

Retiree Handbook



Oklahoma Public Employees Retirement System



Describing plan provisions
as of July 1, 2007

Retired Members

OKLAHOMA

Public Employees Retirement System

RETIRED MEMBER HANDBOOK

**Describing Plan Provisions
as of July 1, 2007**

This publication, printed by the Central Printing Division of the Department of Central Services, is issued by the Oklahoma Public Employees Retirement System as authorized by the Executive Director. The publication of this document consisted of 28,000 copies that were prepared and distributed at a cost of \$13,713.09. Copies have been deposited with the Oklahoma Department of Libraries.

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ABOUT THE HANDBOOK

This handbook is a summary of the provisions of the Oklahoma Public Employees Retirement System's defined benefit plan that apply to retired members, written in lay person's terms. It is not a plan document. As much as possible, this handbook has been written without technical terms, avoiding the formal language of the retirement laws and rules. The Oklahoma Public Employees Retirement System (OPERS) reserves the right to correct any errors contained herein to comply with federal or state statutes, rules, and regulations that govern the Plan. Any information contained in the handbook that refers to federal or state tax regulations is not intended to be tax advice. You are encouraged to consult a professional tax advisor. If questions of interpretation arise as a result of the attempt to make the retirement provisions easy to understand, federal and state law, rules and regulations remain the final authority.

The information contained in this handbook is made available as a public service. No information provided is intended to constitute legal or investment advice. While we have made every attempt to provide correct information, we do not guarantee the accuracy of information, or the accuracy of other publications referenced herein. No one shall be entitled to claim detrimental reliance on any information herein.

The information provided in this handbook is based on the laws and rules in existence as of July 1, 2007, and is subject to change or modification based on changes in law, rule, or policy.

Representatives or Retirement Coordinators from participating agencies are not agents of OPERS. OPERS is not responsible for erroneous information provided by agency representatives.

BOARD OF TRUSTEES

DON KILPATRICK, Chairman
Appointee of the President
Pro Tempore of the Senate

JONATHAN FORMAN, Vice Chairman
Appointee of the Governor

JEFF CLOUD
Member of Corporation Commission
Selected by Commission

MICHAEL D. EVANS
Appointee of the Supreme Court

RICHARD HAUGLAND
Appointee of the Speaker of the
House of Representatives

OSCAR B. JACKSON, JR.
Administrator of the Office of
Personnel Management

JERRY JOHNSON
Member of Tax Commission
Selected by Commission

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STEVE PARIS
Appointee of the Governor

BRIAN MADDY
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Pro Tempore of the Senate

FRANK STONE
Designee of the
State Insurance Commissioner

JIM MCGOODWIN
Designee of the Director of State
Finance

DAWN CASH
Appointee of the Speaker of the House of Representatives

TO OUR MEMBERS...

All of us at OPERS encourage you to take the time to review the information in this handbook. We hope it will be of assistance to you. We realize that not every matter of interest to you will be included in this handbook. Therefore, whenever you need more information, feel free to call our office at the numbers listed below.

Tom Spencer	<i>Executive Director</i>
Joseph A. Fox	<i>General Counsel</i>
Kirk Stebbins	<i>Chief Investment Officer</i>
Linda Webb	<i>Director of Member Services</i>
Virginia Lawrenz	<i>Director of Finance, CFO</i>
Garry McCoy	<i>Director of Information Technology</i>
Ray Pool	<i>Defined Contribution Administrator</i>
Rebecca Catlett	<i>Defined Benefits Administrator</i>
Patrick W. Lane	<i>Communications and Customer Contact Director</i>
Kathy McCraw	<i>Assistant Chief Financial Officer</i>

Outside the OKC Metropolitan Area

1-800-733-9008

In the OKC Metro Area

(405) 858-6737

Mailing Address

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

Physical Address

5801 N. Broadway Extension,
Suite 400
Oklahoma City, OK 73118-7484

OPERS Website

www.opers.ok.gov

For Oklahoma State and Education Employees Group Insurance Board (OSEEGIB) insurance information:

<p>OSEEGIB 3545 N.W. 58th St. Suite 110 Oklahoma City, OK 73112 (Local) 717-8780 1-800-752-9475 www.healthchoiceok.com</p>

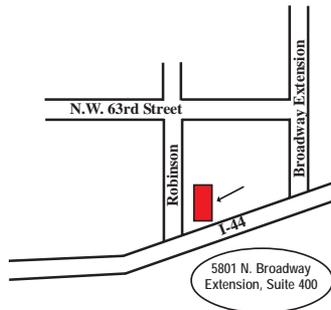
Driving Directions to OPERS:

The OPERS office is only accessible via Robinson Street in Oklahoma City. Visitors are advised to use the following routes:

From the North: Travel South on I-35 to the I-44 West exit (#133) to Lawton/Amarillo. Merge onto I-44 W. Take the I-235/US-77 North exit (#127), towards Edmond. Keep right at the fork in the ramp then immediately take the 63rd street exit. Use caution. At the light, turn left. Take the inside lane on 63rd street one block west to the light at Robinson. Make a left and continue to the Paragon Building.

From the South: Travel north on I-35 to I-235 North (the State Capitol/Edmond exit) which becomes Broadway Extension. Merge into the right lane prior to the 63rd Street exit but use caution. Look for merging traffic. Exit to 63rd Street. Turn left at the light on 63rd Street. Take the inside lane on 63rd street one block west to the light at Robinson. Make a left and continue to the Paragon Building.

From the East or West: Travel on I-40 to I-235 North (the State Capitol/Edmond exit) which becomes Broadway Extension. Merge into the right lane prior to the 63rd Street exit but use caution. Look for merging traffic. Exit to 63rd Street. Turn left at the light on 63rd Street. Take the inside lane on 63rd street one block west to the light at Robinson. Make a left and continue to the Paragon Building.



ABOUT OPERS...

OPERS administers retirement plans for several different types of state and local government employees. Members include state and local government employees, state and county elected officials, and hazardous duty employees.

Defined Benefit Plan

The OPERS plan is a defined benefit retirement plan. It is qualified under Section 401(a) of the Internal Revenue Code. OPERS provides its members with a lifetime retirement benefit when they meet certain eligibility requirements. You participated in OPERS by contributing a certain portion of your salary each month. Your employer also contributed on your behalf. The amount of your benefit is more than just the sum of contributions made throughout your career. Your benefits are determined by a formula which includes your salary and the number of your years of credited service. The paid contributions are invested by OPERS, under the direction of the Board of Trustees, to provide benefits to present and future members.

Defined Contribution Plans

Another type of retirement plan available only to state employees and administered by OPERS is known as a defined contribution retirement plan. In a defined contribution plan, no specific benefit is promised. The participant is responsible for managing the investment of the money in order to produce an additional source of funds at retirement. OPERS members who are state employees are eligible to participate in two defined contribution plans. They are both administered by OPERS and are called the Oklahoma State Employees Deferred Compensation Plan (DCP) and the Oklahoma State Employees Deferred Savings Incentive Plan (SIP), collectively known as SoonerSave. Participation in SoonerSave is voluntary.

NOTE: Retirees are not eligible to continue paying into SoonerSave unless they return to employment with a state agency and participate in an Oklahoma state retirement system.

The DCP is based on Internal Revenue Code 457(b) and allows eligible state employees to supplement retirement benefits by investing pre-tax dollars through voluntary salary deferral. Employee contributions are deposited in the DCP and federal and state taxes will remain deferred until contributions are withdrawn.

The SIP is based on Internal Revenue Code 401(a) and supplements employees' retirement benefits by an employer contributing to a plan on their behalf.

You select where the money in both plans is invested among the investment options. After retirement or other termination from employment with the state of Oklahoma, you may take a distribution or rollover from your SoonerSave retirement funds.

For more information about SoonerSave, call 1-800-733-9008 or (405) 858-6781. Additional information, including enrollment forms, is available through the SoonerSave website online at www.soonersave.com.

Financial Information

A Comprehensive Annual Financial Report for each fiscal year is available to those who wish to know more detailed financial information about the Oklahoma Public Employees Retirement System defined benefit plan. To obtain a Comprehensive Annual Financial Report, contact OPERS, or it may be viewed at www.opers.ok.gov/publications.

GENERAL INFORMATION

Discussed below are a few topics that are particularly important and answer some commonly-asked questions.

Address Changes

Members who change their mailing address must complete, sign, and submit to OPERS a *Change of Address or Name* form obtained from OPERS or the OPERS website at www.opers.ok.gov.

Beneficiary Designations

Naming Beneficiaries

When you retire, you are asked to name primary and secondary beneficiaries. At your death, a benefit is paid to your beneficiaries.

You may name multiple beneficiaries. If one or more of your primary beneficiaries is deceased, the death benefit will be distributed among the remaining living primary beneficiaries. Your contingent beneficiaries will receive a benefit only if there are no living primary beneficiaries. (See *Death Benefits* section on page 24 for more information.)

Minors as Beneficiaries

You are encouraged to avoid designating minors as beneficiaries. However, the Uniform Transfers to Minors Act permits certain payments to adult custodians or to banks and trust companies on behalf of minors who are named as beneficiaries.

Revocable Trust as Beneficiary

If you name a revocable trust as beneficiary, you must provide the actual name of the trust and the date of the trust.

Beneficiary Changes

Many events can create the need for a change of beneficiary, such as marriage, divorce, birth, and death. Please keep your beneficiary designation current. Separate beneficiary designations are required for the SoonerSave plans. You may make a beneficiary change at any

time by completing a *Designation of Beneficiary Form for Retired Member Death Benefits* form. You can obtain one from OPERS or the OPERS website at www.opers.ok.gov.

Divorce and Beneficiary Designation

Divorce voids the designation of your spouse as your beneficiary. Once your divorce is final, you must complete a new beneficiary designation form, designating a new beneficiary. You may designate a divorced spouse as your beneficiary, but you are still required to complete a new form, dated *after* the date of the divorce decree, re-naming your former spouse as a beneficiary.

Confidentiality

OPERS protects the confidentiality of information contained in your file. Generally, you must give written consent to its release. However, by law, certain information will be disclosed without your consent if requested in writing for a specific purpose. The disclosed information may include:

- Name
- Age
- Amount of contributions paid in to OPERS
- Benefits being paid (and verifying documents)
- Amount of credited service (and verifying documents).

Any information in your retirement file is subject to subpoena or court order.

Correspondence

In all correspondence with OPERS, you must provide:

- ✓ your full name;
- ✓ your Social Security number;
- ✓ your current mailing address;
- ✓ your original signature.

All documents, forms, inquiries and/or requests must be signed by you. No person may act on your behalf, including your spouse or parent, except an authorized attorney-in-fact, pursuant to a durable or statutory power of attorney. The power of attorney must be in substantial compliance with Oklahoma law and/or the Uniform Durable Power of Attorney Act and must be filed with, and approved by, OPERS. The

power of attorney terminates at your death. If a guardian has been appointed for you, only the named guardian can act on your behalf. A certified copy of the filed court order of appointment must be filed with OPERS.

Divorce

Qualified Domestic Relations Orders (QDRO)

Your OPERS retirement benefits cannot be assigned or alienated. However, OPERS may comply with a state court order requiring benefit payments to a spouse, former spouse, or for the support of a minor child or children if the order meets the statutory criteria for a Qualified Domestic Relations Order (QDRO) (See 20 O.S. §1111). In order to be enforceable, the QDRO must be approved, accepted and on file with OPERS. You are encouraged to have your attorney submit a draft of the QDRO to OPERS for approval **prior to** obtaining the final order.

Divorce voids the designation of a spouse as your beneficiary.

Forfeiture of Benefits

Honorable service is a condition of both public employment and the receipt of public employee retirement benefits. Title 51, Section 24.1, of the Oklahoma Statutes provides for forfeiture of your retirement benefits if you are convicted of a felony or other crime which violates your oath of office. Forfeiture can also occur if you plead guilty or nolo contendere. Forfeiture does not occur for those successfully completing a deferred sentence; however, benefit payments are not payable until you complete the deferred sentence.

Forfeiture applies to all benefits accrued after September 1981, but does not include your contributions to OPERS. The statute prevents vesting of the right to receive retirement benefits if you commit certain offenses prior to retirement. However, benefit forfeiture can also occur after you retire if the offense occurred while you were a public official or employee, even if you are not convicted until after you retire.

Hearings

Title 74, Section 904, of the Oklahoma Statutes governing OPERS makes provision for aggrieved persons to have an administrative hearing to address their grievance. This procedure is available to appeal any

administrative action of OPERS. A request for a hearing must be submitted in writing to the Executive Director of OPERS within 30 days of notice of the action which the person is appealing. The request for a hearing should clearly set forth the facts and the basis for the grievance, along with the relief requested.

The hearing procedures can be found in the Permanent Rules at 590:1-1-6. A hearing examiner will conduct the evidentiary hearing with the Board of Trustees issuing the Final Order. The hearing shall be conducted in accordance with the Administrative Procedures Act as provided for in 75 O.S. § 250 et seq.

This is the exclusive remedy for aggrieved persons. As a general rule, no court action can be pursued until this remedy is exhausted.

Insurance

You may authorize OPERS to deduct insurance premiums from your monthly retirement benefit and pay those premiums to the Oklahoma State and Education Employees Group Insurance Board (OSEEGIB). OPERS will deduct the amount requested by OSEEGIB. If you have any questions about the amount deducted, you must ask OSEEGIB; we are not able to answer any questions about your insurance premiums or coverage.

All questions regarding insurance premiums or coverage through OSEEGIB must be addressed to them at the contact information listed below.

<p style="text-align: center;">OSEEGIB 3545 N.W. 58th St. Suite 110 Oklahoma City, OK 73112 (Local) 717-8780 1-800-752-9475 www.healthchoiceok.com</p>

If you are not covered through OSEEGIB, you should contact your insurance provider for questions or information.

RETIREMENT

Changes in Type of Retirement: Normal, Early, or Disability

If you retired under early retirement provisions and later become qualified for a disability retirement with a disability date on or after July 1, 1999, you may apply to receive disability benefits in lieu of the Early Retirement benefits. **The type of retirement you chose may not be changed** on or after the effective date of your retirement under any other circumstances.

1. You qualify for payment of disability benefits as certified either by the Social Security Administration or the Railroad Retirement Board, provided that:
 - a) the date of disability onset established by the Social Security Administration or the Railroad Retirement Board falls within one year of your last date physically on the job; and,
 - b) you must have been an active employee with a participating employer at the time of disability onset.

2. You have at least **eight (8) years of credited service**. Prior service and participating service may be combined, but you must have at least six (6) full years of full-time participating employment with a participating employer.

The amount of your disability retirement benefit is calculated by the same formula as for Normal Retirement. There is no minimum age requirement for receipt of disability retirement benefits. The only types of benefit available with disability retirement are the Maximum benefit and Option A. If you selected Option B at early retirement, you must change to Option A for disability retirement, If you selected Option C, you must change to the Maximum benefit. You cannot change the person you named as joint annuitant on an Option A or B retirement benefit.

If you are receiving state disability insurance payments, the benefit paid by disability insurance will be offset, or reduced, by the amount of the benefits paid by OPERS and by the Social Security Administration.

Benefit payments begin as of the same date as your Social Security disability. However, you will not receive disability benefits for any month in which you received pay from your employer on the regular payroll (excluding longevity payments).

You must continue to receive disability benefits from Social Security or Railroad Retirement to be eligible for continued disability retirement from OPERS. If you recover from the disability, and stop receiving disability payments from Social Security or Railroad Board, your retirement benefits must end until you become eligible for early or normal retirement.

Application for Disability Retirement

To apply for a change from early retirement to disability retirement, you must send OPERS a complete (all pages) copy of the Social Security or Railroad Award Letter or Award Notice. Upon receipt and determination of probable eligibility, OPERS will send you an *Application for Disability Benefits* to complete and return. You will also receive an estimate of your disability benefit amount.

A legible copy of the complete Award Letter from the Social Security Administration (Baltimore, Maryland or Program Center) or an Award Notice from the Railroad Retirement Board are the only documents accepted by OPERS as proof of disability.

RETIREMENT BENEFITS

Type of Benefit

At retirement, you chose one of four types of retirement benefits described below. Members younger than age 65 at retirement may also have elected the Medicare Gap Benefit Option. See page 20 for more information.

Maximum (Single-Life Annuity) - The maximum type of benefit is paid monthly for your lifetime and ceases the last day of the month in which you die.

Option A (1/2 Joint and Survivor Annuity) - Under this option, you will receive a reduced retirement benefit during your lifetime. After your death, **one-half** of your reduced retirement benefit will be paid to your surviving joint annuitant for the remainder of his or her lifetime.

Option B (100% Joint and Survivor Annuity) - Under this option, you will receive a reduced retirement benefit during your lifetime. After your death, the same monthly benefit will be paid to your surviving joint annuitant for his or her lifetime.

Option C (Single-Life Annuity with a 10-Year Term Certain Period)
Under this option, you will receive a reduced retirement benefit during your lifetime. If you die within the first 10 years of the start of benefit payments, the same monthly payment will be made to your beneficiary (or beneficiaries) for the balance of the ten-year period. If you live longer than 10 years after your retirement date, no monthly benefits will be paid to your beneficiary after your death. Your beneficiary does not have to be a specific person and multiple beneficiaries may be named. Beneficiaries may be changed at any time.

If you die with no living beneficiaries, or if your beneficiaries die before the expiration of the 10-year period, the person responsible for the estate will be given the option for the estate to either: 1) receive monthly benefits for the remainder of the ten-year period; or, 2) receive the present value of the remaining benefit payments in a one-time, lump-sum distribution.

Changing the Type of Benefit

If you retired under Option A or B, your benefit changes to the maximum benefit upon the death of your joint annuitant. This is referred to as the “pop up” provision. The benefit increase becomes effective the first day of the month following the date of death. You must notify OPERS of the death in writing and provide a certified death certificate to begin the increase. If written notice is not received within six (6) months, OPERS is not required to pay more than six (6) months of retroactive benefits increase.

Divorce does not automatically change your type of benefit or remove your former spouse as a joint annuitant on your retirement benefit. In some cases, a divorce decree may allow you to change from Option A or B to the Maximum benefit. Contact OPERS for more information.

An eligible member who chooses to change from an early retirement to a disability retirement and who selected Option B must change to Option A, and a member who selected Option C must change to the Maximum benefit. The only types of benefit available for disability retirement are the Maximum benefit and Option A.

The type of benefit you choose may not be changed on, or after, your retirement date under any other circumstances, and no other person may be substituted or named as your joint annuitant.

Retirement Benefit Payments

In order to allow sufficient time to receive final payroll records and process all retirement documents, **your benefit payment for the first two (2) months** is made by direct deposit directly to your account in a bank or other financial institution **on the last working day of the second month of retirement**. Thereafter, payment will be issued on the last working day of each month.

Direct Deposit Changes

Direct deposit of your monthly retirement benefit to your account in a bank or other financial institution is mandatory. To change your direct deposit to another account, you must submit a new *Direct Deposit Authorization form* to OPERS. You can obtain this form from OPERS or from the OPERS website at www.opers.ok.gov. OPERS must receive any changes to direct deposit instructions by the 5th day of the month to make the change effective for your payment at the end of that month.

Direct deposit changes arriving at OPERS after the 5th day of the month will not become effective until the end of the following month. **To avoid a delay in receipt of your benefit payments, we recommend that you do not close your current account until a deposit to the new account has been successful.**

If direct deposit creates an undue hardship, you may request a waiver of the mandatory direct deposit by completing a waiver request form that you obtain from OPERS. A waiver will be granted **only** upon good cause shown. Until a waiver is granted, your payments will continue by direct deposit. If your account is closed, no payments can be made until your waiver request is approved or you send in a new *Direct Deposit Authorization* form.

Taxation of Retirement Benefits

The following information is not intended to be tax advice. OPERS encourages all members to seek advice from a tax advisor. Currently, benefits from OPERS are considered as normal income for Oklahoma income tax purposes and for federal income tax purposes.

Oklahoma State Income Tax

Under Oklahoma tax provisions, a portion of retirement benefits paid to an Oklahoma resident may be excluded from an individual taxpayer's gross income each year. However, you may experience a different tax treatment if you reside out of state.

Federal Income Tax

If you have any accumulated nontaxable contributions (post-tax contributions) as of your retirement date, you will be able to reduce the taxable portion of your benefit to the extent of your nontaxable contributions in accordance with the Internal Revenue Service's Safe Harbor provision. Generally, this method allows OPERS to spread your accumulated nontaxable contributions over your life expectancy or the joint life expectancies of you and your joint-annuitant. OPERS will calculate this exclusion for you, and the resulting taxable portion will appear on your Form 1099-R. However, you may consult IRS Publication 575 for more information about the Safe Harbor Method.

OPERS will mail you a Form 1099-R at the end of January of each year. This form will show: 1) the gross amount of your retirement

benefit for the previous calendar year; 2) the amount of state and federal income tax withheld from your retirement benefit; and, 3) the federal taxable amount of your retirement benefit for the year. The information contained in your Form 1099-R should be used in completing your state and federal income tax return.

1099-R Frequently Asked Questions

Question: When are 1099-R forms mailed?

Answer: The Form 1099-Rs will be mailed by January 31. Please allow for normal delivery time. If you have not received your Form 1099-R by February 15, contact OPERS to order yours.

Question: Why is the taxable amount (Box 2a) less than the gross distribution (Box 1)?

Answer: You may have had after-tax dollars in your account at retirement. This occurs if you made after-tax retirement contributions, used after-tax money to make a purchase, etc. This reduces the taxable portion of the total amount, thus accounting for the difference in the two amounts.

Question: Where do I find the amount withheld for federal and state taxes?

Answer: The amount of federal income tax withheld is located in Box 4, and the state tax withheld is found in Box 10.

Question: How do I get a duplicate copy of my Form 1099-R?

Answer: You may request a duplicate Form 1099-Rs in writing, by e-mail, or by calling OPERS. All requests must include your name, Social Security Number, tax year requested, mailing address, the benefit type, daytime telephone number, and signature. Please allow 10-15 working days to receive your duplicate Form 1099-R.

Question: How do I correct my address on my Form 1099-R?

Answer: An incorrect address does not affect the validity of your Form 1099-R. However, you should notify OPERS of your correct address to ensure prompt delivery of benefit payments and correspondence. A *Change of Address or Name* form can be found on the OPERS website at www.opers.ok.gov/forms or you may contact OPERS for one to be mailed to you.

Question: What does the number in Box 7 represent?

Answer: See the back side of copy “C” of your 1099-R form for an explanation of distribution codes.

- 1—Early distribution, no known exception (in most cases, under age 59 ½).
- 2—Early distribution, exception applies (under age 59 ½).
- 3—Disability.
- 4—Death.
- 5—Prohibited transaction.
- 6—Section 1035 exchange (a tax-free exchange of life insurance, annuity, or endowment contracts).
- 7—Normal distribution.
- 8—Excess contributions plus earnings/excess deferrals (and/or earnings) taxable in 2007.
- 9—Cost of current life insurance protection.
- A—May be eligible for 10-year tax option (see Form 4972).
- B—Designated Roth account distribution.
- D—Excess contributions plus earnings/excess deferrals taxable in 2007.

Question: Box 11 is left blank. What is that number?

Answer: The number for Box 11 is the same as the Payer’s Federal Identification Number on the left side of the form.

Question: How do I determine how much was withheld from my retirement for medical insurance premiums?

Answer: If you had medical insurance withheld from your OPERS monthly benefit, that amount will appear on the left hand side of the form, under the box containing your name and address.

Question: Why did I receive more than one 1099-R?

Answer: If you received more than one 1099-R form from OPERS, it means you received a distribution as a beneficiary of someone else’s account. You should be able to determine from the amounts which 1099-R is for which distribution, but if you still have questions, contact OPERS.

CORRECTED (if checked)

PAYER'S name, street address, city, state, and ZIP code		1 Gross distribution		OMB No. 1545-0119		Distributions From Pensions, Annuities, Retirement or Profit-Sharing Plans, IRAs, Insurance Contracts, etc.
		\$		2007 Form 1099-R		
		2a Taxable amount				
		\$		2b Taxable amount not determined <input type="checkbox"/>		
PAYER'S federal identification number		RECIPIENT'S identification number		3 Capital gain (included in box 2a)		4 Federal income tax withheld \$ _____
				\$ _____		
RECIPIENT'S name		5 Employee contributions / Designated Roth contributions or insurance premiums		6 Net unrealized appreciation in employer's securities		This information is being furnished to the Internal Revenue Service.
Street address (including apt. no.)		\$ _____		\$ _____		
City, state, and ZIP code		7 Distribution code(s)		8 Other		
		<input type="checkbox"/> IRA/SEP/SIMPLE <input type="checkbox"/>		\$ _____ %		
		9a Your percentage of total distribution %		9b Total employee contributions \$		
				\$ _____		
		10 State tax withheld		11 State/Payer's state no.		12 State distribution
		\$ _____				\$ _____
		\$ _____				\$ _____
Account number (see instructions)		13 Local tax withheld		14 Name of locality		15 Local distribution
		\$ _____				\$ _____
		\$ _____				\$ _____

Form 1099-R

Department of the Treasury — Internal Revenue Service

Tax Withholding

A new *Withholding Preference Certificate* form may be completed at any time to change future withholdings. You can obtain this form from OPERS.

Health Insurance Supplement

OPERS pays an insurance premium supplement on your behalf if you maintain health insurance with the Oklahoma State & Education Employees Group Insurance Board (OSEEGIB) or other qualified insurance plan provided by your employer. The monthly contribution is paid in addition to your monthly retirement benefit and is paid directly to OSEEGIB or other qualified insurer. It is not considered taxable income to you. It continues until you terminate health insurance coverage with OSEEGIB or other qualified plan, or until your death. The supplement is for you only and will not continue for your joint annuitant or beneficiary.

Limited Benefit

In 1987, members whose annual salary exceeded \$25,000 were given the opportunity to make contributions on salary in excess of \$25,000 but not exceeding \$40,000. Some members elected to pay these additional retirement contributions on salary above \$25,000 in order to be entitled

to a higher retirement benefit. However, subsequent legislation eliminated the need for these additional contributions and provided for a transfer of the excess contributions to the Oklahoma State Employees Deferred Savings Incentive Plan for members who were actively participating July 1, 1998.

Those members who made contributions on salary in excess of \$25,000 prior to 1994, but were not active members on July 1, 1998, receive a limited additional monthly retirement benefit when they retire, provided they meet all of the following criteria:

1. The member was not an actively participating or a retired OPERS member on July 1, 1998; and,
2. The member had either vested his or her retirement benefits or was eligible to vest his or her retirement benefits as of July 1, 1998; and,
3. The member paid contributions on compensation earned in excess of \$25,000 prior to July 1, 1994.

At retirement, these members receive an additional taxable payment of \$200 per month until the total amount paid equals the amount of excess contributions the member paid on compensation earned above \$25,000 prior to 1994.

MEDICARE GAP BENEFIT OPTION

If you elected the Medicare Gap Benefit Option at retirement, you will receive a temporary increase in your monthly retirement benefit amount. This temporary increase is intended to help you pay health insurance premiums until you become eligible for Medicare at age 65. However, there is a permanent decrease in your monthly benefit amount after reaching age 65 to offset the increase before age 65. In some cases, the amount of decrease will be greater than the amount of increase.

The irrevocable election form you signed at retirement showed the amount of the increase in your benefit before age 65 and the amount of the decrease after age 65. Your election cannot be changed after retirement.

Your election of the Medicare Gap Benefit Option will not affect the amount of benefits payable to your joint annuitant.

If you elected the Medicare Gap Benefit Option and return to post-retirement employment with a participating employer, you will not be eligible to waive receipt of your monthly retirement benefit and retire a second time.

More information about the Medicare Gap Benefit Option can be obtained by requesting a copy of the brochure on this option from OPERS. You can also find the brochure online at the OPERS website, www.opers.ok.gov.

POST-RETIREMENT EMPLOYMENT

Some OPERS retirees choose to return to work after they retire. Returning to work with an employer that does not participate in OPERS will not affect your benefits. However, returning to work for an employer who participates in OPERS may affect your benefits in the following ways:

1. If you return to work during the first month of retirement, your retirement will be canceled. **IMPORTANT:** It is a violation of Internal Revenue Service (IRS) provisions for your employer to make an agreement with you prior to your retirement that would allow you to retire and then be rehired by the same employer. This is not considered a legitimate retirement under IRS guidelines because a bona fide separation of service has not occurred. However, an OPERS retiree may be employed by other participating employers after the first month of retirement.
2. You must participate in OPERS by paying retirement contributions regardless of the number of hours you work or the nature of the work (temporary, seasonal, permanent, etc.). Participation must begin with the first day of return to employment. You are required to complete a *Post-Retirement Employment* form upon returning to work.
3. You continue to accrue service credit while you work for a participating employer. The additional credit may increase your retirement benefits.

Upon returning to work with a participating employer, you must choose to either: (1) continue receiving benefits; or, (2) waive the receipt of monthly benefits (if eligible). This choice will be made when completing the *Post-Retirement Employment* form. If you elected the Medicare Gap Option at retirement, you are not eligible to waive receipt of your benefits and retire for a second time.

If you wish to work for an OPERS participating employer as an independent contractor, OPERS must review the contract in advance of performing the contract. The determination of whether or not you are an independent contractor for the purpose of participation in OPERS will be made solely by OPERS. Costs associated with errors in participation must be paid by the employer.

Continue Receiving Retirement Benefits

You may continue to receive benefits while working. However, if you are younger than the normal Social Security retirement age, benefits will cease if your salary exceeds Social Security's allowed earnings limit during the calendar year. The allowed earnings limit is determined by your age. Once your salary exceeds the allowed earnings, your benefits will not be paid for the remainder of the calendar year, or until your employment terminates. OPERS will monitor earnings and may place your benefits on "hold" when it appears the next payment will result in an overpayment. You should notify OPERS if you expect your earnings for the year to stop before reaching the earnings limit. Your benefit will resume at the beginning of the next calendar year and continue until your salary reaches the allowed earnings limit for that calendar year or until your employment terminates.

The current calendar year's earnings limits are posted on the OPERS website at www.opers.ok.gov. The limits can also be obtained from your Retirement Coordinator or OPERS.

Each month you work for a participating OPERS employer and contribute to OPERS, you earn service credit. Every additional 12 months of full-time-equivalent service (2,076 hours) earned will increase your benefit. Your benefit will be increased effective January 1, of each year, if you have earned 12 months of full-time-equivalent service as of the end of the previous fiscal year (June 30). Increased benefits are based upon the compensation and hours you earned with the participating OPERS employer during the time the additional service credit was earned. This increase is automatic. You are not required to cease employment or make application to receive the increased benefit.

Waive Receipt of Retirement Benefits

If eligible, you may waive the receipt of retirement benefits while you are working. In such a case, no annual earnings limit applies and you may retire for a second time, but only after earning the equivalent of 36 consecutive months of full-time service credit (6,228 hours). All of your service credit (before and after your first retirement) will be recomputed based upon the law governing OPERS at the time of your **second** retirement.

If you waive your retirement benefit, but terminate employment without earning the 36 months of service credit, you will not receive the benefits voluntarily waived during your period of employment. However, you may resume receiving the original benefit, and you can receive an additional

year of service for each 2,076 hours of service accumulated during your employment (as with those who do not waive their benefits).

Hazardous Duty Employment

If you return to work as a hazardous duty employee after retirement, you must contribute at the hazardous duty rate until you have done so for a full 20 years (pre-retirement and post-retirement service combined). Your post-retirement hazardous duty service will be calculated at 2.5% if less than 20 years of your pre-retirement service was at 2.5%. Oklahoma Military Department firefighters may accumulate more than 20 years of hazardous duty service at the higher rate.

DEATH BENEFITS

Beneficiary Designation

When you retired, you were asked to designate primary and contingent beneficiaries. The designation of beneficiaries is extremely important since it allows OPERS to pay:

1. A lump-sum cash payment (currently \$5,000) in the event of your death; and,
2. The difference between your accumulated contributions and the cumulative monthly retirement benefits you received, **only** if the total contributions exceed the cumulative monthly benefits paid.

You may change your beneficiaries at any time. This is important to remember if your named beneficiary dies or your marital status changes. Divorce voids the designation of your spouse as your beneficiary. Use the *Designation of Beneficiary Form for Retired Member Death Benefits* to update your beneficiaries. You must provide the full legal name, address, relationship, date of birth and Social Security number of each beneficiary you designate.

Primary Beneficiary Designation – You must designate one or more primary beneficiaries. All primary beneficiaries share equally, unless otherwise noted on the form.

Contingent Beneficiary Information – You may designate one or more contingent beneficiaries. Contingent beneficiaries receive benefits in the event all primary beneficiaries die before, or simultaneously with, the member. All contingent beneficiaries share equally, unless otherwise noted on the form.

You may wish to make a **special designation** to a trust, a minor, your estate, or an institution. If so, you should consider the following:

- To designate a **trust** as a beneficiary, you must make the designation in the name of the trust and provide a copy of the trust agreement or memorandum of trust;
- A **minor** can be named as beneficiary, but OPERS encourages you to avoid this. The Uniform Transfers to Minor Act does permit payments to adult custodians or to banks and trust companies on behalf of minors who are named beneficiaries;
- You can designate your **estate** as beneficiary; or,

- If you wish to designate an **institution** (church, charity, funeral home, etc.) as your beneficiary, include the name of the institution along with the name of an individual or employee of the institution as a contact.

Benefit Distribution

The death benefit is not insurance and is taxable to the beneficiary. The \$5,000 Death Benefit is payable only upon the death of a retiree, but not upon the death of a joint annuitant.

For non-spouse beneficiaries, OPERS must withhold ten percent (10%) for federal tax and five percent (5%) for state tax for Oklahoma residents, unless the member's beneficiary either elects not to have OPERS withhold any amount for tax purposes, or rolls the amount into a traditional inherited individual retirement account (IRA) or annuity.

A mandatory withholding tax, currently at the rate of twenty percent (20%) for federal tax and five percent (5%) for Oklahoma state tax, is imposed upon distributions of a deceased member's accumulated contributions to a spouse beneficiary who does not roll over the contributions to an IRA.

Accumulated Contribution in Excess of Retirement Benefits Paid

Occasionally, upon the death of a retired member, the amount of the member's contributions paid into OPERS is more than the total in monthly retirement benefits the member had received. In that event, if no joint annuitant benefits are to be paid, OPERS will pay the designated beneficiary, or if none, the member's estate, the amount of the excess member contributions. An *Application for Payment of Accumulated Contributions in Excess of Retirement Benefits Paid* form will be sent to the beneficiary. This application will show the balance remaining between the total amount of contributions the member paid to OPERS and the total amount of retirement benefits paid during the member's lifetime.

Applying for Death Benefits

Your joint annuitant, beneficiaries, or next of kin must immediately contact OPERS and notify us of your death. OPERS will send instructions to your designated beneficiaries about how to apply for death benefits.

GLOSSARY

Accumulated Contributions - The sum of all employee contributions paid by a member to the System, which shall be credited to the member's account.

Beneficiary - Any person or entity, other than a joint annuitant under Option A or Option B, named by a member to receive any benefits as provided by the laws governing the System. If there is no beneficiary living at the time of the member's death, the member's estate shall be the beneficiary. An eligible OPERS beneficiary does not have to be a specific or natural person. For example, a member can name a trust or an organization as a beneficiary. Contact OPERS for instructions on how to properly designate a trust as beneficiary.

Credited Service - The sum of participating service and prior service.

Elected Official - A person elected to a state office in the legislative or executive branch of state government or a person elected to a county office (on or after July 1, 1988) for a definite number of years and an individual who is appointed to fill the unexpired term of an elected state official.

Full-time-equivalent employment - A term which refers to a member's *actual employment with a participating employer of the Oklahoma Public Employees Retirement System*. A member obtains full-time-equivalent employment in two ways. The first is by participating and paying contributions to OPERS while working for a participating employer. Each hour for which retirement contributions are paid credits the member with 1 hour of full-time-equivalent employment. Therefore, if retirement contributions are paid for 173 hours, the member would accrue one month of full-time-equivalent employment. The second way a member can receive full-time-equivalent employment is by making certain types of purchases of OPERS service credit. However, the only types of purchases which constitute full-time-equivalent employment are those which represent *actual employment with a participating employer of the Oklahoma Public Employees Retirement System*.

Hazardous Duty Member/Employee - An eligible employee of the Oklahoma Department of Corrections whose position falls under certain job classifications or a firefighter with the Oklahoma Military Department. Hazardous duty members have slightly different plan provisions than regular members, such as higher contribution rates and corresponding computation factors, as well as eligibility for a 20-year retirement.

Joint Annuitant - A *specific person* who is designated by an OPERS retiree to receive a lifetime retirement benefit under Option A or Option B after the death of the retiree.

Medicare Gap Benefit Option – An option that allows most OPERS members who are under age 65 at retirement to make an irrevocable election to temporarily increase the amount of their monthly retirement benefit. There is a permanent decrease in the monthly benefit amount after age 65 to offset the increase before age 65.

Member - An eligible employee or elected official who is in the System and is making the required employee or elected official contributions, or any former employee or elected official who shall have made the required contributions to the System and has not received a refund or withdrawal.

OPERS - The Oklahoma Public Employees Retirement System as established by an act of the Oklahoma State Legislature in 1964. (Statutory Reference: 74 O.S.1991, § 901 et seq., as may be amended.)

Participating Employer - An eligible employer who has agreed to make contributions to the System on behalf of its employees.

Participating Service - The period of employment after the entry date for which credit is granted a member. Part-time employment or any leave without pay will be prorated in relation to full-time employment (173 hours per month).

Prior Service - The period of employment of a member by an eligible employer prior to the member's entry date for which credit is granted a member.

Retiree/Retirant - A member who has retired under the laws and administrative rules of the Oklahoma Public Employees Retirement System.

System - The Oklahoma Public Employees Retirement System as established by an act of the Oklahoma State Legislature in 1964. (Statutory Reference: 74 O.S.1991, § 901 et seq., as may be amended.)

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