retiring RIGHT
Oklahoma Public Employees Retirement System
OPERS OKLAHOMA

Active Member Edition Summer 2011

2011 Legislative Summary

The 2011 session of the Oklahoma Legislature adjourned on May 27, 2011 with several bills affecting OPERS and its members signed into law by Governor Mary Fallin. The 1st Session of the 53rd Legislature convened on February 7, 2011 and pension funding was an important topic of debate this session.

The issue of "pension reform" has received some attention in the state and local media, as well. As a result, we have received numerous phone calls from concerned active members asking whether the retirement benefits they currently have could be changed. There were no bills under consideration in the Legislature that would affect current active members. The bills would only affect future new employees of OPERS-participating agencies.

Throughout the session, legislators consistently advised OPERS staff there were no plans to change benefits for current members of OPERS. However, there were bills that presented a potential impact on retirees, and a bill pertaining to the funding of cost of living adjustments was passed. The following provides a brief summary of the bills impacting OPERS and our members:

SB 794- Signed by Governor Fallin May 10, 2011

Retirement age increase. The retirement age for all OPERS members hired on or after November 1, 2011 has been increased to age 65.

Age requirement to retire under 'Rule of 90'. Members hired on or after November 1, 2011 must be at least age 60 to retire with 90 points or what is often referred to as the 'Rule of 90'. These members may retire with full, unreduced benefits from OPERS when the sum of their age and years of service in OPERS equals 90 or more and they are at least 60 years of age.

Changes to participation by elected officials. The vesting period for elected officials first elected on or after November 1, 2011 has been increased to eight years of elected or appointed service. The retirement age for newly elected officials has also been increased to age 65 with eight years of elected or appointed service, or age 62 with 10 years of elected or

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The Director's Corner
America's Debt Nightmare

Tom Spencer, Executive Director

On February 18, 2010, President Obama created the *National Commission on Fiscal Responsibility and Reform* by executive order. It was formed to make recommendations to tackle the annual federal budget deficits and our growing national debt. Composed of a group of 18 bipartisan members, the Commission completed its report by the December 1, 2010 deadline. The report is aptly titled *The Moment of Truth*.

Many of you have read about the report and have been told by the talking heads the likelihood of implementing the recommendations is highly unlikely. The stated reasons are that one party supposedly will not agree to reduce or change federal entitlement programs like Social Security and Medicare. Another party supposedly will never agree to "revenue enhancements" (OK, tax increases). So is that the end of the discussion? Really? As U.S. citizens we should demand better. We all better hope discussions will continue and solutions will get implemented because forget about Greece, Ireland and Portugal. We have our own debt spiral to worry about. I doubt very seriously if the rest of the world is going to hold a series of fund raising events to bail out Uncle Sam.

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ALSO IN THIS ISSUE:

Understanding Long-Term Care Insurance

One important aspect of retirement planning includes understanding a new set of risks and rewards in retirement. The obvious reward is more time spent on 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).

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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 that affect 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, in 2000, 9 million Americans needed long-term care services at an average cost of $55,750 per year. The current average annual cost is about $75,000 per person. By 2030, they project the number of those needing this care will skyrocket to more than 23 million Americans with projected annual costs of about $300,000 per person.

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.

Long-Term Care Essentials

Here are some important things to consider when looking into Long-Term Care (LTC) Insurance.

Do You Have Assets to Protect?

LTC insurance protects your savings against the high cost of care at a nursing home or assisted-living facility or help from a home health worker. Without a policy, your alternative is to pay out-of-pocket until you've nearly exhausted your assets and can qualify for Medicaid.

Can You Afford it Tomorrow?

- The average new policy costs 25% to 30% more than it did five years ago.
- As a general rule, LTC insurance premiums should not exceed 7% of your annual income. Experts recommend budgeting for at least a 10% increase in premiums per decade.
- There are alternative options for paying for LTC insurance such as reverse mortgages and speed payments that may fit your situation.

Additional Resources

We have identified a number of helpful resources. Please visit the following websites for additional information on long-term care:

- U.S. Department of Health and Human Services
  www.longtermcare.gov
- National Advisory Center on Long Term Care Insurance
  www.longtermcareinsurance.org
- Oklahoma Long-Term Care Partnership
  www.okltcpartnership.org
- National Care Planning Council
  www.longtermcarelink.net
- Medicare Nursing Home Comparisons
  www.medicare.gov/NHCompare

Retirement Planning Seminar Update

"Information is Power!" That was the title of the lead article in the previous edition of *Retiring Right*. In that article, we outlined our efforts in developing two new retirement planning seminars: *Controlling Your Financial Future* and *Managing Your Retirement Income*.

We are pleased to report great progress in rolling out these seminars. Over the last year, we have been working with a core group of employers who are serving as a focus group for us and have 37 seminars scheduled over the next couple of months.

We would like to thank the employers listed who have been instrumental in helping us launch the new seminars. Currently, we are providing seminars specifically for employees at these agencies but plan to expand to all OPERS members and employers in the near future.

In the meantime, we will be adding the online versions of the two courses to our website in the next few weeks. Please visit us at **www.opers.ok.gov** to learn more about our member education programs.

- Canadian County
- CompSource Oklahoma
- Department of Agriculture
- Department of Central Services
- Department of Environmental Quality
- Department of Health
- Department of Human Services
- Department of Rehabilitation Services
- Department of Transportation
- Department of Veterans Affairs
- District Courts
- Employment Security Commission
- House of Representatives
- Tax Commission

Healthful *hints*

Are you sweet on sugar?

The health risks of an untamed sweet tooth

According to the American Medical Association (AMA), the average American drinks about 53 gallons of soda every year. If it's regular soda, that comes to about 49 pounds of sugar in the form of high-fructose corn syrup or 355 calories per day. Health care professionals have long been warning of the dangers of too much sugar and now cite numerous potential adverse health effects from too much of a sweet thing.

The cost of too much sugar

Excess sugar has been linked to a variety of health concerns including obesity, high blood pressure, liver disease, and even depression.

Recent research published by the AMA showed eating large amounts of excess sugar triples your risk of low HDL (the "good" cholesterol), a major risk factor for heart disease. Other studies show sugar often replaces more nutritious foods. One study recently published in the *Annual Review of Nutrition* tracked women from 1970 through 2000 and found that even though their daily caloric intake increased from 1,652 calories a day in 1970 to 2,028 calories a day in 2000, the calories they received from healthy fats and protein actually decreased.

Excessive intake of sugar can be a significant contributor to many chronic conditions, including:

- **Type II Diabetes** Eating too much sugar can overwhelm your body's ability to process the excess and can lead to insulin resistance and weight gain—major factors in the onset of type II diabetes.
- **Anxiety** Sugar causes swings in blood sugar, which can wreak havoc on the nervous system and leave you feeling on edge.
- **Depression** Eating sugar-laden foods rather than nutritionally dense ones often leads to B vitamin deficiencies, which can prolong blue moods.
- **Fibromyalgia** Sugar suppresses the immune system and can lead to both chronic fatigue syndrome and fibromyalgia.
- **Migraines** A drop in blood sugar after a sugar "high" can cause muscles to spasm, causing (and worsening) tension headaches and migraines.

Sugar Addiction

Many people claim to be addicted to sugar. Unfortunately, sugar is harder to spot in today's nutritional labels and can go by many unfamiliar names including sucralose, glucose, maltodextrin, mannitol, diatase, maltose, and the widely used, high fructose corn syrup (HFCS). In fact, HFCS is a major ingredient in such a wide variety of foods that many experts recommend looking for HFCS in non-apparent products such as pasta sauce or whole grain breads.

One thing is clear: many people have trouble when it comes to reducing sugar in their diet. Here are some quick tips to help reduce processed sugar consumption.

Eat plenty of fruits with complex sugars and fiber to help curb your cravings for the fat-creating simple sugars.

Keep plenty of healthy snacks around to keep your blood sugar level from dipping and causing you to seek out the nearest candy bar.

Use honey, agave, or stevia to sweeten drinks, cereals or baked goods.

Halve the amount of sugary drinks and foods you consume each week until you can remove them completely.

Increase Your Retirement Benefits

Enroll in the *Step-Up* Program

As you may know, OPERS retirement benefits are calculated using a formula consisting of three things: your years of service credit, final average salary, and a benefit computation factor. When those three items are multiplied together, you get the gross annual amount of OPERS benefits you will receive in retirement.

The Step-Up Program allows you to increase the third item in the formula – the benefit computation factor. The standard computation factor for participating State & Local Government participants of OPERS* is 2.0% [or 0.02]. The Step-Up Program provides the opportunity for eligible members to pay an additional contribution to increase that to 2.5% [or 0.025].

Certain terms and conditions apply to participating in the Step-Up. A detailed brochure was recently redesigned in a Q&A format to help answer questions you may have about participation in the Step-Up. It also explains the additional contribution and provides benefit examples to show how this program works to increase your retirement benefits. The brochure and other information on the Step-Up can be found on the OPERS website at **www.opers.ok.gov** or by calling 1-800-733-9008.

* The Step-Up Program is available to all state, county and local government members of OPERS, except elected officials and hazardous duty members, who are actively participating in OPERS.

2011 Legislative Summary

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appointed service. New elected officials will also contribute at the same rate and have their benefits calculated using the same computation factor as other state and local government employees.

HB 2132- Signed by Governor Fallin May 10, 2011

Changes to funding of cost of living adjustments. Cost of living adjustments (COLAs) for retired OPERS members must be passed by the Legislature. Under HB 2132, COLAs are no longer considered "non-fiscal retirement bills" in the Oklahoma Pension Legislation Actuarial Analysis Act. This means COLAs must now be funded by the Legislature before they can be passed into law. This bill becomes effective August 25, 2011.

HB 2177- Signed by Governor Fallin May 24, 2011

VOBO Fund extended. The Voluntary Buyout Reimbursement Revolving Fund was extended to June 30, 2012. This fund was created to provide budget relief to state agencies and provides reimbursement to state agencies that offer voluntary out benefits to retirement-eligible employees.

SB 840 - Signed by Governor Fallin April 18, 2011

Clarification on administrative hearings and appeals. Existing law requires suits against OPERS be brought in Oklahoma County. The bill provides clarification on appeals to administrative decisions by the OPERS Board and brings the OPERS hearing procedures in line with the Administrative Procedures Act including the appointment of hearing examiners.

The OPERS staff is working closely with members of the Legislature to come up with meaningful reforms that will help the OPERS pension fund be financially stable for years to come.

The Director's Corner

America's Debt Nightmare

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In 2005, I wrote a column in this newsletter about saving. In that article, I wrote: "Our national debt now stands at $7.7 trillion, which is double what it was in 1991. That is the equivalent of $72,642 per American household." I wrote again in 2008 about the ever-growing debt problems. The $7.7 trillion had climbed to $9.3 trillion, or $85,545 per household. Hold on to your bonnets. After the financial crisis and recession of 2008 and 2009, here are the current gloomy stats. In just three short years, our national debt has almost doubled to $14.3 trillion. That's now $124,564 per household. Can any of us afford a very large second mortgage payment of this size?

Our federal fiscal "management" is clearly on an unsustainable path. It's easy to create such a monstrous problem, but it will be quite painful to solve. The Commission's report may not be perfect, but it is one of the more balanced set of recommendations I've seen. I hope it can at least be an initial blueprint for us to accept the obvious conclusion that now is the time for our nation to accept the shared sacrifices needed to solve America's debt crisis.

A copy of the report may be found at **www.fiscalcommission.gov**.

Contact OPERS

Mailing Address:
Oklahoma Public Employees Retirement System
Post Office Box 53007
Oklahoma City, Oklahoma 73152-3007

Local Phone:
(405) 858-6737

Outside Local Calling Area:
(800) 733-9008

Website:
www.opers.ok.gov

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This summary is for informational purposes only. Individual requirements and benefits may differ, depending on circumstances. Consult the plan provisions or OPERS for detailed information.

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

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