retiring RIGHT

Oklahoma Public Employees Retirement System

OPERS OKLAHOMA

Active Member Edition **Winter 2014**

Spouse Consent

Answering the Important Questions

If you are in the process of retiring from OPERS, or have simply come in contact with our retirement application, you may have come away with a few new questions about retirement. At OPERS, we are often asked questions about what spouse consent is, when it is necessary, and why it is required. In this article, we attempt to shed some light on the curious issue of spouse consent.

What is Spouse Consent and When is it Necessary?

Under Oklahoma State law, the legal spouse of a retiring member of OPERS has a statutory right to survivor benefits in the form of a Joint and ½ Survivor Annuity (commonly referred to as *Option A*).

Spouse consent is the written and legal acknowledgement required if an OPERS member is married at the time of retirement and chooses to retire under any benefit other than Option A. Spouse consent is also required if the member is choosing someone other than his or her current legal spouse as joint annuitant to receive survivor benefits. If either of these scenarios apply, the member's current legal spouse must complete, sign, and date Part 5 of the *Retirement Notice and Application*. In doing so, the spouse is providing spouse consent.

Why is Spouse Consent Required?

Spouse consent is a necessary means for a spouse to waive his or her right to survivor benefits. In the case of a non-spouse being named as a joint annuitant, spouse consent is required to demonstrate a spouse's acknowledgement that this other person is being named as the joint annuitant to receive monthly benefits upon the member's death.

(Continued on page 7)

The Director's Corner

Good News at OPERS

Tom Spencer, Executive Director

I don't often use this column to pat ourselves on the back, but it's time to tell our members the facts about the fiscal status and accomplishments of OPERS. While some of the good news comes from things we can brag about, much of it comes from a combination of legislation and favorable markets, too.

For the third year in a row, OPERS has a funded ratio over 80%. The funded ratio of OPERS stands at 81.6% at the end of FY 2013. The funded ratio is calculated by the System's actuary and represents the percentage of assets OPERS has to cover its future benefit obligations. The unfunded liability for OPERS is down to $1.5 billion. That is in stark contrast to when it was $3.2 billion after FY 2010.

Meeting acceptable actuarial funding standards is not completely within the control of OPERS. The Legislature deserves the most credit for enacting adequate contribution levels and passing legislation requiring benefit enhancements to be fully funded. OPERS does its part by managing the portfolio in a manner to achieve good returns. At the end of calendar year 2013, our portfolio stood at a record high of $8.1 billion.

(Continued on page 8)

2014 Pre-Retirement Seminar Dates Set

www.opers.ok.gov/pre-retirement-seminar

ALSO IN THIS ISSUE:

Returning to Work After Retirement

According to a 2013 Employee Benefit Research Institute survey, 69% of workers say they plan to work for pay after they retire. And while a smaller percentage (25%) of retirees actually reported having worked for pay since retiring, work in retirement remains an important topic to retirees.

Rules for Retirees Returning to Work

If you choose to return to the workplace after retirement, there are rules and earnings limitations to consider.

First, you should know that returning to a non-OPERS-participating employer will not affect your retirement. You may work for a non-OPERS entity and continue to receive your monthly OPERS retirement benefit without interruption.

Social Security — Normal Retirement Age

YEAR OF BIRTH	AGE
1937 and prior	65
1938	65 and 2 months
1939	65 and 4 months
1940	65 and 6 months
1941	65 and 8 months
1942	65 and 10 months
1943-54	66
1955	66 and 2 months
1956	66 and 4 months
1957	66 and 6 months
1958	66 and 8 months
1959	66 and 10 months
1960 and later	67

However, if you return to work for an OPERS-participating employer, state law and IRS code prohibit any pre-arranged agreements that permit you to retire and then be rehired by the same employer on any basis and continue to receive your OPERS benefit. An OPERS retiree is prohibited from returning to work in any capacity with the same employer from which he/she retired for a period of one year without waiving benefits. This includes full-time, part-time, seasonal, or temporary employment.

You may return to work for a different OPERS-participating employer one month following your retirement date. For example: If you retired from the Department of Transportation (ODOT) on February 1, 2014, you could begin work as soon as March 1, 2014 for any OPERS agency, excluding ODOT. Retirement benefits will be cancelled for anyone who returns to work for an OPERS-participating agency within thirty days of his/her retirement date.

Earnings Limitations

Certain earnings limitations may apply if you retire then go back to work with an OPERS-participating agency. OPERS uses the Social Security Administration's (SSA) earnings limitations. Whether or not these earnings limitations will affect you is based on your SSA Full Retirement Age. You can find your Full Retirement Age in the table to the left or on the Social Security Administration's website, **www.ssa.gov**.

The earnings limitations apply to a retiree's annual income with an OPERS-participating employer. The 2014 Social Security Administration Earnings Limitations are as follows:

- There is **no earnings limit** for those who have already reached SSA Full Retirement Age.
- The earnings limit for those who will reach SSA Full Retirement Age in 2014 is **$41,400**.
- The earnings limit for those who will remain below SSA Full Retirement Age in 2014 is **$15,480**.

Here is an example: If you retire, return to work for an OPERS-participating employer, and will not reach SSA Full Retirement Age in all of 2014, your monthly retirement benefit will cease once $15,480 is earned from the new OPERS job. The same principle applies for those who will reach Full Retirement Age in 2014. The retiree will continue to receive a monthly OPERS benefit, unless and until $41,400 is earned at the new OPERS-participating job.

We Are Here To Help

Retirees choose to go back to work for a number of reasons, including earning extra income or finding greater purpose and fulfillment in retirement. Whatever the reason, you may have questions when choosing to return to work. Please contact OPERS if you have questions about returning to OPERS-covered employment or visit **www.opers.ok.gov/returning-to-work**. We would be happy to walk you through any issues you may encounter.

Leah Craig, Curator of Education
Oklahoma History Center

THE CALL TO SERVE

Popular Annual Financial Report

for the Fiscal Year Ended June 30, 2013

Eric Taylor, Park Manager at Lake Thunderbird State Park
Oklahoma Department of Tourism and Recreation

Dear Esteemed Member:

In 1825, American Statesman Daniel Webster said, "Let us develop the resources of our land, call forth its power, build up its institutions, promote all its great interests, and see whether we also in our day and generation may not perform something worthy of being remembered."

Public service is alive and well in Oklahoma and Webster's words still ring true today. Each day, 3.8 million Oklahomans benefit from some contribution, large or small, made by a member of this retirement system. We take great pride at OPERS in serving those who serve the people of Oklahoma.

Among many other important endeavors, our members build our roads, guard our prisons, protect consumers, expand opportunities for the disabled, protect public health, preserve our natural resources, and pass on our rich history to the next generation.

This edition of the *Popular Annual Financial Report* for the Oklahoma Public Employees Retirement System honors the call to serve that our members have answered with their time and talents. We are pleased to provide you with this report and hope you find it informative.

Sincerely,

Tom Spencer
Executive Director

ABOUT OPERS

OPERS was established in 1964 by the Oklahoma Legislature. As of June 30, 2013, the Plan consisted of 283 participating employers comprised of state, county, and local agencies. The membership includes 43,273 active members, 5,595 inactive members, and 31,135 retirees and beneficiaries.

*The 2013 Popular Annual Financial Report of the Oklahoma Public Employees Retirement System (OPERS) contains summary financial information from the 2013 Comprehensive Annual Financial Report. The full report can be viewed in its entirety online at **www.opers.ok.gov/publications**.*

PLAN NET POSITION

Plan net position is assets less liabilities retricted for payment of monthly retirement benefits and other qualified distributions to OPERS members. A summary of net position restricted for benefits on June 30, 2013, 2012, and 2011, is shown to the right. As of June 30, 2013, OPERS net position was approximately $7.4 billion.

CHANGES IN PLAN NET POSITION

OPERS is funded through a combination of member contributions, employer contributions and investment earnings. For fiscal year 2013, plan net position increased $620.5 million or 9.1% primarily due to an 8.4% increase in investments and a 103.3% increase in pending sales of securities partially offset by a 67.9% increase in pending purchases of securities..

Deductions to plan net position are incurred primarily for the purpose for which OPERS was created, namely the payment of benefits to retirees. In fiscal year 2013, retirement, death and survivor benefits increased $18.3 million or 3.8% due to a 2.9% increase in the number of retired members and a 1.7% increase in the average benefit. Refunds and withdrawals also increased $0.3 million or 2.2% as more participants withdrew their contributions on severance of service in fiscal 2013. Administrative costs decreased primarily due to the decrease in allocation rate and personnel costs.

BENEFITS PAID TO MEMBERS

Members qualify for full retirement benefits at their specified normal retirement age or, for any person who became a member prior to July 1, 1992, when the sum of the member's age and years of credited service equals or exceeds 80 (Rule of 80), and for any person who became a member on or after June 30, 1992, when the member's age and years of credited service equals or exceeds 90 (Rule of 90). Normal retirement age under the Plan is 62 or Rule of 80/90 if the participant became a member prior to November 1, 2011, or age 65 or Rule of 90 if the participant became a member on or after November 1, 2011.

The *Schedule of Benefits Payments* to the right provides information on the total benefit expenses incurred by the Plan consisting of age and service, disability, and beneficiary death benefits.

Condensed Schedule of Plan Net Position

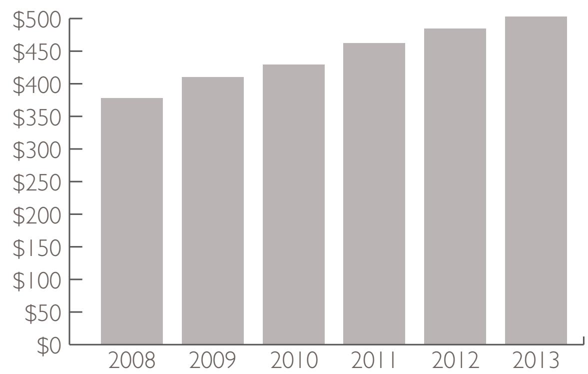
($ millions)	June 30,		
	2013	2012	2011
Assets:			
Cash and cash equivalents	$ 212.4	$ 132.5	$ 174.9
Receivables	631.0	326.9	360.1
Investments	7,443.7	6,864.9	6,875.9
Securities lending collateral	688.7	438.0	725.6
Property and equipment	1.0	0.9	0.8
Other assets	0.2	0.3	0.2
Total assets	8,977.0	7,763.5	8,137.5
Liabilities:			
Other liabilities	846.5	504.2	570.9
Securities lending collateral	688.7	438.0	725.6
Total liabilities	1,535.2	942.2	1,296.5
Ending net position restricted for pension benefits	$ 7,441.8	$ 6,821.3	$ 6,841.0

Condensed Schedules of Changes in Plan Net Position

($ millions)	June 30,		
	2013	2012	2011
Member contributions	$ 68.2	$ 66.3	$ 66.4
State and local agency contributions	270.0	262.7	252.9
Net investment income	804.1	154.7	1,226.7
Total additions	1,142.3	483.7	1,546.0
Retirement, death and survivor benefits	502.6	484.3	462.1
Refunds and withdrawals	14.6	14.3	12.6
Administrative expenses	4.6	4.8	4.7
Total deductions	521.8	503.4	479.4
Total changes in plan net position	620.5	$ (19.7)	$ 1,066.6

Schedule of Benefit Payments

($ millions)



INVESTMENTS

The Board of Trustees adheres to the highest standard in making investment decisions for the Plan – the Prudent Investor Rule. The Board and its advisors invest the Plan's assets for the sole interest of our membership and their beneficiaries. In addition, funds are to be diversified to minimize the risk of large losses, unless under the circumstances it is clearly prudent not to do so. The Plan's overall investment return for the year ended June 30, 2013, was 12.0 percent. The increase in the Plan's managed investments is reflective of the increase in domestic and international equity markets for the year. The *Rate of Return* table to the right reflects overall investment returns for the Plan over the past five fiscal years.

The Board of Trustees has established the *Statement of Investment Policy* to guide investment decisions and outline the overall investment philosophy of the Plan. The investment philosophy is supported by three main pillars: identifying the importance of asset allocation; diversification of the asset base as the primary risk control element; and, controlling costs through passive investment management where most appropriate. Outside investment advisors are engaged to manage the investment portfolio. The advisors are required to adhere to the investment policy and their respective mandates, but may use full discretion within the policy and guidelines. At fiscal year end, the investment portfolio of OPERS was managed by 11 investment management firms. OPERS employs one firm to manage passive mandates in several asset classes; otherwise, the remaining investment management firms each have a unique area of focus and expertise. For fiscal year 2013, investments provided a 12.0 percent rate of return. The annualized rate of return for OPERS was 11.6 percent over the last three years and 6.0 percent over the last five years. At June 30, 2013, the allocation of the investment portfolio is shown in the *Asset Mix* chart to the right.

FUNDING

A pension fund is well funded when it has enough money in reserve to meet all expected future obligations to participants. It must also have a revenue source sufficient to keep up with future obligations. The funding objective for OPERS is to meet long-term benefit promises through contributions that remain approximately level as a percent of member payroll. The greater the level of funding, the larger the ratio of assets accumulated to the actuarial accrued liability and the greater the level of investment potential. The advantage of a well-funded plan is that the participants can look at assets that are committed to the payment of benefits. The actuarial accrued liability and actuarial value of assets of OPERS as of July 1, 2013, amounted to $8.6 billion and $7.0 billion, respectively.

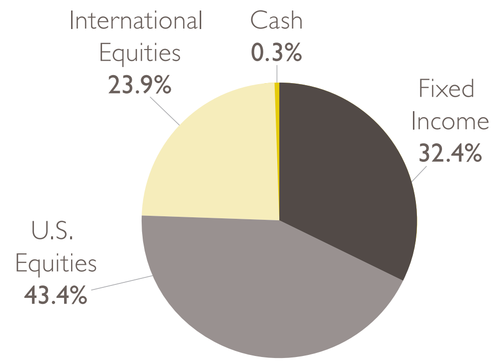
The OPERS funded status was 81.6 percent at June 30, 2013, compared to 80.2 percent at June 30, 2012. The key item responsible for the change in funded status was a liability gain of $48.1 million. Legislation enacted in 2011 significantly increased the funded ratio to 80.7 percent at June 30, 2011. This new legislation required cost of living adjustments to be funded by the Legislature before they can be passed into law and provided for the removal of the cost of living adjustment assumption from actuarial assumptions and methods. The *Funded Ratio* chart to the right shows the change in funded status over the past five fiscal years.

Rate of Return

Year Ending June 30,	Total
2013	12.0 %
2012	2.4
2011	21.2
2010	13.8
2009	(15.4)

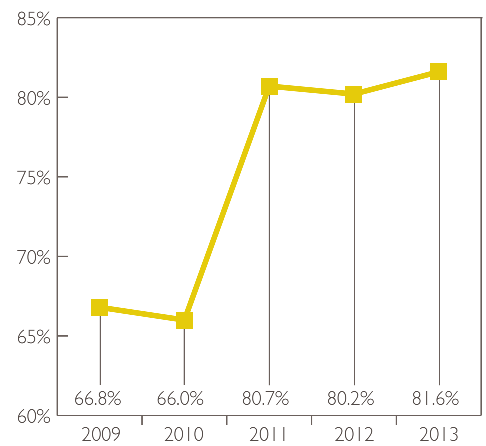
Asset Mix

June 30, 2013



Funded Ratio

As of July 1,



OPERS AWARDED FOR EXCELLENCE IN FINANCIAL REPORTING

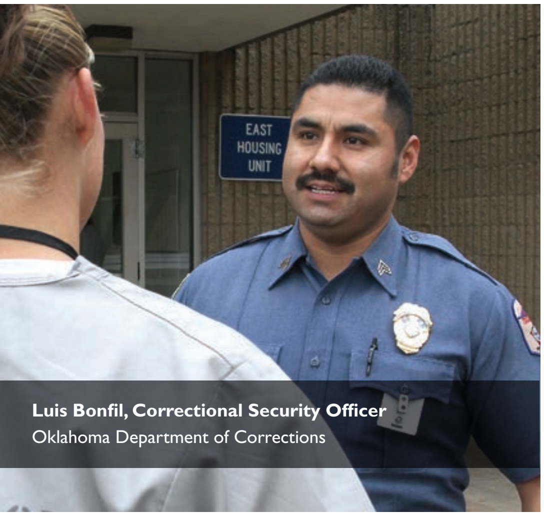
The Government Finance Officers Association of the United States and Canada (GFOA) has given an *Award for Outstanding Achievement in Popular Annual Financial Reporting* to the Oklahoma Public Employees Retirement System for its Popular Annual Financial Report for the fiscal year ended June 30, 2012. The Award for Outstanding Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government popular reports.

To receive an Award for Outstanding Achievement in Popular Annual Financial Reporting, a government unit must publish a Popular Annual Financial Report, whose contents conform to program standards of creativity, presentation, understandability and reader appeal. An Award for Outstanding Achievement in Popular Annual Financial Reporting is valid for a period of one year only. OPERS has received the award for the last six consecutive years. We believe our current report continues to conform to the award requirements, and we are submitting it to GFOA.

In addition, OPERS was awarded the *Public Pension Standards Award for Funding and Administration* by the Public Pension Coordinating Council, a confederation of the National Association of State Retirement Administrators, the National Conference on Public Employee Retirement Systems, and the National Council on Teacher Retirement. This is the third consecutive award OPERS has received in recognition of meeting professional standards for plan funding and administration as set forth in the Public Pension Standards.

Tamina (Ani) Severtsen, Rehabilitation of the Blind Specialist
Oklahoma Department of Rehabilitation Services

Joe Berry, Equipment Operator
Canadian County



Luis Bonfil, Correctional Security Officer
Oklahoma Department of Corrections

Jason Giebler, Professional Engineer
Oklahoma Department of Transportation

OPERS OKLAHOMA

THE CALL TO SERVE

The 2013 Comprehensive Annual Financial Report, entitled *The Call To Serve*, can be viewed in full online at **www.opers.ok.gov/publications**.

OKLAHOMA PUBLIC EMPLOYEES RETIREMENT SYSTEM
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Healthful *hints*

Reviving your New Year's Resolution

Did you set lofty goals for the New Year only to fall back on old habits? Have your good intentions for a healthy 2014 begun to wane? Your friendly writer finally polished off the last of the holiday sweets, but I'm not waiting for next January to give it another try.

Like any goal in life, it is very difficult to achieve a healthy resolution that is vaguely defined. Ambiguous goals, such as I want to lose weight, get out debt, or get organized, quickly fall by the wayside and become goals for next year.

It's time to get S.M.A.R.T. about the things we want to accomplish.

S = Specific M = Measurable A = Attainable R = Realistic T = Targeted

Your goal needs to be well defined. For example, instead of saying that you want to get in shape, you could be more specific by answering the five "W" questions:

- **What** do I want to accomplish?
  (To lose weight, improve endurance)
- **Why** is the goal important? (To live longer, feel better)
- **Who** is involved? (Need a walking partner, nutritionist)
- **Where** will this take place? (Close to home/work)
- **Which** requirements and constraints do I face?
  (30 minutes/day, friend's schedule)

"Getting in shape" is an important and worthwhile goal, but not very specific. A more specific goal would be "following the XYZ program for nine weeks to run a 5K in 30 minutes."

Establish milestones for measuring progress toward your end goal and reward yourself along the way. For example, instead of focusing on losing 25 pounds, set interim targets of losing 5 pounds and treat yourself to something that will not jeopardize your end goal (buy a new pair of running shoes, go see a movie).

It is important to have goals that stretch us yet remain attainable. An attainable goal will usually answer the 'How' question of how the goal can be accomplished. It is when we identify those goals most important to us that we develop the attitudes, abilities and discipline needed to reach them.

A realistic goal must represent an objective you are both willing and able to pursue. You are the only one who can decide just how ambitious your goal should be. Your goal is probably realistic if you truly believe that it can be accomplished.

Goals need deadlines. Without a deadline, the goal is easy to put off to a later date. A goal that is set too close is not only unrealistic, it's discouraging.

Think about your goals and how you can use the SMART outline to create a plan to finally achieve your New Year's resolutions.

For more help on setting healthy goals and achieving them, visit these online resources.

- www.letsmove.gov
- www.choosemyplate.gov
- www.heart.org
- www.mapmyfitness.com
- www.fooducate.com
- www.sparkpeople.com
- www.myfitnesspal.com

Spouse Consent

(Continued from page 1)

What Does This Mean for Me?

Spouse consent may be a bit confusing, and feeling confident of its application to your own unique situation may be even more unclear. Remember that spouse consent is only necessary if you are married at the time of retirement and wish to elect any benefit other than Option A with your spouse named as joint annuitant.

While it is no laughing matter, we do like to joke with our married retiring members that they should be happily married at the time of retirement and stay that way because your spouse has a say in the selection of your benefit, and if you get divorced during retirement, you cannot name someone new as your joint annuitant.

The Director's Corner

Good News at OPERS

(Continued from page 1)

For the second year in a row, OPERS has received recognition from the Public Pension Coordinating Council (PPCC) for meeting its professional standards in administration and funding. On the administrative side, these standards include sending out annual benefit statements, mandatory annual audits, annual actuarial valuations, and having the System's investment performance independently verified.

Since OPERS is now receiving its "actuarially required contributions" or "ARC", our revenue is enough to pay for promised benefits and to pay off unfunded liability within an acceptable period of time.

All of this is good news for our members and the entire State. Success in managing a pension plan is not a one-time event or simply achieving short-term positive statistics. Managing a pension fund is a long-term proposition. OPERS staff and management have been working at this since 1964. We're proud of what we've done over the last 50 years.

Contact OPERS

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Mailed February 2014.

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