and other assets. This list could be cross-referenced with the names of the people you might want to leave each item.

- The names, trustees, and assets of any trusts held for your benefit.
- Any documents possibly affecting your estate plan, including prenuptial agreements, marriage certificates, divorce decrees, recent tax returns, existing wills and trusts, property deeds, and so on.

Long-Term Care

As previously discussed, understanding a new set of risks and rewards in retirement is an important aspect of retirement planning. The obvious reward is more time devoted to the people and/or activities we may have put off during our hectic working years. Two of the primary risks in retirement are longevity (outliving your savings) and inflation (decreased purchasing power over time).

The good news is we are living longer, which also means we must be prepared financially to protect against outliving our savings. The bad news is we are seeing the costs of health care increasing at a faster rate than other common goods we purchase (annual inflation for medical costs has averaged 4% per year since 2000 vs. 2.5% for the Consumer Price Index).

Recent studies estimate 70% of all Americans will need some type of long-term care in their lifetime for such conditions as stroke, elder frailty, Alzheimer's, Parkinson's, and other conditions affecting more than 50% of people over the age of 65.

The need for long-term care insurance seems pretty compelling. According to the National Advisory Center for Long Term Care Insurance sponsored by Genworth, in 2000, nine million Americans needed long-term care services at an average cost of $55,750 per year. By 2030, they project the number of those needing this care will skyrocket to more than 23 million Americans with much higher projected annual costs.

What is Long-Term Care Insurance?
Most long-term care starts at home with the help of family or friends until the care giving becomes too difficult. The next step might be to hire a paid caregiver to help with care duties in the home or move to an assisted living facility. Unfortunately, many people simply cannot afford such a luxury.

Long-term care insurance covers the costs of long-term care services which are not covered by traditional health insurance. Unfortunately, Medicare will only pay for a very short time of care and only under specific, limited circumstances, usually in a nursing home, leaving the rest to you.

The value of long-term care insurance is it covers in-home assistance with activities of daily living as well as care in a variety of facility and community settings, giving you choices and protecting loved ones from the burdens of care giving.

How Much Does It Cost?
According to the U.S. Department of Health and Human Services, the average cost of a long-term care policy in 2007 was $2,207. Most experts agree to enroll between the ages of 40-60 to see the biggest savings. While those who enroll after the age of 60 will usually pay more, it may still be advantageous compared to the alternative of paying out-of-pocket.

Long-term care insurance products are continuing to evolve as insurance companies respond to consumer demand and increasing medical costs. Though Oklahoma is regulated by the Insurance Commission against unjustified increases, increasing prices are something you should be aware of and plan for when deciding if this insurance is right for you.

Post-Retirement Employment

Some OPERS retirees choose to return to work after they retire. Returning to work with an employer that does not participate in OPERS will have no effect on your benefits. However, returning to work for an employer who participates in OPERS may affect your benefits in the following ways:

1. **Returning to work with the same employer –** State law prohibits OPERS retirees from returning to work with the same employer from which they retired for a period of one year, unless the member waives receipt of the OPERS retirement benefit. See *Waiver of Retirement Benefits While Working* on page 62 for more information.

2. **Returning to work with a different employer** – You may return to work with a different OPERS participating employer and continue to receive the OPERS benefit after your first full month of retirement subject to the Social Security earnings limitations discussed below.

3. **Pre-retirement employment arrangements prohibited –** Retiring members and participating OPERS employers may not enter into employment arrangements before retirement that permit the member to retire and then be rehired <u>on any basis</u> by that same employer. Such an action is a direct violation of the Internal Revenue Service Code and does not constitute an actual retirement.

4. **Retirement contributions** – You will once again participate in OPERS by paying retirement contributions, regardless of the number of hours you work or the nature of the work (temporary, seasonal, permanent, etc.). Participation will begin with the first day of your return to employment. You and your employer will need to complete a *Post-Retirement Employment* form upon returning to work.

5. **Service credit** – You will continue to accrue service credit while you work for a participating employer. The additional credit may increase your retirement benefits, as explained later in this section.

6. **Social Security earnings limitation** – To draw full retirement benefits while working for a participating employer, OPERS retirement benefits are subject to the earnings limits established by the Social Security Administration for each calendar year. This applies only to persons who are younger than the Social Security full retirement age.

Upon returning to work with a participating employer, you must choose to either: (1) continue receiving benefits; or, (2) waive the receipt of monthly benefits (if eligible). This choice will be made when completing the *Post-Retirement Employment* form.

If you wish to work for an OPERS participating employer as an independent contractor, OPERS must review the contract in advance of performing the contract. The determination of whether or not you are an independent contractor for purpose of participation in OPERS will be made solely by OPERS. Costs associated with errors in participation must be paid by the employer.

Continuation of Retirement Benefits While Working

You may continue to receive benefits while working. However, if you are younger than the normal Social Security retirement age, benefits will cease if your salary exceeds Social Security's allowed earnings limit during the calendar year. The allowed earnings limit is determined by your age. Once your salary exceeds the allowed earnings, your benefits will not be paid for the rest of the calendar year, or until your employment terminates. OPERS may place your benefits on "hold" when it appears the next payment will result in an overpayment. You should notify OPERS if you expect your earnings for the year to stop before reaching the earnings limit. Your benefit will resume at the beginning of the next calendar year and continue until your salary reaches the allowed earnings limit for that calendar year, or until your employment terminates.

The current calendar year's earnings limits are posted on the OPERS website at www.opers.ok.gov. The limits may also be obtained from your Retirement Coordinator or OPERS.

Each month you work for a participating OPERS employer and contribute to OPERS, you earn service credit. Every additional 12 months of full-time-equivalent service (2,076 hours) worked will increase your benefit. Your benefit will be increased effective January 1 of each year, if you have earned 12 months of full-time-equivalent service as of the end of the previous fiscal year (June 30). Increased benefits are based upon the compensation and hours you worked with the participating OPERS employer during the time the additional service credit was earned. This increase is automatic. You are not required to cease employment or make application to receive the increased benefit.

Waiver of Retirement Benefits While Working

You may waive the receipt of retirement benefits while you are working. In such a case, no earnings limit applies and you may retire for a second time, but only after accumulating the equivalent of 36 continuous months of full-time service credit (6,228 hours). All of your service credit (before and after your first retirement) will be recomputed based upon the law governing OPERS at the time of your second retirement. IMPORTANT: Members electing the Medicare Gap Benefit Option may not waive benefits and retire a second time.

If you waive your retirement benefit, but terminate employment without earning the 36 months of service credit, you will not receive the benefits voluntarily waived during your period of employment. However, you may resume receiving the original benefit and receive an additional year of service for each 2,076 hours of service accumulated during your employment (as with those who do not waive their benefits).

Death of Retired Members

When you pass away as a retired member, your monthly retirement benefit may cease, change, or continue depending on the type of benefit you chose at retirement. For more information about the benefit options, see page 41. In addition, a death benefit will be distributed among your primary beneficiaries. You can designate the percentage which goes to each beneficiary. You will be provided with a form to designate a beneficiary upon retirement. This beneficiary designation may be changed after your retirement date by completing a new form. The death benefit is not insurance and is taxable to the beneficiary. The $5,000 Death Benefit is payable only upon the death of a retiree, but not upon the death of a joint-annuitant.

For non-spouse beneficiaries, OPERS must withhold ten percent (10%) for federal tax and five percent (5%) for state tax for Oklahoma residents unless the member's beneficiary either elects not to have OPERS withhold any amount for tax purposes,

A mandatory withholding tax, currently at the rate of twenty percent (20%) for federal tax and five percent (5%) for Oklahoma state tax, is imposed upon distributions of a deceased member's accumulated contributions to a spouse beneficiary who does not roll over the contributions to an IRA.

Excess Member Contributions

Occasionally, at the death of a retired member, the amount of member contributions you paid into OPERS is more than the total you received in monthly retirement benefits. In that event, if no joint-annuitant benefits are to be paid, OPERS will pay to your designated beneficiary, or if none, to your estate, the amount of your excess member contributions. An *Application for Payment of Accumulated Contributions in Excess of Retirement Benefits Paid* form will be sent to your beneficiary. This application will show the balance remaining between the total amount of contributions you paid to OPERS, and the total amount of retirement benefits paid to you during your lifetime.

Applying for Retired Member Death Benefits

Upon the death of a retired member, your surviving spouse, beneficiary or next of kin should immediately contact OPERS to inform us of your death and make the necessary changes to stop the payment of your OPERS benefit, or change the payment to your joint-annuitant or beneficiary, if applicable.

APPENDIX 1 – NORMAL RETIREMENT REDUCTION FACTORS
RETIREMENT OPTION A[14]

Expressed as a percentage of the total Maximum Benefit

Member's age at retirement	The number of years younger the joint-annuitant is than the member at the date of the member's retirement.										Same age	The number of years older the joint-annuitant is than the member at the date of the member's retirement.									
	10	9	8	7	6	5	4	3	2	1	0	1	2	3	4	5	6	7	8	9	10
50	95.56%	95.67%	95.79%	95.90%	96.02%	96.14%	96.26%	96.38%	96.50%	96.62%	96.74%	96.87%	96.99%	97.11%	97.23%	97.34%	97.46%	97.57%	97.68%	97.79%	97.90%
51	95.27%	95.39%	95.51%	95.63%	95.76%	95.88%	96.01%	96.14%	96.27%	96.40%	96.54%	96.67%	96.80%	96.92%	97.05%	97.18%	97.30%	97.42%	97.54%	97.66%	97.77%
52	94.96%	95.08%	95.21%	95.35%	95.48%	95.62%	95.76%	95.89%	96.03%	96.17%	96.31%	96.45%	96.59%	96.73%	96.87%	97.00%	97.13%	97.26%	97.39%	97.51%	97.63%
53	94.62%	94.76%	94.90%	95.04%	95.19%	95.33%	95.48%	95.63%	95.78%	95.93%	96.08%	96.23%	96.37%	96.52%	96.67%	96.81%	96.95%	97.09%	97.22%	97.36%	97.48%
54	94.27%	94.42%	94.56%	94.72%	94.87%	95.03%	95.18%	95.34%	95.50%	95.66%	95.82%	95.98%	96.14%	96.30%	96.45%	96.61%	96.76%	96.90%	97.05%	97.19%	97.33%
55	93.89%	94.05%	94.21%	94.37%	94.53%	94.70%	94.87%	95.04%	95.21%	95.38%	95.55%	95.72%	95.89%	96.06%	96.23%	96.39%	96.55%	96.71%	96.86%	97.01%	97.16%
56	93.49%	93.66%	93.83%	94.00%	94.18%	94.36%	94.54%	94.72%	94.90%	95.09%	95.27%	95.45%	95.63%	95.81%	95.99%	96.16%	96.33%	96.50%	96.66%	96.82%	96.98%
57	93.07%	93.25%	93.43%	93.62%	93.81%	94.00%	94.19%	94.39%	94.58%	94.78%	94.97%	95.17%	95.36%	95.55%	95.74%	95.92%	96.11%	96.28%	96.46%	96.63%	96.80%
58	92.63%	92.82%	93.02%	93.22%	93.42%	93.62%	93.83%	94.04%	94.24%	94.45%	94.66%	94.87%	95.07%	95.28%	95.48%	95.67%	95.87%	96.06%	96.25%	96.43%	96.61%
59	92.17%	92.37%	92.58%	92.79%	93.01%	93.23%	93.45%	93.67%	93.89%	94.11%	94.33%	94.55%	94.77%	94.99%	95.20%	95.41%	95.62%	95.82%	96.02%	96.22%	96.41%
60	91.68%	91.90%	92.12%	92.35%	92.58%	92.81%	93.04%	93.28%	93.52%	93.75%	93.99%	94.22%	94.46%	94.69%	94.92%	95.14%	95.36%	95.58%	95.79%	96.00%	96.20%
61	91.17%	91.40%	91.64%	91.88%	92.12%	92.37%	92.62%	92.87%	93.12%	93.38%	93.63%	93.88%	94.13%	94.37%	94.62%	94.86%	95.09%	95.32%	95.55%	95.77%	95.98%
62	90.63%	90.88%	91.13%	91.39%	91.65%	91.92%	92.18%	92.45%	92.72%	92.99%	93.26%	93.52%	93.79%	94.05%	94.31%	94.56%	94.81%	95.06%	95.30%	95.53%	95.76%
63	90.08%	90.34%	90.61%	90.89%	91.17%	91.45%	91.73%	92.02%	92.30%	92.59%	92.88%	93.16%	93.44%	93.72%	93.99%	94.27%	94.53%	94.79%	95.05%	95.30%	95.54%
64	89.51%	89.79%	90.08%	90.37%	90.67%	90.97%	91.27%	91.57%	91.88%	92.18%	92.49%	92.79%	93.09%	93.39%	93.68%	93.97%	94.25%	94.53%	94.80%	95.06%	95.32%
65	88.92%	89.22%	89.52%	89.83%	90.15%	90.47%	90.79%	91.11%	91.44%	91.76%	92.09%	92.41%	92.73%	93.04%	93.35%	93.66%	93.96%	94.26%	94.55%	94.83%	95.10%
66	88.30%	88.62%	88.95%	89.28%	89.62%	89.96%	90.30%	90.64%	90.99%	91.33%	91.67%	92.02%	92.36%	92.69%	93.02%	93.35%	93.67%	93.98%	94.29%	94.59%	94.88%
67	87.67%	88.01%	88.36%	88.71%	89.07%	89.43%	89.80%	90.16%	90.53%	90.89%	91.26%	91.62%	91.99%	92.34%	92.70%	93.04%	93.38%	93.71%	94.04%	94.35%	94.66%
68	87.02%	87.38%	87.75%	88.12%	88.50%	88.89%	89.27%	89.66%	90.05%	90.44%	90.83%	91.22%	91.61%	91.99%	92.36%	92.73%	93.09%	93.44%	93.78%	94.12%	94.44%
69	86.33%	86.72%	87.11%	87.51%	87.91%	88.32%	88.73%	89.14%	89.56%	89.97%	90.39%	90.80%	91.21%	91.61%	92.01%	92.40%	92.78%	93.15%	93.52%	93.87%	94.21%
70	85.61%	86.02%	86.44%	86.86%	87.29%	87.72%	88.16%	88.60%	89.04%	88.59%	89.92%	90.36%	90.80%	91.22%	91.65%	92.06%	92.46%	92.86%	93.24%	93.61%	93.97%

[14] The member's and joint-annuitant's ages on the chosen date of retirement are rounded to the nearest year to determine the appropriate reduction factor.

APPENDIX 2 – NORMAL RETIREMENT REDUCTION FACTORS
RETIREMENT OPTION B[15]

Expressed as a percentage of the total Maximum Benefit

Member's age at retirement	The number of years younger the joint-annuitant is than the member at the date of the member's retirement.										Same age	The number of years older the joint-annuitant is than the member at the date of the member's retirement.									
	10	9	8	7	6	5	4	3	2	1	0	1	2	3	4	5	6	7	8	9	10
50	91.50%	91.70%	91.91%	92.12%	92.34%	92.56%	92.78%	93.01%	93.24%	93.47%	93.69%	93.92%	94.15%	94.38%	94.60%	94.83%	95.05%	95.26%	95.47%	95.68%	95.88%
51	90.97%	91.18%	91.40%	91.63%	91.86%	92.09%	92.33%	92.57%	92.82%	93.06%	93.30%	93.55%	93.79%	94.03%	94.27%	94.51%	94.74%	94.97%	95.20%	95.42%	95.64%
52	90.40%	90.63%	90.87%	91.11%	91.35%	91.60%	91.86%	92.11%	92.37%	92.63%	92.89%	93.15%	93.41%	93.67%	93.92%	94.17%	94.42%	94.67%	94.91%	95.14%	95.37%
53	89.80%	90.04%	90.29%	90.55%	90.81%	91.08%	91.35%	91.62%	91.90%	92.17%	92.45%	92.73%	93.00%	93.28%	93.55%	93.82%	94.08%	94.34%	94.60%	94.85%	95.09%
54	89.16%	89.42%	89.69%	89.96%	90.24%	90.52%	90.81%	91.10%	91.39%	91.69%	91.98%	92.28%	92.57%	92.86%	93.15%	93.44%	93.72%	93.99%	94.27%	94.53%	94.79%
55	88.48%	88.76%	89.05%	89.34%	89.63%	89.93%	90.24%	90.55%	90.86%	91.17%	91.48%	91.80%	92.11%	92.42%	92.73%	93.03%	93.33%	93.62%	93.91%	94.19%	94.47%
56	87.78%	88.07%	88.37%	88.68%	89.00%	89.32%	89.64%	89.97%	90.30%	90.63%	90.96%	91.30%	91.63%	91.96%	92.28%	92.60%	92.92%	93.23%	93.54%	93.84%	94.14%
57	87.04%	87.36%	87.68%	88.01%	88.34%	88.68%	89.02%	89.37%	89.72%	90.07%	90.43%	90.78%	91.13%	91.48%	91.82%	92.17%	92.50%	92.84%	93.16%	93.48%	93.79%
58	86.28%	86.61%	86.95%	87.30%	87.65%	88.01%	88.37%	88.74%	89.12%	89.49%	89.86%	90.24%	90.61%	90.98%	91.35%	91.71%	92.07%	92.42%	92.76%	93.10%	93.44%
59	85.47%	85.83%	86.19%	86.55%	86.93%	87.31%	87.70%	88.09%	88.48%	88.88%	89.27%	89.67%	90.06%	90.46%	90.85%	91.23%	91.61%	91.98%	92.35%	92.71%	93.07%
60	84.63%	85.01%	85.39%	85.78%	86.18%	86.58%	86.99%	87.40%	87.82%	88.24%	88.66%	89.08%	89.50%	89.91%	90.32%	90.73%	91.13%	91.53%	91.92%	92.30%	92.68%
61	83.76%	84.16%	84.56%	84.98%	85.40%	85.82%	86.26%	86.69%	87.13%	87.58%	88.02%	88.46%	88.91%	89.35%	89.78%	90.21%	90.64%	91.06%	91.47%	91.88%	92.28%
62	82.87%	83.29%	83.71%	84.15%	84.59%	85.04%	85.50%	85.96%	86.43%	86.90%	87.37%	87.84%	88.30%	88.77%	89.23%	89.69%	90.14%	90.59%	91.02%	91.45%	91.87%
63	81.95%	82.39%	82.84%	83.30%	83.77%	84.24%	84.73%	85.22%	85.71%	86.20%	86.70%	87.19%	87.69%	88.18%	88.67%	89.15%	89.63%	90.10%	90.57%	91.02%	91.46%
64	81.01%	81.47%	81.95%	82.43%	82.93%	83.43%	83.94%	84.46%	84.98%	85.50%	86.02%	86.55%	87.07%	87.59%	88.11%	88.62%	89.13%	89.62%	90.11%	90.59%	91.06%
65	80.04%	80.53%	81.03%	81.55%	82.07%	82.60%	83.14%	83.68%	84.23%	84.78%	85.33%	85.89%	86.44%	86.99%	87.54%	88.08%	88.61%	89.14%	89.66%	90.16%	90.66%
66	79.05%	79.57%	80.10%	80.64%	81.19%	81.74%	82.31%	82.88%	83.46%	84.04%	84.63%	85.21%	85.80%	86.38%	86.96%	87.53%	88.09%	88.65%	89.19%	89.73%	90.25%
67	78.05%	78.59%	79.15%	79.72%	80.30%	80.88%	81.48%	82.08%	82.69%	83.31%	83.93%	84.54%	85.16%	85.78%	86.38%	86.99%	87.58%	88.17%	88.75%	89.31%	89.86%
68	77.02%	77.59%	78.17%	78.77%	79.38%	80.00%	80.63%	81.26%	81.91%	82.56%	83.21%	83.86%	84.51%	85.16%	85.80%	86.44%	87.07%	87.69%	88.29%	88.89%	89.46%
69	75.95%	76.55%	77.16%	77.79%	78.43%	79.08%	79.74%	80.41%	81.09%	81.77%	82.46%	83.15%	83.84%	84.52%	85.20%	85.87%	86.53%	87.19%	87.82%	88.44%	89.05%
70	74.84%	75.47%	76.12%	76.77%	77.45%	78.13%	78.83%	79.54%	80.25%	80.97%	81.69%	82.42%	83.14%	83.86%	84.58%	85.29%	85.98%	86.67%	87.34%	87.99%	88.63%

[15] The member's and joint-annuitant's ages on the chosen date of retirement are rounded to the nearest year to determine the appropriate reduction factor.

APPENDIX 3 – NORMAL RETIREMENT REDUCTION FACTORS RETIREMENT OPTION C[16]

Expressed as a percentage of the total Maximum Benefit

AGE	%
47	99.62
48	99.58
49	99.53
50	99.47
51	99.39
52	99.31
53	99.21
54	99.09
55	98.94
56	98.78
57	98.60
58	98.38
59	98.14
60	97.86
61	97.55
62	97.20
63	96.81
64	96.39
65	95.92
66	95.40
67	94.84
68	94.21
69	93.49
70	92.68
71	91.79
72	90.77
73	89.64
74	88.36
75	86.94
76	85.36

[16] The member's age on the chosen date of retirement is rounded to the nearest year to determine the appropriate reduction factor.

APPENDIX 4 – EARLY RETIREMENT REDUCTION FACTORS[17]

Expressed as a percentage of the total Maximum Benefit

AGE	%	AGE	%
60 – 00 mo.	100.0	-	-
59 – 11 mo.	99.5	57 – 05 mo.	84.5
59 – 10 mo.	99.0	57 – 04 mo.	84.0
59 – 09 mo.	98.5	57 – 03 mo.	83.5
59 – 08 mo.	98.0	57 – 02 mo.	83.0
59 – 07 mo.	97.5	57 – 01 mo.	82.5
59 – 06 mo.	97.0	57 – 00 mo.	82.0
59 – 05 mo.	96.5	56 – 11 mo.	81.5
59 – 04 mo.	96.0	56 – 10 mo.	81.0
59 – 03 mo.	95.5	56 – 09 mo.	80.5
59 – 02 mo.	95.0	56 – 08 mo.	80.0
59 – 01 mo.	94.5	56 – 07 mo.	79.5
59 – 00 mo.	94.0	56 – 06 mo.	79.0
58 – 11 mo.	93.5	56 – 05 mo.	78.5
58 – 10 mo.	93.0	56 – 04 mo.	78.0
58 – 09 mo.	92.5	56 – 03 mo.	77.5
58 – 08 mo.	92.0	56 – 02 mo.	77.0
58 – 07 mo.	91.5	56 – 01 mo.	76.5
58 – 06 mo.	91.0	56 – 00 mo.	76.0
58 – 05 mo.	90.5	55 – 11 mo.	75.5
58 – 04 mo.	90.0	55 – 10 mo.	75.0
58 – 03 mo.	89.5	55 – 09 mo.	74.5
58 – 02 mo.	89.0	55 – 08 mo.	74.0
58 – 01 mo.	88.5	55 – 07 mo.	73.5
58 – 00 mo.	88.0	55 – 06 mo.	73.0
57 – 11 mo.	87.5	55 – 05 mo.	72.5
57 – 10 mo.	87.0	55 – 04 mo.	72.0
57 – 09 mo.	86.5	55 – 03 mo.	71.5
57 – 08 mo.	86.0	55 – 02 mo.	71.0
57 – 07 mo.	85.5	55 – 01 mo.	70.5
57 – 06 mo.	85.0	55 – 00 mo.	70.0

[17] The reduction factors reflected here are for members first elected before November 1, 2011. Those members may choose early retirement between the ages of 55 and 60. Members first elected on or after November 1, 2011, may choose early retirement between the ages of 60 and 62. Those members receive the same 0.5% reduction for each month between their age at early retirement and the age they would have reached normal retirement eligibility. For example, a member who was first elected on or after November 1, 2011, and chooses early retirement at 61 years and 3 months of age will receive 95.5% of the Maximum in early retirement benefits (i.e., the same reduction factor for someone who is 59 years and 3 months of age in the table above).

Q & A ON REDUCTION FACTOR TABLES

Questions often arise regarding the reduction factors for retirement benefits. Below are answers to some of the most frequently asked questions regarding the tables.

Question: Who determines the reduction factors and how often are they updated?

Answer: The Plan's actuary periodically reviews all aspects of the Plan, including the reduction factors for Retirement Option's A, B, and C to ensure the actuarial assumptions reflect the actual experience of the members covered under the Plan.

Question: Do the reduction factor tables go beyond the ages listed on the table?

Answer: Yes. Due to the limitation of space, OPERS could not publish the reduction factors for every age. If you need the reduction factors for a particular member's and joint-annuitant's ages, please contact OPERS.

Question: Why does an older member experience more of a reduction under Option A or B at retirement than a younger member?

Answer: Since OPERS promises you a single-life annuity, any additional payment in the form of a joint and survivor annuity is an additional cost reflected in the reduction factors. This is similar to the cost of providing an insurance benefit for a joint-annuitant.

The cost of this benefit is more expensive for older retirees than for younger retirees because, on average, the older the retiree the sooner survivor benefits will be paid to a joint-annuitant.

The more likely OPERS will have to pay survivor benefits sooner, the more expensive survivor benefits become. Therefore, older retirees choosing Options A and B have to pay more to fund benefits for their joint-annuitants as compared to younger retirees. This additional cost is expressed as a greater reduction in the retiree's benefit.

Question: How is age determined when using the reduction factor tables?

Answer: Your age and the age of your joint-annuitant are rounded to the nearest full year for purposes of applying the appropriate reduction factor. For example, if your age on your chosen retirement date is 59 years and 7 months, you will be considered 60 years of age. Conversely, if you were 59 years and 2 months of age, you would be considered 59 years of age using the reduction factor tables.

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