

Active and Retiree Edition **Summer 2011**

## 2011 Legislative Summary



The 2011 session of the Oklahoma Legislature adjourned on May 27, 2011, with several bills affecting the Uniform Retirement System for Justices and Judges 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 became 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 members of the URSJJ.

Throughout the session, legislators consistently advised URSJJ staff there were no plans to change benefits for current members of the plan. 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 URSJJ and our members:

### **HB 1010 - Signed by Governor Fallin May 10, 2011**

Retirement age increase. The retirement age for judges whose judicial service begins on or after January 1, 2012, has increased to age 67 (previously age 65) with eight years of judicial service, or age 62 (previously age 60) with 10 years of service.

### **HB 2132- Signed by Governor Fallin May 10, 2011**

Changes to funding of cost of living adjustments. Cost of living adjustments (COLAs) for retired URSJJ 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.

### **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. SB 840 provides clarification on appeals to administrative decisions by the OPERS Board. This bill brings the OPERS hearing procedures in line with the Administrative Procedures Act including the appointment of hearing examiners.

## 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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# RETIREMENT 101

## 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).

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.

The good news is we are living longer, which also means we must be prepared financially to protect against outliving our savings.

### 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](http://www.longtermcare.gov)
- **National Advisory Center on Long Term Care Insurance**  
[www.longtermcareinsurance.org](http://www.longtermcareinsurance.org)
- **Oklahoma Long-Term Care Partnership**  
[www.okltcpartnership.org](http://www.okltcpartnership.org)
- **National Care Planning Council**  
[www.longtermcarelink.net](http://www.longtermcarelink.net)
- **Medicare Nursing Home Comparisons**  
[www.medicare.gov/NHCompare](http://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](http://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, diastase, 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.

## Crunching the Numbers

**15**

Number of new members enrolled in URSJJ in FY 2010

**49.1**

Average age of new members enrolled in FY 2010

**\$2.6 million**

Amount of contributions paid by members in FY 2010

**11.9**

Years of service credit of the average URSJJ member

**\$11.7 million**

Total amount of retirement, disability, and survivor benefits paid by URSJJ in FY 2010

**17**

Number of URSJJ members who retired in 2010

**59%**

Percent of new URSJJ retirees with more than 20 years of service

**\$8.7 million**

Amount of contributions paid by court employers in FY 2010

**10%**

Employer contribution rate for FY 2012

**\$252 million**

Market value of plan assets as of May 2011

## Post-Retirement Employment

If you are elected or appointed to any judicial or other office covered by the System after retirement, your retirement compensation will be suspended while you hold that office. However, upon leaving office, your retirement compensation will be reinstated. Post-retirement employment in any other capacity does not limit or suspend you from receiving your URSJJ retirement benefits.

## Will URSJJ Benefits Meet Your Retirement Needs?

You can determine how your URSJJ benefit will help meet your financial needs in retirement by using a simple formula: Years of Service  $\times$  0.04 (or 4%). By using this formula, you can determine how your URSJJ benefit would compare to your current average salary to calculate how much income you will need from Social Security, personal savings, and other sources to make up the difference between your URSJJ benefit and your income needs in retirement.

For example, if you plan to retire with 15 years of service, 15 times 4% equals 60%. Your gross annual benefit would be 60% of your average salary. Below is a quick conversion chart based on various service credit totals.

Total Service	Retirement Benefit as a Percentage of Average Salary
8 years	32%
10 years	40%
15 years	60%
20 years	80%
25 years	100%

# The Director's Corner

## America's Debt Nightmare

(Continued from page 1)

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](http://www.fiscalcommission.gov).

## Contact OPERS

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Local Phone:

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Outside Local Calling Area:

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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 URSJJ for detailed information.

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