

Active Member Edition Summer 2018

OPERS is Moving!

OPERS is preparing to move within the next month to a new location at the Grand Centre building, which was purchased in 2015 as an addition to our investment portfolio.

Information on the exact date and any interruption in services will be available on our website at www.opers.ok.gov.



Photo Credit: 42 Floors Commercial Real Estate

Our physical address will be 5400 North Grand Boulevard, Suite 400, which is south of the Integris Baptist Medical Center at Northwest Expressway and OK-74/Hefner Parkway. Our mailing address and telephone numbers will not change:

P.O. Box 53007
Oklahoma City, OK 73152-3007
(405) 858-6737 – OKC area
(800) 733-9008 – Toll-free

Our location is accessible via Grand Boulevard. Visitors are encouraged to use the Highway 74/Lake Hefner Parkway, exit NW 50th Street, and turn left onto Grand Avenue. The Grand Centre Building will be on your right.

We look forward to serving you in our new location.

Director's Corner A Decade in the Making

Joseph A. Fox, Executive Director

Extra Benefit Payment for Retirees in October!

OPERS retirees have something to look forward to later this year. The Oklahoma legislature has granted a one-time payment for certain retirees, which will be paid in October.

This year, for the first time in a decade, the Legislature approved House Bill 1340 (by Randy McDaniel of the House and Greg Treat of the Senate) which grants a benefit increase for some retirees. It is not a permanent increase to your monthly retirement benefit.

According to HB 1340, this benefit enhancement is a one-time payment of a set amount to retirees who have been retired at least five years as of October 1, 2018. This one-time payment will be 2% of the retiree's gross annual benefit amount or \$1,200, whichever is less. Those retirees with a minimum of 20 years of service will receive a payment of at least \$350.

The last decade has been a tough one for public pension

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RETIREMENT 101

Impacts of “Gray Divorce” on Retirement

While divorce at any age comes with significant financial consequences, a ‘gray divorce’ or a divorce of those older than 50, could also be detrimental to retirement plans. It’s not just newer marriages at risk. Since the 1990’s the divorce rate among those age 50 and older has doubled¹ and one-third occurred after at least 30 years of marriage.² Understanding the implications of divorce can help you evaluate your retirement preparedness and make necessary adjustments. Here are a few areas to consider:

OPERS

If you are divorced, OPERS will need a copy of your divorce decree to process your retirement. It is best to have a copy added to your file now instead of trying to locate it years later. Also, keep in mind a divorce voids the designation of a spouse as beneficiary. At every major life event, remember to update your beneficiary designations.

Pensions and retirement accounts are the second most contested item in a gray divorce.³ Only the member or the member’s attorney can request a Divorce Benefit Valuation unless the spouse has a subpoena. If an alternate payee receives part of the member’s benefit, a Qualified Domestic Relations Order (QDRO) must be submitted in addition to the divorce decree. For the QDRO to be enforceable, it must be approved, accepted and on file with OPERS. We recommend our legal department review a draft before obtaining the final order. A QDRO template is available on the OPERS website.

Retirement benefit options lock in at retirement. When you retire, carefully consider your choices as a divorce will not

alter or affect the designation of a former spouse as a joint annuitant

Social Security

You may receive a Social Security benefit on your former spouse’s record if you were married more than 10 years and are currently unmarried. To start a benefit, you must both be at least 62 years of age. At your full retirement age, the benefit you receive will be the greater of either your benefit or half of your ex-spouse’s normal benefit. The amount you receive does not affect benefits received by your ex-spouse, their current spouse or other ex-spouses. For more information visit the Social Security website, www.ssa.gov.

Other Retirement Accounts

Oklahoma is an equitable distribution state, meaning a judge has the power to split the marital estate, including your retirement savings in any way they feel is fair. It may be in your best interest to work with your spouse on an agreeable solution before facing a judge. For qualified plans such as 401(k), 401(a), and 457 plans, it is essential to divide the account with a QDRO, which may allow distribution without a 10% early withdrawal penalty. For IRAs, you will

Other things to keep in mind that may affect your retirement savings:

- Paying alimony may require you to carry life insurance.
- Whole or Universal Life policies that carry a cash value can be divided as an asset.
- You may be required to carry insurance on your former spouse or dependents.
- An HSA account can be transferred as an asset between spouses without taxation.
- You cannot use an HSA account on your ex-spouse’s expenses.
- Consider how assets will be taxed in negotiations and calculate the after-tax value.
- Consider if an asset generates cash (investments) or uses cash (staying in a house).

Resources

www.opers.ok.gov/divorce

www.ssa.gov/planners/retire/divspouse.html

www.wife.org/divorce

oklaw.org/issues/family/divorce

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¹ <https://www.bgsu.edu/content/dam/BGSU/college-of-arts-and-sciences/NCFMR/documents/FP/FP-14-16-age-variation-divorce.pdf>

² <http://www.pewresearch.org/fact-tank/2017/03/09/led-by-baby-boomers-divorce-rates-climb-for-americas-50-population/>

³ <http://aaml.org/about-the-academy/press/press-releases/more-baby-boomer-marriages-going-bust>

EssentialOPERS

State & Local Government Employees



The **Oklahoma Public Employees Retirement System (OPERS)** is a defined benefit retirement plan qualified under Section 401(a) of the Internal Revenue Code. Participation in OPERS is mandatory for eligible state and local government employees. OPERS provides you a lifetime retirement benefit when you meet the eligibility requirements described below.

You participate in OPERS by contributing a portion of your salary each pay period. Your employer also contributes on your behalf. The amount of your contributions does not determine the amount of the benefit OPERS promises you. Your benefits are determined by a formula which includes your salary and years of credited service. The paid contributions are invested, under the direction of the OPERS Board of Trustees, to provide lifetime retirement benefits to eligible members.

This handout is an overview describing OPERS plan provisions as of July 1, 2018. It is not a plan document and does not create any type of binding obligation, contract or promise to pay benefits. OPERS reserves the right to correct any errors contained herein to comply with federal or state statutes. For more information, refer to the member handbook available online at www.opers.ok.gov, or you may request a copy from your agency's Retirement Coordinator or by calling OPERS at 1-800-733-9008.

Membership and Participation

Participation in OPERS begins on the first day of the month immediately following the beginning date of your employment, provided that all of the following apply:

1. Your position is **permanent**, not seasonal, or temporary; and,
2. Your position requires at least 1,000 hours of work per year; and,
3. Your salary is equal to or greater than the minimum wage.

Current contribution rates are 3.5% for state employees and 16.5% for state agencies.

Contributions

Local government employers choose the rate at which the organization and employee will contribute for a total of 20%. For more details on the contribution rates of a participating local government organization, see your Retirement Coordinator.

Vesting

Vesting means you have accumulated enough service credit to entitle you to a lifetime monthly retirement benefit in the future. At OPERS, you must have eight years¹ of credited service (including six full years of full-time-equivalent employment²) to be eligible to vest.

If you became a member of OPERS before November 1, 2011:

- **Age 62** – You can begin receiving full, unreduced retirement benefits when you are at least age 62 with six full years of full-time-equivalent employment³; or
- **80 Points** – You can begin receiving full, unreduced retirement benefits when the sum of your age and years of service equals 80 if you became a member before July 1, 1992; or
- **90 Points** – You can begin receiving full, unreduced retirement benefits when the sum of your age and years of service equals 90 if you became a member on or after July 1, 1992.

Eligibility for Normal Retirement Benefits

If you became a member of OPERS on or after November 1, 2011:

- **Age 65** – You can begin receiving full, unreduced retirement benefits when you are at least age 65 with six full years of full-time-equivalent employment³; or
- **90 Points** – You can begin receiving full, unreduced retirement benefits when you are at least 60 years of age and the sum of your age and years of service equals 90.

Eligibility for Early Retirement Benefits

If you became a member of OPERS before November 1, 2011:

- You can begin receiving reduced retirement benefits once you have reached age 55 and have at least 10 years¹ of participating service.

If you became a member of OPERS on or after November 1, 2011:

- You can begin receiving reduced retirement benefits once you have reached age 60 and have at least 10 years¹ of participating service.

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

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

Eligibility for Disability Benefits

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 years¹ of credited service (including six full years of full-time-equivalent employment).

Calculating Your Retirement Benefits

Your gross annual retirement benefit is calculated by multiplying your:

- **Final Average Compensation**⁴ – If you became a member before **July 1, 2013**, this is the average of your compensation during your highest three years out of the last 10 years of participating service prior to retirement (including highest three longevity payments). If you became a member **on or after July 1, 2013**, this is the average of your highest five years out of the last 10 years of participating service prior to retirement (including highest five longevity payments).
- **Total Service Credit** – The years and full months you have participated in OPERS, including any purchased service, prior service, bonus years, and months of unused sick leave (6 months maximum). Total service is rounded up or down to the nearest full year.¹
- **Computation Factor of 0.02 (or 2%)**⁵

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

Termination of Employment and Withdrawal

- **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 Rounding eliminated for members who begin on or after November 1, 2012. These members will be credited with full years and months of participation.

² Full-time equivalent employment refers to a member's actual employment with a participating OPERS employer and is credited on service where the member is making contributions or purchasing service that constitutes full-time employment with a participating employer.

³ In this scenario, a member only needs six full years of full-time-equivalent employment and must be actively employed with a participating OPERS employer at the applicable age to become eligible for normal retirement.

⁴ In the past, certain salary caps applied. Therefore, if any of the highest years of annual compensation out of the last 10 years of compensation prior to retirement was earned before July 1, 1999, compensation for that year is subject to a cap. Contact OPERS for more information.

⁵ Members 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.

2018 Legislative Summary

The following is a description of the 2018 legislation affecting members of retirement systems administered by OPERS.

House Bill 1340 (Rep. McDaniel and Sen. Treat)
Effective October 1, 2018

This bill provides a one-time stipend for members of OPERS who have been retired for five years as of October 1, 2018. The stipend is based on the funding level of the system. OPERS members will receive the lesser of 2% of their gross annual retirement amount or \$1,200. The bill also provides a minimum payment of \$350 for members with 20 years of service. This stipend will be paid in October.

House Bill 2516 (Rep. McDaniel & Sen. Pugh)
Effective November 1, 2018

OPERS requested this bill to clarify certain plan provisions.

- This bill allows OPERS to bill employers for actual months of sick leave after rounding was eliminated for members who joined the system on or after November 1, 2012. Current language only allows OPERS to bill employers when sick leave rounds an employee up to an additional year of service.
- This bill clarifies language regarding early retirement for elected officials. Current language regarding early retirement conflicts with the eligibility for normal retirement.

Senate Bill 527 (Sen. Stanislawski & Rep. McDaniel)
Effective November 1, 2018

A statewide elected official or legislator who is first elected or appointed on or after November 1, 2018, and who has participating service in the OPERS defined benefit plan prior to November 1, 2015, shall be a member of the defined benefit plan.

For a complete summary of these bills, please visit www.opers.ok.gov/legislation.

Reminder For You and Your Loved Ones

There are so many things to do and remember when a loved one passes away. There are accounts to close, agencies to notify, and death benefits to claim. As a member of our retirement system, when you pass away, OPERS should be near the top of the list to be notified. Inform your loved ones that whether you are still actively working or long retired, *something* is going to happen with your account after your death. What happens to your account after you die will depend on your status and option chosen at retirement; it may be that your lifetime benefit will need to stop and possibly begin paying out to a joint annuitant, or contributions or other death benefits may need to be paid to a beneficiary.

A summary of survivor and beneficiary options were discussed in the Summer 2016 edition of the *Retiring Right* newsletter. For more information about death benefits, visit the OPERS website at www.opers.ok.gov/death-benefits.

Impacts of Gray Divorce on Retirement

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need to set up a 'transfer incident to divorce' to avoid penalties. There are many rules on the tax treatment of these monies depending on age, time frame, and how the money is distributed or rolled over. Look for an experienced professional to help you navigate the tax laws and set up the best plan for your situation.

Long-Term Care Insurance

As you reassess financial and retirement plans through a gray divorce, recognize the significant risk and cost of needing long-term care. You are losing a spouse as a possible caretaker, and relationships with children may have become strained. Before finalizing a divorce, consider looking for long-term care insurance with your spouse to take advantage of spousal discounts. Many companies will keep the discount intact after the dissolution of the marriage. There may also be advantages to including the purchase of long-term care insurance as part of the divorce agreement and division of assets.

If you already purchased a plan with your spouse that includes a shared benefit option, inquire about dropping this expensive rider. You may be able to split the policy to reduce the cost and still keep the spousal discount.

Crunching the Numbers

94.5%

Funded ratio as of July 1, 2017

3,222

Number of new members enrolled in OPERS in FY 2017

37.6

Average age of new members enrolled in FY 2017

\$70.3 million

Amount of contributions paid by members in FY 2017

11.4

Years of service credit of the average OPERS member

\$593 million

Total amount of retirement, disability, and survivor benefits paid by OPERS in FY 2017

1,844

Number of OPERS members who retired in 2017

47%

Percent of OPERS member to retire with more than 20 years of service in FY 2017

\$288 million

Amount of contributions paid by employers in FY 2017

16.5%

State employer contribution rate for FY 2017

\$9.2 billion

Market Value of plan assets as of June 30, 2017

Pre-Retirement Seminar Schedule

Are you ready for retirement? The full-day Pre-Retirement seminar is open to everyone within two years of retirement eligibility. These seminars cover the retirement process, timelines, documents, benefit calculations, payment options, taxes and death benefits.

Call OPERS at (405) 858-6737 or (800) 733-9008 to register. For more information about seminars offered by OPERS, or to view additional dates, visit us at www.opers.ok.gov/confidence.

2018 SCHEDULE

OKLAHOMA CITY

July 19

August 3

August 23

September 6

September 27

October 18

November 8

December 6

TULSA

July 12

August 30

October 25

December 13

ENID

August 9

MCALESTER

September 20

LAWTON

November 1

We Want Your Email Address



We are looking to expand the way we communicate with our members and have begun collecting personal email addresses. While we are not currently emailing any information to members, we plan to do so in the future and need your help updating your contact information. Visit our website at www.opers.ok.gov/email to submit your email address.

Healthful *hints*

Five Ways Pets Improve Mental Health

According to the American Pet Association, 62% of Americans own pets. These pampered pets not only provide companionship, but may also be beneficial to your health.

1 **They get you outside.** Sun and fresh air elevate your mood. An extra dose of vitamin D from sun exposure helps fight physical and mental conditions, including depression, cancer, obesity, and heart attacks. Also, when you go outside with your pet, you are engaging with nature. Try taking a moment to listen to the trees rustling, feel the wind rushing past, and the sun upon your face. The sounds and feeling of nature can be incredibly calming.

2 **They get you moving.** Walking your dog and engaging in outdoors activities like tossing a Frisbee gives you a natural energy boost and allows you to let off steam. This is a fun way to get in exercise that strengthens your muscles and bones and raising your self-esteem. Studies have shown that animal owners, both adults and children, have lower blood pressure, cholesterol and triglycerides, which may be in part attributed to the more active lifestyle pets promote. Pet owners also have been noted to have better circulation and a lower risk of experiencing major cardiac issues. And when your body feels stronger, you are less susceptible to mental health issues.

3 **They lessen allergies and asthma, and build immunity.** This one may sound counterintuitive, but children who grow up in homes with furry friends are less likely to develop common allergies. Studies show children who were exposed to two or more dogs or cats as babies were less than half as likely to develop allergies, including dust, grass, ragweed and pet allergies, and were at a lower risk for asthma. Allergies can cause people to become lethargic, apathetic, and suffer from insomnia, which can make them more vulnerable to mental health issues, such as depression.

4 **Petting reduces stress.** Petting or grooming can be comforting to your dog or cat, and you. When you connect with your pet, oxytocin, the hormone related to stress and anxiety relief, is released helping to reduce blood pressure and lower cortisol levels. Smiling with your pet causes neurotransmitters to fire. This raises serotonin and dopamine levels, which are associated with calmness and happiness.

5 **They lessen loneliness.** Pets can be great domestic companions. Pets are very intuitive and will seek you out when you're feeling down, refusing to allow you to remain alone. This may also provide a sense of purpose.

Have fun with your pooch or feline friend! Have a ball, with a ball, or anything else, and you will both benefit from the pleasurable together time. If you don't have a pet or can't get one right now, consider volunteering at a shelter. Many animals can still benefit from your love, and you will also feel the benefits.

Find Your New Best Friend

- **Central Oklahoma Humane Society**
www.okhumane.org
- **Humane Society of Tulsa**
www.tulsapets.com
- **Check your local humane society or animal welfare program.**





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Director's Corner — A Decade in the Making

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plans and their members. The financial crisis of 2008 was followed by years of pension reform in many states which generally resulted in lower benefits for future retirees and potentially less stable benefits for current retirees. The most significant change for OPERS retirees during the last decade has been the absence of a cost of living adjustment, or COLA. A COLA, unlike this one-time payment, is a periodic increase in benefits to compensate for a loss in purchasing power due to inflation over time.

In Oklahoma, COLAs are granted by the Legislature. Our Board of Trustees has no authority to issue benefit increases. For many years, OPERS retirees received a fairly regular COLA. The COLA varied in the amount but was generally a percentage increase in the retirement benefit every other year. This increase in the benefit payment each month was permanent. The last COLA passed by the Legislature occurred in 2008.

While this is not a COLA, and not all retirees will be granted this payment, it is a start to help those who have been retired for at least five years and have modest fixed incomes. OPERS expects to deliver this payment in October to the appropriate retirees and beneficiaries.

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

Article Idea? Comments?

We want to hear from you!

newsletter@opers.ok.gov

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