



# 2011

## Retirement Coordinators Training

**Presented by**

**Oklahoma Public Employees Retirement System**



# Welcome

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## Patrick Lane

Director, Communications & Customer Contact

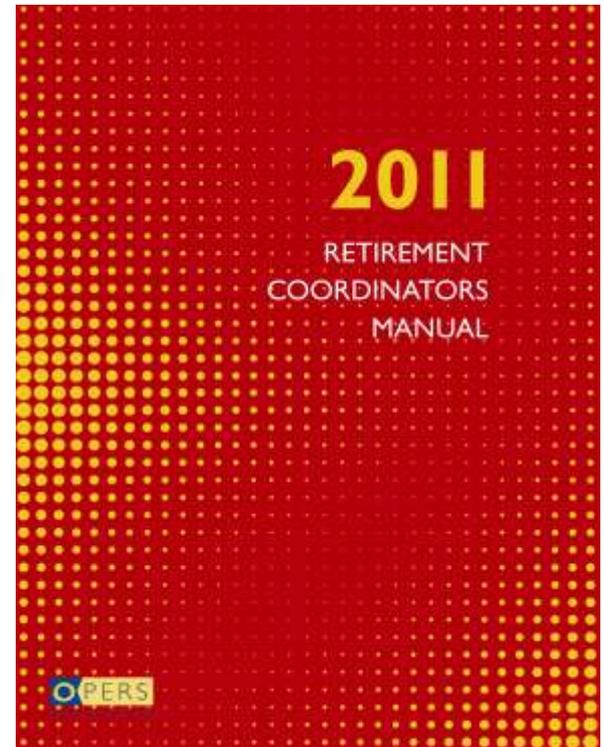
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# New Manual

- OPERS is going green.
- PDF is available on Coordinators Corner.
- New Summary Document highlights changes in 2011.
- Linked Table of Contents for easy navigation.



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



# Presentation Overview

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- OPERS at a Glance
- Roles of Retirement Coordinator
- 2011 Legislation
- Turnaround on Retirements
- Unused Sick Leave
- New Retirement Planning Seminars
- Other
- Questions and Answers

# OPERS at a Glance

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- 286 participating employers:
  - 126 state units representing 76% of OPERS members
  - \$253 million in employer contributions in FY 2011
- \$6.8 Billion in total assets:
  - Diversified investment portfolio
  - Targets: 40% domestic equity, 24% international equity, 36% fixed income

# OPERS at a Glance

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- 29,418 benefit recipients
  - \$462 million in benefits paid in FY 2011
  - 2,242 new retirees in FY 2011
- 42,055 active members
  - \$66 million in member contributions in FY 2011
  - 6,176 new members enrolled in FY 2011

# OPERS at a Glance

## Defined Benefit Plan

- Member and employer pay contributions.
- Member must meet certain eligibility requirements.
- Benefits are based upon a formula:



# OPERS at a Glance

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## Normal (Full) Retirement

*For members who began participation in OPERS before November 1, 2011*

- Age 62 with 6 years of full-time equivalent employment (2,076 hours per year)

*OR*

- 80 points (age + service credit) if you initially became a member before July 1, 1992

*OR*

- 90 points (age + service credit) if you initially became a member on or after July 1, 1992

***Subject to 2011 legislative change***

# OPERS at a Glance

## Early Retirement

*For members who began participation in OPERS before November 1, 2011*

- Ages 55 to 62
- 10 years of participating service
- Permanently reduced benefits

| Early Retirement Reduction Factors |            |
|------------------------------------|------------|
| Age                                | Percentage |
| 62                                 | 100.00     |
| 61                                 | 93.33      |
| 60                                 | 86.67      |
| 59                                 | 80.00      |
| 58                                 | 73.33      |
| 57                                 | 66.67      |
| 56                                 | 63.33      |
| 55                                 | 60.00      |

*Subject to 2011 legislative change*

# Roles of Retirement Coordinator

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- Enrolling new employees
- Reporting contributions
- Maintaining records
- Providing information to OPERS
- Keeping your employees informed

# Enrolling New Employees

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- Online enrollment is available at <https://connect.opers.state.ok.us>.
- Please enroll employees before first payroll report and enroll even those who leave immediately.
- Call OPERS regarding prior participation.
- Members cannot withdraw, vest or retire without enrolling.
- Please encourage members to complete beneficiary designations at enrollment.

# Reporting Contributions

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- Retirement contributions begin for:
  - New members - 1<sup>st</sup> day of month following hire date
  - Previous members - 1<sup>st</sup> day on the job
- “Probationary” periods are still reportable.
- Please report correct hours worked on payroll report each month.
- Beware of possible Step-Up contributions for new hires with prior service – *call OPERS, if needed.*

# Maintaining Records

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- Long-term relationship between OPERS and your employees.
- OPERS will frequently request missing information.
- Learn where your old records are hiding, never get rid of that information.
- Keep employee records as accessible as possible.

# 2011 Legislation

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- **SB 794**
  - Changes to retirement age, eligibility and elected official participation
- **SB 840**
  - OPERS “clean up” bill
- **HB 1010**
  - Changes to retirement age for judicial members
- **HB 2132**
  - Changes to funding of cost of living adjustments
- **HB 2177**
  - Voluntary Buyout Fund extended

# SB 794

Effective Date November 1, 2011

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## For new members after effective date of bill:

- State & Local Government and Hazardous Duty Employees:
  - Normal retirement age raised to 65 (previously 62).
  - Early retirement between ages of 60 and 65 (previously 55 to 62).
  - Minimum age of 60 to retire with 90 points.
- Elected Officials:
  - New Elected Officials will contribute at the same rate as normal public employees and have the same benefit multiplier.
  - Normal retirement at 65 with 8 years of elected or appointed service.
  - Normal retirement at 62 with 10 years of elected or appointed service.
  - Early retirement at age 60 with 10 years of participating service.

# SB 840

Effective Date August 25, 2011

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## OPERS “Clean up” Bill

- Affirms employee contributions are trust funds when they are withheld from members’ pay.
- Penalty for late payment of contributions raised from 1.5% to 3.0%.

# HB 1010

Effective Date January 1, 2012

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For new judicial members after effective date of bill:

- Raises normal retirement age to 67 (previously age 65) with 8 years of service, or age 62 (previously age 60) with 10 years of service.

# HB 2132

Effective Date August 25, 2011

## Cost of Living Adjustments (COLAs)

- COLAs no longer considered “non-fiscal retirement bills” in the Oklahoma Pension Legislation Actuarial Analysis Act.
- OPERS and URSJJ will no longer have 2% actuarial assumption for COLAs. Had this been in effect for FY 2010 actuarial valuations:
  - OPERS funded ratio would have been 78.8% v. 66%.
  - URSJJ funded ratio would have been 96.4% v. 81.3%.
- COLAs must be funded by the Legislature to be passed into law.

# HB 2177

Effective Date July 1, 2011

## Voluntary Buyout Reimbursement Revolving Fund

- Fund extended to June 30, 2012.
- Created to provide budget relief via reimbursement to state agencies that offer voluntary out benefits to retirement-eligible employees.

# Turnaround on Retirements

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- Goal of providing initial benefits within 30 days of leaving payroll – *uninterrupted income*.
- OPERS has been working to:
  - Define issues contributing to two-month benefit process;
  - Consult with employer agencies to identify obstacles;
  - Consult with other retirement systems;
  - Identify technology needs; and,
  - Explore reasonable approaches.

# Turnaround on Retirements

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- What we've learned:
  - 74% of “preliminary” calculations were identical to final benefit;
  - Additional 16% were within \$5 of final benefit;
  - Overestimates ranged from \$52 to \$127 on final benefit; and,
  - Underestimates ranged from \$42 to \$385 on final benefit.
- Common causes for inaccurate preliminary estimates:
  - Late decision by member to purchase service;
  - Change in service due to leave without pay; and,
  - Change in unused sick leave balance, impacting rounding.

# Turnaround on Retirements

- What you can do as a Retirement Coordinator:
  - Report member's last date physically on the job, last date on payroll and estimated unused sick leave balance (Part 8 of Retirement Notice) within 10 days of coming off the payroll.
  - Encourage member to ensure vital documents are submitted to OPERS with *Retirement Notice & Application*.
    - Birth certificates, marriage licenses, divorce decrees, etc.
  - Submit payroll timely so final benefit calculation can be completed.

# Unused Sick Leave

- May be added to member's service credit.
- If addition causes total credited service to equal or exceed 6 months, service is rounded up to the next year.
- Timely reporting of USL is greatly appreciated to expedite service to retiring members.

| Hours of Unused Sick Leave | Months of OPERS Service Credit |
|----------------------------|--------------------------------|
| 0 – 159                    | 0                              |
| 160 – 319                  | 1                              |
| 320 – 479                  | 2                              |
| 480 – 639                  | 3                              |
| 640 – 799                  | 4                              |
| 800 – 959                  | 5                              |
| 960 (maximum)              | 6                              |

# Unused Sick Leave

When it adds a year:

|                   |                             |
|-------------------|-----------------------------|
| 21 years 0 months | Service Credit              |
| + 6 months        | Unused Sick Leave           |
| <hr/>             |                             |
| 21 years 6 months | Service (before rounding)   |
| <hr/>             |                             |
| <b>22 years</b>   | <b>Total Service Credit</b> |

When it does NOT add a year:

|                   |                             |
|-------------------|-----------------------------|
| 21 years 9 months | Service Credit              |
| + 6 months        | Unused Sick Leave           |
| <hr/>             |                             |
| 22 years 3 months | Service (before rounding)   |
| <hr/>             |                             |
| <b>22 years</b>   | <b>Total Service Credit</b> |

# Cost of Unused Sick Leave

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- Employers are only invoiced for USL if it is needed to roll up to an additional year.
- Three primary cost drivers:
  - Final average salary of the member;
    - Higher salary = higher cost
  - Difference between the member's current age and their retirement age at invoicing; and,
    - Closer to retirement age = higher cost
  - Life expectancy.

# Cost of Unused Sick Leave

|   |  | <b>Example 1</b>                | <b>Example 2</b>                 |
|---|--|---------------------------------|----------------------------------|
| 1 | Final Average Salary                               | \$40,000.00                     | \$60,000.00                      |
| 2 | Retirement Benefit Computation Factor (2.0%)       | x 0.02                          | x 0.02                           |
| 3 | Annual Benefit per Year of Service                 | <u>\$800.00</u>                 | <u>\$1,200.00</u>                |
|   |  | ÷ 12                            | ÷ 12                             |
| 4 | Monthly Benefit per Year of Service                | <u>\$66.67</u>                  | <u>\$100.00</u>                  |
| 5 | Reserve Factor                                     | x 50.03                         | x 106.08                         |
| 6 | <b>Cost of Funding Additional Year of Benefits</b> | <b><u><u>\$3,335.33</u></u></b> | <b><u><u>\$10,608.00</u></u></b> |

**Assumptions:**

*Current age 50*

*Retirement age 62*

*Current age 60*

*Retirement age 62*

# Unused Sick Leave Policy

- Section 913(B)(7) of Title 74:
  - *The total participating service credit of a member who retires or terminates employment and elects a vested benefit **shall include** not to exceed one hundred thirty (130) days of unused sick leave accumulated subsequent to August 1, 1959, during the member's employment with any participating employer. Such credit shall be added in terms of whole months. Twenty (20) days of unused sick leave shall equal one (1) month for purposes of participating service credit. If unused sick leave entitles a member to an additional year of service credit, **the member's employer shall reimburse the System** for the cost of funding the additional reserve.*
- Please inform OPERS immediately if you have a change in your Unused Sick Leave policy.
  - New form: *Verification of Unused Sick Leave Policy*
  - Available on Coordinators Corner

# Retirement Planning Seminars

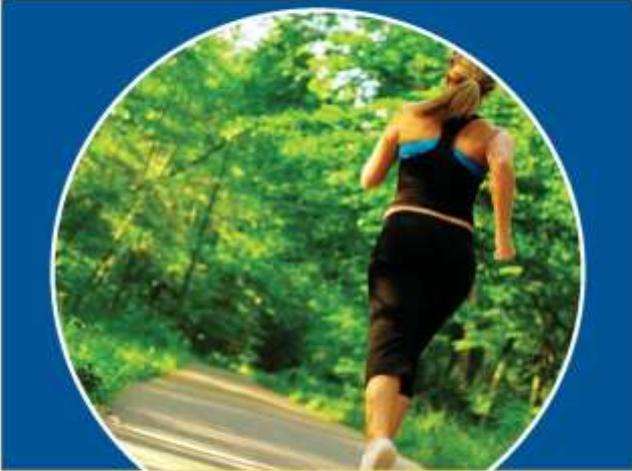
- Special thanks to the following agencies for serving as a focus group throughout the development and rollout of the seminars:
  - Canadian County
  - CompSource Oklahoma
  - Dept of Agriculture
  - Dept of Central Services
  - Dept of Environmental Quality
  - Dept of Health
  - Dept of Human Services
  - Dept of Transportation
  - Dept of Veterans Affairs
  - District Courts
  - Employment Security Commission
  - House of Representatives
  - Tax Commission

# Controlling Your Financial Future

- Two-hour presentation covering basic financial planning concepts:
  - Reducing debt
  - Saving for retirement
  - Budgeting
  - Importance of net worth
  - Setting financial goals

**Controlling Your Financial Future**

*How to Increase Your Wealth, Decrease Your Debt, and Manage Your Cash Flow™*



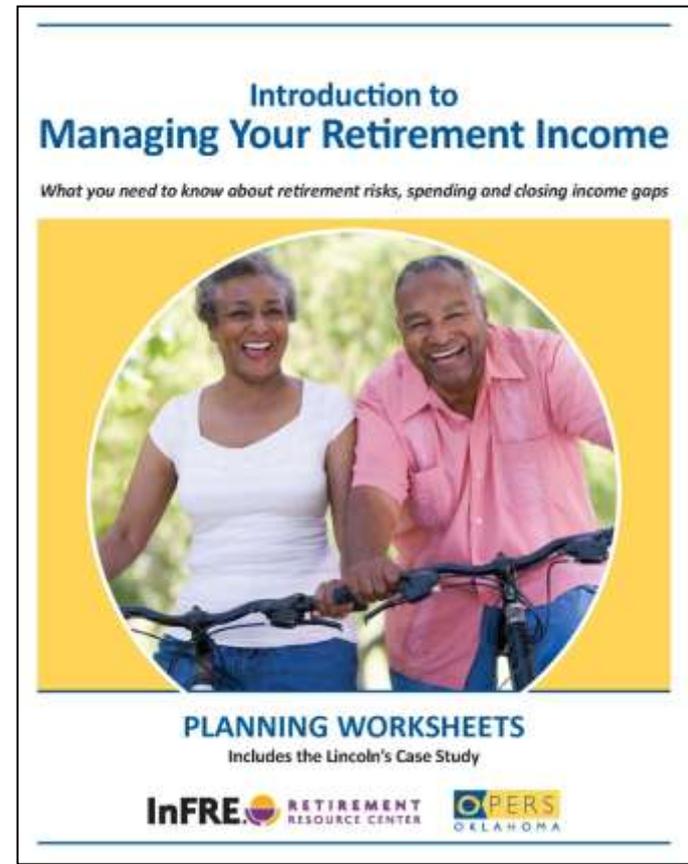
A step by step program to help you control your financial future with greater confidence, knowledge and peace of mind.

**InFRE.** RETIREMENT RESOURCE CENTER

**OPERS** OKLAHOMA

# Managing Your Retirement Income

- Topics include:
  - What it means to be “retirement ready”
  - Exploring new risks in retirement
  - Evaluating your retirement preparedness
  - Options for creating retirement income and for closing income gaps



# Retirement Planning Seminars

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- Seminars are available now!
- In-person seminars:
  - Available by request, pending availability
  - Minimum audience is required
  - Contact Stephanie White | *swhite@opers.ok.gov*
- Online seminars
  - [www.opers.ok.gov/member-education](http://www.opers.ok.gov/member-education)

# OPERS Communications

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- New versions of *Essential*/OPERS available online.
  - Use *Essential* series during the enrollment process, member handbook for members requesting more detailed information.
  - *Essential*/URSJJ now available for judicial participation.
- More employer forms available on Coordinators Corner.
  - Print-friendly version on many forms eliminates need to order.
- New *Member Education* pages online for all seminars
  - [www.opers.ok.gov/member-education](http://www.opers.ok.gov/member-education)
- New videos series on OPERS enrollment/payroll reporting site nearly complete.

# Annual Statements

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- Information as of June 30, 2011
- Contain information regarding:
  - Accumulated contributions
  - Beneficiary(ies)
  - Retirement Coordinator contact information
  - Retirement eligibility requirements
  - Death benefits
- This year, members without enrollments will not receive a statement until enrollment is completed.
- Retirement Coordinators will receive “dead-end” statements.

**Q & A**

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## **Questions and Answers**

# Thank You



Visit the OPERS website | [www.opers.ok.gov](http://www.opers.ok.gov)

## **OPERS**

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