

Active Member Edition Summer 2012

Member Dies in the Line of Duty

Jeffrey Matthew McCoy
1979–2012



The state of Oklahoma tragically lost an employee who was murdered while simply doing his job. Jeffrey Matthew McCoy was a six-year veteran probation and parole officer with the Department of Corrections who was killed when making a scheduled home visit at the home of a parolee. We felt it only fitting to honor Jeff's life and service to his state and his country.

Jeff was only 32 at the time of his death and left his wife Megan, son Alexander, age 7 and daughter Allie Elizabeth, age 4. He had a Criminal Justice degree from the University of Central Oklahoma and was a Navy veteran, serving aboard the USS Vella Gulf (CG 72) from 1998-2002 during conflicts in Kosovo and the Persian Gulf. Jeff was a Boy Scout and remained active as an adult. Most of all, he was totally devoted to his family, friends and church. At his funeral, the Reverend Dennis Quirk said Jeff loved his job "because he believed what he did mattered. He believed he could make a difference in the lives of those he served. He didn't just do his job to make a living; he did it for public safety."

A memorial fund has been set up for the benefit of Officer McCoy's children, The Jeffery McCoy Memorial/Children's Scholarship Fund, c/o BancFirst, 1201 W. Main Street, Norman, OK 73069.

2012 Legislative Update

The 2012 session of the Oklahoma Legislature adjourned on May 25, 2012. This was a relatively light year, in terms of legislation directly impacting OPERS and our members. In this edition of the annual legislative update, we focus on three bills signed into law by Governor Mary Fallin.

(Continued on page 2)

The Director's Corner In Praise of Public Employees

Tom Spencer, Executive Director

I wrote a similar column to this in 2005 and felt my fellow public employees needed a little lift coming out of several bad budget years. For a variety of reasons, it's time for another pep talk.

We all agree it's a healthy thing for our state leaders to streamline government, do away with wasteful spending, and save taxpayers' money. But I bristle more than a little when the rhetoric from some pundits comes close to attacking the work ethic or value of public employees. It is misguided and inaccurate. I have worked in the private and public sectors and I've seen just as many hard-working, dedicated employees in the public sector as in private business. It would be interesting to see how a private corporation would handle being subject to the Open Meetings and Open Records acts for even a short time. We public servants are used to it and embrace the wisdom of openness in government as a check and balance for the electorate.

(Continued on page 8)

ALSO IN THIS ISSUE:

- 2 / 2012 Legislative Update
- 3 / Essential OPERS
- 5 / OPERS Recognized for Quality
- 6 / Retirement 101
- 7 / Healthful Hints
- 8 / Contact OPERS

2012 Legislative Update *(Continued from page 1)*

House Bill 2321

Rounding of service credit eliminated for new members

HB 2321 eliminates rounding of service credit for members who join OPERS on or after November 1, 2012. The bill states the number of years of credited service used in calculating retirement benefits shall be based on actual years and months of credited service without rounding up or down. Members who joined OPERS prior to November 1, 2012, are not impacted by this new provision.

House Bill 2322

Step-Up program offered to elected officials

Last year, Senate Bill 794 provided that newly elected officials after November 1, 2011, are subject to the same contribution rates and benefit computation factors as state and local government members of OPERS. This year, HB 2322 went further to allow elected officials to begin participating in the “Step-Up” Program just as state and local government members are allowed to do. The Step-Up program allows members to pay an additional contribution, currently 2.91%, for an increased benefit computation factor of 2.5%.

House Bill 2939

I.T. consolidation and participation in Oklahoma Teachers' Retirement System

This bill affects a relatively small number of members impacted by the 2011 Information Technology Consolidation and Coordination Act. HB 2939 provides state employees who are (or were) members of the Teachers' Retirement System of Oklahoma and are transferred pursuant to the Information Technology Consolidation and Coordination Act may elect to continue their participation in the Teachers' Retirement System in lieu of participating in OPERS.

Any transferred employee who wishes to make this election must do so in writing within thirty (30) days of the effective date of this act, which is August 24, 2012. If a transferred employee who has already begun participating in OPERS elects to return to the Teachers' Retirement System, OPERS will transfer the service credit and contributions to the Teachers' Retirement System for any credit that accrued after the initial transfer. The election to continue or return to participation in the Teachers' Retirement System is irrevocable and effective until the employment with the Office of State Finance is terminated.



“Step-Up” Your OPERS Benefits

The 2.5% Step-Up Program allows members to increase their retirement benefits by paying an additional member contribution each pay period. Currently, that additional contribution is 2.91% of your compensation and is subject to change.

The additional Step-Up contributions are used to increase the computation factor when benefits are calculated. The standard retirement benefit calculation for most OPERS members uses a benefit computation factor of 2%. The Step-Up will increase your computation factor to 2.5% on full years of participating service you accrue after your election to participate.

Keep in mind, this election is binding on all future participation in OPERS, including a change in position, a break in service, or returning to OPERS participating employment after retiring or having withdrawn retirement contributions from previous periods of employment.



For more information, download the Step-Up brochure at www.opers.ok.gov/publications or give us a call.

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, 2012. 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.

Contributions

Contribution rates for **July 1, 2012 – June 30, 2013** (3.5% state employees, 16.5% state agencies)

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 years of credited service (including six full years of full-time-equivalent employment¹) to be eligible to vest.

Eligibility for Normal Retirement Benefits

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 employment²; 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 after June 30, 1992.

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 employment²; 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 years 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 years of participating service.

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

Eligibility for Disability Benefits

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

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 years 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 Salary**³ – 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).
- **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.
- **Computation Factor of 0.02 (or 2%)**⁴

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 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.

² 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.

³ In the past, certain salary caps applied. Therefore, if any of the highest three 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.

⁴ 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.

OPERS Recognized for Quality in Member Education



We are pleased to announce OPERS was recently awarded a Governor's Commendation at the 2012 Quality Oklahoma Team Day in recognition of our two new member education seminars – *Controlling Your Financial Future* and *Managing Your Retirement Income*.

"For the past few years OPERS has been striving to expand our member education to engage and benefit our members throughout their careers in public service," said executive director Tom Spencer. "We are honored to receive this recognition for providing quality financial planning resources to our members."

Over the past year, OPERS has provided more than 100 of the new seminars to nearly 2,000 members and the reviews have been overwhelmingly positive, with 95% of attendees indicating they would recommend the seminars to others.

As your retirement agency, it is our goal to offer timely and informative member education to help you become more informed, prepared and confident in your financial planning while also helping you better understand the financial issues and decisions involved after retirement.

Please visit our website www.opers.ok.gov/confidence for more information regarding our various seminars.

Education Matters

2,902

Members who have attended an OPERS seminar this year.

60%

Percentage of OPERS members employed by agencies who have been early adopters of the new financial planning seminars.

137

Number of seminars conducted by OPERS so far this year.

Fast Lane to Retirement

Submitting documents early can help save time and frustration

Retirement can be a confusing and stressful time. You are going to make some very important decisions as you enter retirement. One way to reduce that stress is to submit important documents to OPERS before you start the retirement process.

We will ask you for a number of documents to ensure we pay the right amount to you at the right time. We also must ensure we have the proper documents to pay the right person(s) upon your death.

Important documents that OPERS will likely need to process your retirement include:

Birth certificates for you and your joint-annuitant – All retirees will need to submit their birth certificate. If you are naming a joint-annuitant to receive a survivor benefit upon your death, you will need to submit a birth certificate for that person, as well. If you do not have a birth certificate,

(Continued on page 7)

RETIREMENT 101

Delaying Social Security Benefits

Helping close possible retirement income gaps

At OPERS, we talk a lot about the “four-legged chair”, or the four sources of retirement income you need to replace your current income. The two primary sources people rely on the most are employer-sponsored retirement plans like OPERS and Social Security. The other two legs being personal savings and investments and working in retirement.

Did you know you have the option of postponing Social Security to increase your benefit and help fill income gaps in retirement? Depending upon your age, you can receive a benefit increase of up to 8% for every year you postpone drawing Social Security benefits past your full retirement age, up until the age of 70 (or a maximum of 132% of full benefits under Social Security). Furthermore, delaying Social Security does not impact your eligibility for Medicare at age 65.

How it all adds up

Social Security benefits are calculated based on how much you earned and paid into the Social Security system during your working career. Generally speaking, Social Security benefits were designed to replace a larger portion of pre-retirement income for lower wage earners and a smaller portion for higher wage earners.

2008 Replacement Ratio Findings

Pre-Retirement Income (\$000)	Social Security (%)
20	69
30	59
40	54
50	51
60	46
70	42
80	39
90	36

Aon Consulting and Georgia State University have become an industry standard in the measurement of retirement income needs. The table to the left comes from their 2008 Replacement Ratio Study™.

The amount of your income that Social Security replaces in retirement is unique to each person. However, using the table provided, we are assuming a family in which there is one wage earner earning \$40,000 annually, who retires at age 65 with a spouse age 62. The expected Social Security income replacement will

be approximately 54%. If this person delays taking their Social Security benefits one year past their full Social Security retirement age they would increase their benefit by approximately 8% for a total of 62% income replacement.

Now, let's assume this same person was a member of OPERS. Your OPERS pension replaces 2% of your income for every year of service you have with an OPERS-participating employer. If this person had 15 years of service in an OPERS-covered position, he/she would replace roughly an additional 30% of their income for retirement.

The Final Word

As you can see, Social Security combined with your OPERS pension provides a good estimate of what your income replacement will be in retirement.

62% (Social Security)

+ 30% (OPERS)

92% income replacement

In this example, the member has nearly replicated their pre-retirement income by delaying their Social Security benefit by only one year in conjunction with their OPERS pension. They could maintain their current standard of living in retirement with minimal adjustments to their spending habits.

As currently designed, Social Security will account for a significant portion of overall retirement income for many members. The ability to increase this income can be extremely helpful. This flexibility, combined with your OPERS pension and personal savings, can help give you more options in terms of replacing your income in retirement.

The important thing to be aware of is that income replacement in retirement comes from multiple sources, with OPERS being just one.

For additional information:

Social Security

www.ssa.gov

Healthful *hints*

Protecting Against Skin Cancer

New FDA rules clarify sunscreen labels

Barbecues and long days are just some of the things we enjoy during the summer, and it's easy to spend all day outside in the Oklahoma sun and end up with a sunburn. Unfortunately, according to the Skin Cancer Foundation (SCF), a person and their risk for melanoma, the most serious form of skin cancer, doubles, if he or she has had five or more sunburns and experiences early skin aging.

With this information in mind, the FDA approved new rules to help consumers select and use sunscreens appropriately, including new labeling information:

- The sunscreen must have a sun protection factor (SPF) of 15 or higher and have broad-spectrum protection against ultraviolet A (UVA) and ultraviolet B (UVB) radiation to state it lowers the risk of skin cancer and early skin aging.
- Water resistance claims must tell how much time a user can expect to get the declared SPF level of protection while swimming or sweating.
- Products cannot claim to be 'waterproof/sweatproof', or offer instant protection or protection for more than two hours without reapplication.

Sunscreen is only effective if applied correctly, and is just one safeguard for your skin. Limiting your unprotected sun exposure and wearing protective clothing, such as broad-brimmed hats and swim shirts, will also help keep your summer fun and your skin safe.

Helpful tips from the SCF & FDA:

- Stay in the shade, especially between 10 A.M. and 4 P.M.
- Avoid tanning and UV tanning booths.
- Use a sunscreen with an SPF of 15 or higher every day.
- Apply 1 ounce (2 tablespoons) of sunscreen to your entire body 30 minutes before going outside and reapply sunscreen every two hours, more often if you're sweating or jumping in and out of water.
- Cover up with clothing, including a broad-brimmed hat and UV-blocking sunglasses.
- Keep newborns out of the sun. Sunscreens should be used on babies over the age of six months.

For additional information:

www.skincancer.org

www.fda.gov/forconsumers

Fast Lane to Retirement *(Continued from page 5)*

there are a number of other documents you can provide in its place. You can find these listed on the OPERS website at www.opers.ok.gov/forms or by calling our office.

Marriage License – If you are married at the time of retirement, your spouse has a legal right to be named as your joint-annuitant. To meet this requirement, we will need a marriage license to your current spouse.

Divorce Decree/Death Certificate – If you were married while you were working for an OPERS participating employer, and that marriage ended as a result of divorce or the death of

your spouse, you will also need to provide a divorce decree or certified death certificate.

If you submitted these documents to your employer, that doesn't necessarily mean they were forwarded to OPERS. If you have any doubt about what documents OPERS has on file for you, simply give our Member Services Department a call at (800) 733-9008.

You may not be retiring tomorrow, but you can help speed up the process by submitting important documents now.

The Director's Corner In Praise of Public Employees

(Continued from page 1)

Only a few public servants put their lives on the line like Jeff McCoy did (see companion article), but we all serve the public or make sure these public servants have the tools they need to do their jobs. Our mission here at OPERS is to help our fellow public employees attain a secure retirement. We are trying to educate our active members early in their careers on financial issues, and educate those members close to retirement about how to file and receive their pension benefits. Our customers are public employees and they are tremendous customers.

Most jobs with the State are not glamorous, but the public is better off for the work we do. The vast majority of public servants do their jobs for average pay while being held to higher standards than those in the private sector. We may never cross paths with these people, but we rely on them as prison guards, child welfare workers, mental health counselors, oil well inspectors, road construction flag men and women, water quality testers, agriculture inspectors, criminal prosecutors, and all of the rest.

I still believe public service is a high calling, and it continues to be my honor and privilege to serve not only the public, but to also serve the hardworking, dedicated public servants of this great state.

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

This publication, printed by Mercury Press, is issued by the Oklahoma Public Employees Retirement System (OPERS) as authorized by its Executive Director. Forty-six thousand three hundred (46,300) copies have been prepared and distributed at a cost of \$7,550.49. Electronic copies have been deposited with the Publications Clearinghouse of the Oklahoma Department of Public Libraries.

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.



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