

Member Handbook  
**Defined Benefit Plan**  
Justices & Judges

*Uniform Retirement System for Justices & Judges  
Describing plan provisions as of July 1, 2014*

**URSJJ**

UNIFORM RETIREMENT SYSTEM FOR JUSTICES & JUDGES



# Oklahoma

## Uniform Retirement System for Justices and Judges

### **Member Handbook**

#### **Defined Benefit Plan**

#### Justices and Judges

#### **Describing Plan Provisions as of July 1, 2014**

No information provided in this handbook is intended to constitute legal, tax or investment advice. You are encouraged to consult a professional tax advisor before receiving any distribution from the plans mentioned. While we have made every attempt to provide the most current and correct information, the information provided in this handbook is based on the laws and rules in existence as of July 1, 2014, and is subject to change or modification. Current laws will always be followed and take precedence over material in this handbook. It is your responsibility to clarify conflicting or questionable information received from a Retirement Coordinator. Neither URSJJ nor the Board will be liable for or bound by any mistakes, errors or misrepresentations of your coordinator.

This publication is issued by the Uniform Retirement System for Justices and Judges as authorized by the Executive Director. Copies have been deposited with the Publications Clearinghouse of the Oklahoma Department of Libraries.

Last updated March 2015

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# Driving Directions to the URSJJ

The URSJJ office is not accessible from the Broadway Extension (US-77/I-235), as our physical address suggests. Our office is only accessible via Robinson Avenue, which is one block west of the Broadway Extension, as shown on the map below. Visitors are advised to use one of the driving routes explained on this page rather than trying to obtain driving directions using online mapping services.

## 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 this Handbook

This handbook is a summary of the provisions of the Uniform Retirement System for Justices and Judges (URSJJ) defined benefit plan, written in layperson'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), which administers the URSJJ, 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 before receiving any distribution from the plans mentioned in this booklet. 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, 2014, and is subject to change or modification based on changes in law, rule, or policy.

Representatives or Retirement Coordinators from participating employers are not agents of the URSJJ. The URSJJ is not responsible for erroneous information provided by employer representatives.

# Welcome to OPERS!

Welcome to the Uniform Retirement System for Justices and Judges (URSJJ).

At the URSJJ, we strive to provide timely and accurate information to you throughout your career in public service in the most convenient format for you, whether in print, on the web, over the phone or in person.

This member handbook is a summary of your retirement benefits administered by OPERS and is organized to provide a quick and easy reference to answer two basic questions:

***When can you retire?***

and

***What benefits will you receive?***

In addition to providing a *secure, lifetime* benefit when you retire, the URSJJ is committed to providing the best possible customer service and welcomes any questions you may have throughout your membership. Our friendly, knowledgeable staff is well versed on your retirement benefit and ready to help you get the most out of it.

We believe the better informed and prepared you are, the more confident you will be in making important financial decisions leading to retirement. To that end, the URSJJ also offers a variety of member education opportunities to assist you in the financial planning process. Please visit the Member Education page of the OPERS website for more information on our seminars at [www.opers.ok.gov/confidence](http://www.opers.ok.gov/confidence).

Retirement can and should be a time of great excitement, but early preparation is important to ensure a successful retirement. Whether you are a new employee, transitioning between careers or about to retire, the URSJJ will be with you every step of the way.

Sincerely,

**Your Friends at URSJJ**

# Essential URSJJ

## MEMBERSHIP AND PARTICIPATION

As a Justice or judge of the Supreme Court, Court of Criminal Appeals, Court of Civil Appeals, Workers' Compensation Court, and District Courts, you become a member of the Uniform Retirement System for Justices and Judges (URSJJ) beginning immediately upon appointment or election to the bench.

Membership is a condition of service on the bench and is, thus, mandatory.

## CONTRIBUTIONS

Current contribution rates are 8% for the member and 14.5% for the employer.

The employer contribution rate will increase by 1.5% at the beginning of each fiscal year until it reaches 22.0% in FY 2019.

## VESTING

**Vesting** means you have accumulated enough service credit to entitle you to a lifetime monthly retirement benefit in the future. In the URSJJ, you must have eight years of credited service as a Justice or judge to be eligible to vest.

## ELIGIBILITY FOR NORMAL RETIREMENT BENEFITS

If you became a member of URSJJ before January 1, 2012, you can begin receiving full, unreduced retirement benefits:

- **Age 60** – When you are at least age 60 with 10 years of service as a Justice or judge; or,
- **Age 65** – When you are at least age 65 with eight years of service as a Justice or judge; or,
- **80 Points** – When the sum of your age and years of service equals 80.

If you became a member of URSJJ on or after January 1, 2012, you can begin receiving full, unreduced retirement benefits:

- **Age 62** – When you are at least age 62 with 10 years of service as a Justice or judge; or,
- **Age 67** – When you are at least 67 with eight years of service as a Justice or judge.

## ELIGIBILITY FOR DISABILITY RETIREMENT BENEFITS

If you must terminate participation in the URSJJ due to significant health problems resulting in permanent disability, you may be entitled to disability benefits if you are age 55 or older and have 15 or more continuous years of judicial service and retirement by reason of physical disability is ordered by the Court on the Judiciary.

# Uniform Retirement System for Justices and Judges Defined Benefit Plan

## CALCULATING YOUR RETIREMENT BENEFITS

Your gross annual retirement benefit is calculated by multiplying your:

- **Final Average Salary**<sup>1</sup>– The average of your compensation during your highest three years.
- **Total Service Credit** – The years and full months you have participated in the URSJJ, including any purchased and prior service. Total service is rounded up or down to the nearest full year.
- **Computation Factor of 0.04 (or 4%).**

## POST-RETIREMENT EMPLOYMENT

If you are elected or appointed to any judicial or other office covered by the URSJJ after retirement, your retirement compensation will be suspended while you hold that office. You will participate in the system while reemployed; however, upon leaving office, your retirement compensation will be reinstated.

Post-retirement employment in any other capacity does not limit or suspend you from receiving your URSJJ retirement benefits.

## TERMINATION OF EMPLOYMENT AND WITHDRAWAL

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

- **Leave the contributions with URSJJ to retain membership and any service credit previously earned.** Upon reemployment with a URSJJ 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 URSJJ.** 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 URSJJ. No accumulated interest or increased value is paid on the withdrawn money.

## MEMBER COMMUNICATIONS

The URSJJ provides a number of member communications, including:

- **Publications and notices**, including this member handbook, newsletters, and annual statements of account to active and vested members;
- **Informational seminars** on financial and retirement planning; and,
- **Web site** at [www.opers.ok.gov](http://www.opers.ok.gov).

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<sup>1</sup> 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.

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## NOTES



## Your Financial Well Being

The path to a rewarding retirement requires making positive financial decisions throughout your working life. In this section, we highlight some basic information to consider in your financial planning process. The URSJJ also provides a number of seminars focusing on these and other topics related to retirement planning. More information on member education is available at [www.opers.ok.gov/confidence](http://www.opers.ok.gov/confidence).

# What Does Stability in Retirement Look Like?

## “FOUR-LEGGED CHAIR”

Retirement is something you have to buy and, unlike other purchases, you can't take out a loan to pay for it. You have to know what you want in retirement and make a plan to get there.

Some financial planners estimate we will need at least 70-90% of our pre-retirement income in retirement. That percentage can be even higher as we age and medical expenses require a greater share of our income. For women, who have historically shouldered more of the burden of caring for young children and elderly parents, the percentage can be higher, as well, considering the time spent out of the workforce as a caregiver (see *Women in Retirement* on page 29).

The “four-legged chair” is a good place to start in determining how much we need for retirement. The four legs of the chair represent the four sources of income we need to support us in our retirement years:

- Social Security;
- Employer-sponsored retirement plans (like URSJJ);
- Personal savings and investments; and
- Working in retirement.

**Social Security** is the first leg supporting the retirement chair, and your birth date determines when you may start receiving benefits. 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. For more information, see *Social Security* on page 42.

The URSJJ is an example of an **employer-sponsored retirement plan** - the second leg of the chair. When you qualify for retirement from the URSJJ, your lifetime benefit is based on a formula which rewards you for longer periods of service and upward movement in compensation throughout your career in public service. The URSJJ benefit formula and retirement eligibility are discussed in later sections.

The third leg of the retirement chair is **personal savings and investments**. This is probably the most important, and most overlooked, source of income for retirees. Most of us have very little control over the first two legs, but how we choose to save and invest outside of Social Security and other retirement plans is our responsibility.

*Your lifetime benefit from the URSJJ is based on a formula that rewards you for longer periods of employment and upward movement in your compensation.*

The final leg of the retirement chair is **working in retirement**. The “four-legged chair” used to be referred to as the “three-legged stool”. Why the extra leg? More and more people are looking to transition into retirement by staying engaged through work, or simply that they have yet to achieve the financial security needed to retire.

Armed with this information, it is time to begin looking at our current financial condition and what we can do to make a more effective retirement plan.

## Budgeting

You may have heard the saying, “If you don’t know where you’re going, any road will take you there.” To some, this quote appeals to a sense of freedom and a wandering spirit. However, when it comes to your finances, not having a plan can be an expensive mistake.

### Short-Term Planning for Long-Term Financial Security

A budget helps us make important decisions about where we spend our money and ensure it is directed to those things providing long-term financial security. Here are a few steps to get you started:

1. **STEP ONE: Establish your financial goals.** Before you start mapping out how much money will be allocated to different areas, sit down and determine your goals. What short-term goals do you have for the next five years and long-term goals for the next 10 years and beyond? How important are these goals, what will you need to accomplish them, and what resources will be available to finance them? Armed with a clear picture of your financial goals, you can work toward establishing a budget to help you reach them.
2. **STEP TWO: Identify your income and expenses.** The most obvious source of income is your paycheck, but do you have other income sources? Expenses can be broken down into two basic categories. *Fixed expenses* are those that are constant every month and easily identified (housing, utilities, food and transportation). *Discretionary expenses* are those items outside of the normal necessities of living (entertainment, travel, hobbies etc.).
3. **STEP THREE: Compare the numbers.** After establishing where your money comes from and where it goes each month, compare the numbers. Are you spending more or less than you make? What areas of spending are really draining you? Where can you make some cuts? If you have extra money left over at the end of the month, where is it going? Hopefully to the third leg of the chair – personal savings and investments.

*A budget helps us make important decisions about where we spend our money and ensure it is directed to those things providing long-term financial security.*

4. **STEP FOUR: Keep a watchful eye.** A budget isn't something you can create and just put out of your mind. You need to regularly (monthly) review your income and expenditures to make sure you are still on track.

It is easy to get sidetracked financially, so be prepared for the unexpected. If you slip up one month, make the necessary adjustments and try to make it up the following month. Once you get comfortable with your monthly budget and notice the trends in your savings and spending, try looking out a little further with an annual budget. The farther out you can plan, the fewer budget-busting surprises you may experience. The key is to be flexible, yet disciplined.

#### **Budgeting Tips to Help You Stay on Track**

- Find a budgeting system that works for you. It can be as simple as the back of an envelope or as sophisticated as a spreadsheet or other financial software.
- Start your new budget at a time when it will be easy to follow and stick with the plan (e.g., the beginning of the year, as opposed to right before the holidays).
- Involve the entire family and agree on a budget up front. Meet regularly to check your progress.
- Distinguish between “wants” (discretionary expenses) and “needs” (fixed expenses).
- Avoid using credit cards for everyday expenses. It may seem like you're spending less now, but you eventually have to pay the credit card bill.
- Stay disciplined – make budgeting a part of your normal monthly routine.
- Build rewards into your budget, but plan for them within the budget.

*Unless we find a way to quantify our financial situation, we will struggle to get on a positive financial footing.*

## **Net Worth**

A Swedish proverb offers: “Worry often gives a small thing a big shadow.” Fretting over our finances can become a major distraction in our work and personal lives. Some people would rather not know the whole picture when it comes to how much money they have versus how much they owe. However, unless we can find a way to quantify our financial situation, we will struggle to get on a positive financial footing. Another way to say it is: if you can measure it, you can manage it.

### Using Net Worth as a Scorecard

Understanding and calculating your net worth on a regular basis (once a year should do it) is a good way to quantify **what you own** versus **what you owe**. This simple formula can help you identify if you are on a positive financial path:

$$\text{Your Net Worth} = \text{Your Assets (Own)} - \text{Your Liabilities (Owe)}$$

Totaling your liabilities, or putting a number on how much money you owe, can be a stressful exercise. However, it's the first step in building financial wealth and shouldn't be avoided. Don't be discouraged if you find yourself in a negative net worth situation. A mortgage payment in its early stages can be a significant liability when compared to your assets. A college loan for someone fresh out of school is likely to dwarf what a person will make when accepting their first job. This is not uncommon.

The key is to make sure you are on a positive path to building net worth over time. Increasing your assets (and/or decreasing your liabilities) by 5-10% annually is an example of a positive short-term wealth-building goal you can set for yourself.

### The Power of Compound Interest

Compound interest is one of the simplest and most time-tested savings strategies for building wealth and is available to anyone who chooses to take advantage of it – regardless of age or income. Here are four wealth-building tips to maximize the power of compound interest:

- **Live below your means.** The less we spend, the more we can save. We should set aside money to pay ourselves the same way we pay our bills.
- **Start saving now.** Time is the most valuable component of putting compound interest to work for you. Get an early start. Procrastination equals lost earnings.
- **Make savings automatic.** Saving on a fixed schedule means making it a regular part of your budget like any other recurring expense.
- **Ditch credit, pay with cash.** Don't get caught paying too long on past consumption. Using cash instead of pulling out the credit card eliminates a debt to be paid down the road and provides greater financial freedom to redirect money to savings.

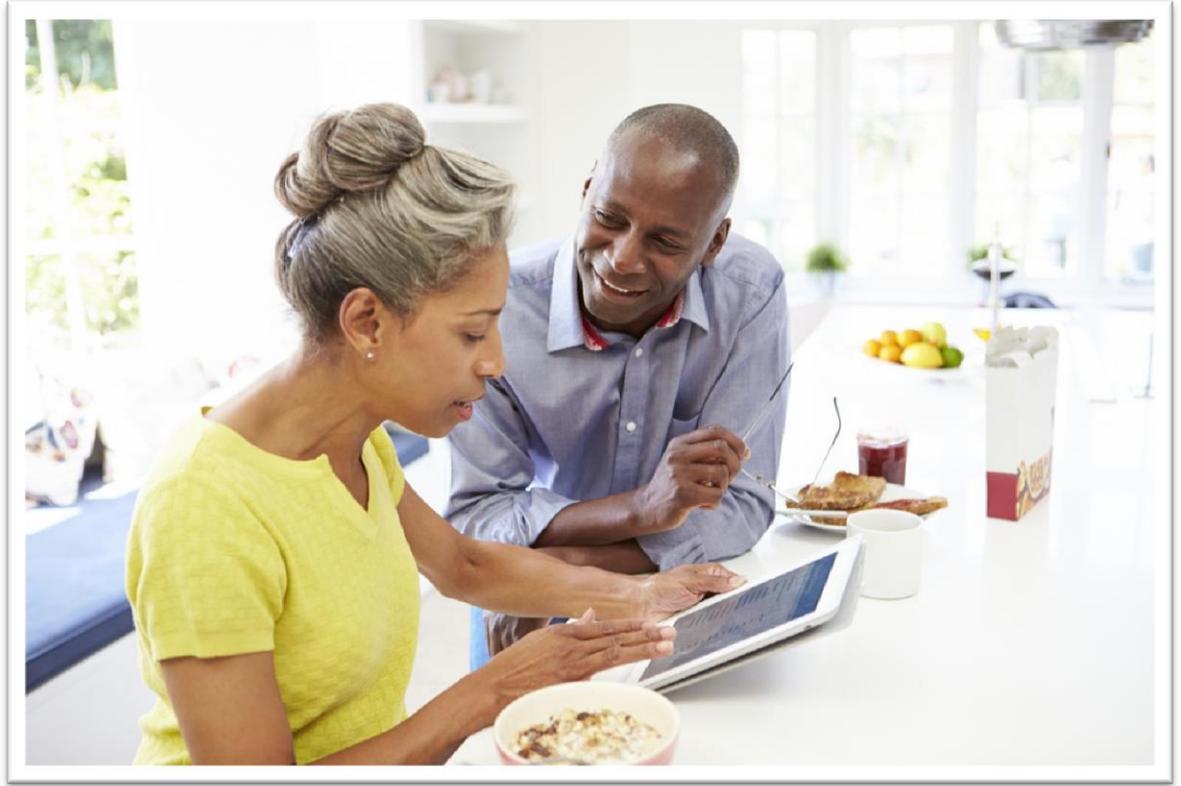
### Debt Reduction

Debt is one of the biggest obstacles to getting on a positive, long-term financial footing. When we are confronted with the choice of paying down a debt or setting aside a few dollars toward retirement, debt wins almost every time. So our goal should be to minimize debt so we can improve our long-term financial security.

*Your money habits should support your personal values, priorities, and needs.*

Your money habits should support your personal values, priorities and needs. Having a large net worth and successfully managing your money isn't dependent on how much money you *earn*, but how much you *keep*. For example, paying the interest on credit cards for too long will work against the dual goal of decreasing liabilities (paying down the credit card) and increasing assets (redirecting that money to savings and investments).

There is fierce competition for every dollar we earn. Credit cards, car payments, mortgages, our children's education, they are all fighting for a portion of our paycheck. Understanding this makes it even more important to have a budget and long-term financial plan in place to help prioritize where our money goes. When we overburden ourselves with too much debt, retirement security becomes much more difficult to achieve.



## Understanding Your Retirement Plan

It is our goal to help you fully understand how your retirement plan works and what you can expect as a member throughout your career in public service. The Uniform Retirement System for Justices and Judges is funded by contributions made by you and your employer and the investment earnings on those contributions. The plan is designed to provide a secure, lifetime retirement benefit for Justices and judges who serve the people of Oklahoma.

# About the URSJJ

The Oklahoma Public Employees Retirement System administers retirement plans for several different types of government employees, including state and local government employees, state and county elected officials, hazardous duty employees, and Justices and judges. OPERS publishes unique editions of the handbook for each of these groups. This version of the member handbook discusses plan provisions for the Uniform Retirement System for Justices and Judges (URSJJ).

## DEFINED BENEFIT PLAN

The URSJJ is a defined benefit retirement plan qualified under Section 401(a) of the Internal Revenue Code. The plan provides a lifetime retirement benefit when you meet certain eligibility requirements. You participate in the URSJJ by contributing a portion of your salary each pay period. Your employer also contributes on your behalf. The paid contributions are invested by the URSJJ, under the direction of the Board of Trustees, to provide benefits to present and future members of the System. The amount of contributions does not determine the amount of the benefit the URSJJ promises you. Rather, URSJJ retirement benefits are based on a formula discussed on the next page.

## SOONERSAVE

Members of the URSJJ are also eligible to participate in two defined contribution plans administered by OPERS and collectively known as *SoonerSave* – the Oklahoma State Employees Deferred Compensation Plan (DCP) and the Oklahoma State Employees Deferred Savings Incentive Plan (SIP). Participation in these plans is voluntary.

The DCP is an Internal Revenue Code Section 457(b) plan 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 qualified under Section 401(a) of the Internal Revenue Code and supplements employees' retirement benefits by contributing to a plan on their behalf. Currently, the state of Oklahoma contributes the equivalent of \$25 a month to the SIP plan if the member is contributing at least \$25 a month to the DCP plan. The member selects where the money in both plans is invested among available investment options.

*SoonerSave* is an excellent way to defer federal and state taxes on your income while saving for the future. In both plans, contributions and any earnings grow tax deferred until the money is withdrawn, usually during retirement.

Members are encouraged to consider participating in these plans as a way to supplement income from the URSJJ defined benefit plan and from Social Security.

For more information about SoonerSave, call 1-800-733-9008 or (405) 858-6737. Additional information, including enrollment forms, is available through the SoonerSave website at [www.soonersave.com](http://www.soonersave.com).

## How Your Benefits Are Calculated

### BENEFIT FORMULA

Your URSJJ retirement benefit is calculated using a simple formula consisting of three components:

*Years of Service X Final Average Compensation X 0.04 (4.0% computation factor)*

Each of these three components is explained in further detail in later sections.

### VESTING AND ELIGIBILITY FOR RETIREMENT

There is a difference between being vested and being eligible to retire. Being **vested** simply means you have met the minimum service requirements to earn a future retirement benefit, but have yet to meet the age requirements. Being **eligible** to retire means you have met both the service and age requirements to receive the benefit. If you have completed at least eight years of credited service as a Justice or judge, you are eligible to receive a retirement benefit when you meet the age requirement for retirement.

### NORMAL RETIREMENT

Eligibility requirements have changed over the years resulting from changes in the law. Your eligibility for full, unreduced (normal) retirement benefits depends on when you initially became a member of URSJJ.

**If you became a member of URSJJ before January 1, 2012**, you can begin receiving full, unreduced retirement benefits under one of the following:

- **Age 60** – You are at least 60 years of age with 10 years of service as a Justice or judge; or
- **Age 65** – You are at least age 65 with eight years of service as a Justice or judge; or
- **80 points** – The sum of your age and years of service equals 80.

$$\begin{array}{r} \text{Your Annual} \\ \text{Retirement Benefit} \\ = \\ \text{Years of Service} \\ \times \\ \text{Final Average Compensation} \\ \times \\ 0.04 \text{ (or 4\%)} \end{array}$$

**If you became a member of URSJJ on or after January 1, 2012,** you can begin receiving full, unreduced retirement benefits under one of the following:

- **Age 62** – You are at least 62 years of age with 10 years of service as a Justice or judge; or
- **Age 67** – You are at least age 67 with eight years of service as a Justice or judge.

## **DISABILITY RETIREMENT**

If you meet the requirements, you may make application to the Court on the Judiciary for a determination of disability benefits. You will be required to be examined by two recognized physicians selected by the Court, to determine the extent of the disability. The Court will then determine if the disability prevents the proper performance of your official duties. If so, the Court will award disability retirement benefits to you according to the benefit calculation formula.

The Court will require you to submit to a physical examination once each year for the three years following the start of the disability benefit payments. If it is found by two physicians that you are no longer disabled, the Court will terminate the disability benefits. However, such termination will not preclude you from receiving other benefits that you may be entitled to by law.

## **DISABILITY OF SURVIVING SPOUSE**

Your surviving spouse may apply to the Court for a determination of disability retirement benefits. The Court will determine whether the surviving spouse is disabled and, if so, will order disability retirement benefits accordingly.

# **How Your Benefits are Funded**

Funding your retirement benefit is a shared responsibility between you, your employer and the URSJJ. You participate in the URSJJ by paying contributions and accruing service credit. Your employer also pays contributions to URSJJ to help fund your benefit. The OPERS Board of Trustees then invests those contributions in accordance with its established investment policy.

## **CONTRIBUTIONS**

### **Member and Employer Contribution Rates**

Contribution rates for the current fiscal year are 8% of compensation for members and 14.5% of compensation for employers.

### **Employer Contribution Rate Increase**

The employer contribution rate will increase by 1.5% at the beginning of each fiscal year until it reaches 22.0% in FY 2019. For more details on the contribution rates, see your Retirement Coordinator.

## **URSJJ INVESTMENTS AND FINANCIAL INFORMATION**

The members of the OPERS Board of Trustees serve as fiduciaries of plan assets. The primary fiduciary responsibility of the Board is to ensure retirement plan assets are responsibly managed in accordance with the actuarial needs of the System and with sound financial investment practices.

All plan assets are managed by professional external investment managers selected and evaluated by the Board. For more information on URSJJ investments, including a full copy of the Board's investment policy, visit our website at [www.opers.ok/investment](http://www.opers.ok/investment).

A Comprehensive Annual Financial Report (CAFR) is published each fiscal year for the URSJJ plan and is available to those who want more detailed financial information about the defined benefit plan.

The System also publishes a Popular Annual Financial Report (PAFR) each year summarizing the CAFR and is mailed to all members in the *Retiring Right* newsletter. You can view the CAFR and PAFR online at [www.opers.ok.gov/publications](http://www.opers.ok.gov/publications).

*Membership in the URSJJ is a condition of service on the bench and is, thus, mandatory.*

## **Getting Started**

### **MEMBERSHIP**

As a Justice or judge of the Supreme Court, Court of Criminal Appeals, Worker's Compensation Court, Court of Civil Appeals or District Court, you become a member of the URSJJ immediately upon appointment or election to the bench. Membership is a condition of service on the bench and is, thus, mandatory. Your age is not a factor in determining eligibility for membership. The term "Justice or judge" includes the Administrative Director of the Courts, and he or she is therefore treated as a Justice or judge for the purposes of all the provisions of the URSJJ listed in this handbook.

#### **Retirement Coordinator**

You are served by a Retirement Coordinator at your place of employment who is responsible for enrolling you in the URSJJ plan and serving as the liaison between you, your employer and the URSJJ. Your coordinator can provide plan information, assist with forms, and provide instructions to you on behalf of the URSJJ. Retirement Coordinators are knowledgeable about many questions, but they are not an employee of the URSJJ. You should contact the

URSJJ for official verification if a question or discrepancy about plan information should arise.

## **BENEFICIARY DESIGNATIONS**

### **Naming Beneficiaries**

When you enroll in the URSJJ, you are asked to name a primary and contingent beneficiary by completing a *Designation of Beneficiary* form. Beneficiaries may receive your accumulated retirement contributions if you pass away before retirement eligibility.

Multiple beneficiaries may be named. If one or more of the primary beneficiaries is deceased, your contributions will be distributed among the remaining living primary beneficiaries. Contingent beneficiaries will receive the contributions only if there are no living primary beneficiaries. If you were eligible to vest or retire, the URSJJ will offer your surviving spouse a survivor benefit in lieu of, or in addition to, other beneficiary payments. For more information, see *Death of Active and Vested Members* on page 24, or *Death of Retired Members* on page 46.

### **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, the date of the trust, and a copy of the memorandum of trust.

### **Beneficiary Changes**

Please keep your beneficiary designation current. Changing life events, such as marriage, divorce, birth, and death, may create the need for a change of beneficiary. You can change your beneficiary by completing a new beneficiary designation form, which can be obtained from your Retirement Coordinator or by contacting the URSJJ. Separate beneficiary designations are required for the SoonerSave plans.

### **Divorce and Beneficiary Designation**

Divorce voids the designation of your spouse as your beneficiary. Once your divorce is final, you are encouraged to complete a new designation form, naming 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 and renaming your former spouse as a beneficiary. For more important information regarding divorce see page 20.

*Please keep your beneficiary designation current. Changing life events may create the need for a change of beneficiary.*

# Your Rights and Responsibilities

## CONFIDENTIALITY

URSJJ protects the confidentiality of information contained in your member records. 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 URSJJ
- 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.

## ADDRESS CHANGES AND CORRESPONDENCE

Please be sure to keep your address current with the URSJJ. Members who change their mailing address should complete a *Change of Address* form and submit it to the URSJJ. The form can be obtained online at [www.opers.ok.gov/forms](http://www.opers.ok.gov/forms).

In all correspondence with the URSJJ, we ask you to provide:

- Your full name
- Your Social Security number
- Name of your participating employer
- Your current mailing address
- Your original signature.

All documents, forms, inquiries and 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 be filed with and approved by URSJJ. The power of attorney terminates upon 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 URSJJ.

*Please be sure to keep your address current with the URSJJ. The address change form can be obtained online at [www.opers.ok.gov/forms](http://www.opers.ok.gov/forms).*

## 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, or plead guilty or *nolo contendere* to, a felony for bribery, corruption, forgery, perjury or any other crime related to the duties of the office or employment, or related to campaign contributions or campaign financing. 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 URSJJ. 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.

*Honorable service is a condition of, both, public employment and the receipt of public employee retirement benefits.*

## HEARINGS

Title 74, Section 904 of the Oklahoma Statutes governing URSJJ makes provision for aggrieved persons to have an administrative hearing to address their grievance. This procedure is available to appeal any administrative action of URSJJ. A request for a hearing must be submitted in writing to the Executive Director at the URSJJ office in Oklahoma City 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 Subchapter 3 of Chapter 1 of the Permanent Rules. 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. §308a 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.



## Throughout Your Career

The URSJJ enjoys a long-term relationship with our members, whose work in public service may span a period of decades. Many changes may occur throughout your career impacting your benefits. In this section, we discuss how service credit and life events affect your retirement benefits.

# Service Credit

Service credit is one of the driving forces in the amount of retirement benefits you will receive from URSJJ – the more service you accrue and/or purchase, the higher your benefit will be. Credited service includes participating service as a Justice or judge on the Supreme Court, Court of Criminal Appeals, Worker’s Compensation Court, Appellate Court, District Court or as provided by the section below entitled *Supernumerary Judges Act*.

In this section, we discuss the amount of service you must have to become vested for benefits and the different types of service credit that can be used toward retirement eligibility.

## SUPERNUMERARY JUDGES ACT

Any Justice or judge who, in 1968, was serving on a court that was included in the State Supernumerary Judges Act shall receive credit for retirement for each year the Justice or judge served in any court of record in Oklahoma.

Any Justice or judge who, on January 12, 1969, was not serving as a Justice or judge of a court that was included in the State Supernumerary Act shall receive credit for each year served as a Justice or judge on a court of record provided that the Justice or judge has served for a period of two years after assuming the office as a Justice or judge of at least one of the following courts: the Supreme Court, the Court of Criminal Appeals, the Court of Civil Appeals, any District Court, or the Worker’s Compensation Court.

*To be eligible to vest, you must have eight years of credited service as a Justice or judge.*

## ROUNDING OF TOTAL SERVICE CREDIT

Service credit in URSJJ will be rounded to the nearest full year to determine your total service credit when calculating your retirement benefits. More than six months of a fractional year will be rounded up to the next full year. Six months and less will be rounded down.

## VESTING AND ITS IMPORTANCE

As previously mentioned, **vesting** means you have earned enough service credit to become entitled to a future lifetime monthly retirement benefit. To be eligible to vest you must have at least eight years of credited service as a Justice or judge.

If you terminate employment with an URSJJ employer and have accrued enough service to vest, you can elect a vested benefit, which means you are eligible to receive a future retirement benefit once you reach the age requirement for retirement.

A detailed discussion on the *Election of a Vested Benefit* can be found on page 21.

## MILITARY SERVICE

If you are an active member of URSJJ who served in the Armed Forces of the United States and received an honorable discharge, you are eligible for up to five years of service credit for specified periods of active military service during which you were a war veteran. The credit is limited to specific periods of active military service listed in paragraph 23 of Section 902 of Title 74 of the Oklahoma Statutes, which includes the following:<sup>2</sup>

- 45<sup>th</sup> Division  
September 16, 1940 – December 7, 1941
- World War II  
December 7, 1941 – December 31, 1946
- Korean War  
June 27, 1950 – January 31, 1955
- Vietnam War  
February 28, 1961 – May 7, 1975 (For the period from February 28, 1961 – August 4, 1964, military service must have been in the Republic of Vietnam.)
- Gulf War / Persian Gulf War / Operation Desert Storm  
August 1, 1990 – December 31, 1991

Other qualifying periods of military service include wars or military operations which lasted for 90 days or more and are authorized by Congressional authorization or resolution or Presidential Executive Order. Qualifying service is only for the period served in the designated area of responsibility and excludes active duty for training only. Such wars or military operations include, but are not limited to, the following:

- The former Yugoslavia (including Bosnia, Herzegovina, Croatia and Macedonia)  
By Public Law 104-117  
Beginning date November 21, 1995 – Ending date to be determined
- The Kosovo Area  
By Executive Order 13119 and Public Law 106-21  
Beginning date March 24, 1999 – Ending date to be determined
- Afghanistan / Operation Enduring Freedom  
By Executive Order 13239 and Public Law 107-40  
Beginning date September 18, 2001 – Ending date to be determined
- Iraq War / Second Gulf War / Operation Iraqi Freedom  
By Public Law 107-243  
Beginning date March 10, 2003 – Ending date to be determined

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<sup>2</sup>The list is for convenience only. The official periods for which military service is granted is found in Section 902(23) of Title 74 of the Oklahoma Statutes.

To be eligible for credit, you will need to submit an *Application for Military Service* and a Defense Department Form 214 (“DD214”) and other military documents showing active duty dates and honorable discharge.

Eligible military service is free for members who joined URSJJ prior to July 1, 2000. Members joining URSJJ after June 30, 2000, may purchase eligible military service at actuarial cost.

Employees joining URSJJ after June 30, 2003, will not receive credit for military service in URSJJ if the credit was already received for the same period(s) of military service in another Oklahoma state retirement system.

The actual periods for which military service can be granted are governed by Oklahoma statute and can change from time to time. Consult the statutes and URSJJ before relying solely on the above information.

## **UNIFORMED SERVICES EMPLOYMENT AND REEMPLOYMENT RIGHTS ACT (USERRA)**

A member who is absent from work due to voluntary or involuntary military service can take advantage of the right, created under the Uniform Services Employment and Reemployment Rights Act (USERRA), to buy back service credit lost during the military absence. To assert rights under USERRA, see your Retirement Coordinator, or contact URSJJ immediately upon your return to employment. Certain time limits and conditions must be met, and contributions may be required to be paid before service can be granted. For more information about USERRA, contact URSJJ or see your Retirement Coordinator.

## **PURCHASE OF SERVICE CREDIT FROM OTHER OKLAHOMA STATE RETIREMENT SYSTEMS**

You may purchase years of credited service you accumulated while you were a member of the:

- Oklahoma Firefighters Pension and Retirement System
- Oklahoma Police Pension and Retirement System
- Oklahoma Public Employees Retirement System
- Oklahoma Law Enforcement Retirement System
- Oklahoma Teachers' Retirement System.

However, service from the above systems may only be credited if you are not receiving, or eligible to receive, retirement credit or benefits for that same service in any other public retirement system. The cost to purchase such service shall be the actuarial cost to fund your projected benefits with the additional service credit.

If you wish to purchase this service, you will need to submit written documentation to URSJJ from the respective system(s) listed above. The documentation should include dates of membership and service and a statement indicating you are no longer eligible for benefits from that system. No other documentation will be accepted. URSJJ will calculate the actuarial cost to purchase the service credit and contact you.

## **SERVICE PURCHASE OPTIONS**

### **Federal Limits on the Purchase of Retirement Credit**

Use caution if your retirement planning involves the purchase of any type of retirement credit. Federal law may limit your ability to complete the purchase of retirement credit during one calendar year. If the cost to purchase retirement credit exceeds the federal limit, you must complete your purchase of the credit under the limits set for the next calendar year, or alter the amount of credit purchased. In some cases, the federal limits may prohibit the purchase entirely. Contact URSJJ to determine how the federal limits apply to your purchase of retirement credit.

### **Installment Payment Plan**

The repayment of a withdrawal or the purchase of service accrued with another state retirement system can be made through an installment payment program. Installment plan payments must be made through payroll deduction and will include interest at a current annual percentage rate of 7.5%. The maximum time period to make such a purchase is 60 months and the minimum monthly payment is \$25.00. Failure to complete all payments may result in the loss of part of the service credit. Service is not credited until the purchase is complete. For the rules governing installment payment plan purchases, contact URSJJ or see OAC 590:15-1-10.

### **Rollovers into URSJJ to Purchase Service**

You may ask URSJJ to accept a transfer or rollover from an eligible retirement plan or Individual Retirement Account (IRA) to repay a withdrawal or purchase service credit. URSJJ will provide the appropriate form upon request. SoonerSave members may transfer funds from the Deferred Compensation Plan to repay withdrawals or purchase service credit.

## **ACTUARIAL COST**

Most service credit purchases are made at actuarial cost. Actuarial cost represents the present value of the incremental projected or future benefit discounted based upon your age at the time of purchase. A major factor in the determination of the incremental benefit is the difference between: 1) the amount of the future benefit you would receive without the purchased credit; and, 2) the amount of the future benefit with the purchase, computed as of the earliest age you would be eligible to retire with full benefits.

**Actuarial cost has no relationship to the contributions that would have been paid.** Actuarial cost more closely represents the actual cost to URSJJ resulting from your additional credit, and, as such, assists in maintaining a financially sound retirement system for all. The purchase price takes into account the past loss of the use of those funds for investment purposes and the length of time the funds will be available for investment before URSJJ begins to pay benefits to the member. As a general rule, the earlier a purchase is made, the less the cost will be. The actuarial cost for a younger member with fewer years of service credit will not be as high as for a member who is closer to retirement, since URSJJ will have investment use of those funds for a longer period of time before being required to pay benefits.

## Life Events

Participating in URSJJ is an important part of securing your financial future, but it isn't the only part you need to consider. Many changes happen throughout a person's career and in this section we will discuss some of the more common life events affecting the average person's retirement, such as divorce, changing jobs or becoming disabled.

*Divorce voids the designation of a spouse previously named as a beneficiary.*

### **DIVORCE AND YOUR URSJJ BENEFIT**

Earlier we mentioned divorce voids the designation of a spouse previously named as your beneficiary. Again, you may designate a divorced spouse as your beneficiary, but you are required to complete a new beneficiary designation, dated after the date of the divorce decree, renaming your former spouse as a beneficiary.

#### **Divorce Benefit Valuation**

Members who are in the process of a divorce often request URSJJ to calculate the value of the retirement benefit. If you do not have enough service credit to be eligible to elect a vested benefit, URSJJ can only provide the amount of your accumulated contributions. If you have enough service credit to be eligible to elect a vested benefit, URSJJ will provide the amount of monthly benefits you would receive based on your service during the period of the marriage. However, URSJJ cannot determine the present value of your retirement benefit.

You may obtain this valuation from URSJJ, but it will not be released to your attorney without your consent. A non-URSJJ member may only obtain this valuation by subpoena.

### **Qualified Domestic Relations Orders (QDRO)**

Benefits are not subject to execution, garnishment or attachment and cannot be assigned or alienated. However, benefits may be divided pursuant to a Qualified Domestic Relations Order (QDRO). A QDRO is an order issued by a state district court pursuant to domestic relation laws relating to marital property rights requiring benefit payments to a spouse, former spouse or for the support of a minor child or children. The order must meet the statutory criteria for a QDRO and be on a form approved by URSJJ.

The QDRO must be approved, accepted and on file with URSJJ to be enforceable. You are encouraged to have your attorney submit a draft of the QDRO to URSJJ for approval prior to obtaining the final order. The QDRO form and instructions are available on the OPERS website.

## **DISABILITY RETIREMENT**

### **Eligibility for Disability Retirement**

If you must terminate participation in the URSJJ due to significant health problems resulting in permanent disability, are age 55 or older, and have 15 or more continuous years of judicial service, you may be entitled to disability benefits.

You may make application to the Court on the Judiciary for a determination of disability benefits. You will be required to be examined by two recognized physicians selected by the Court, to determine the extent of the disability. The physicians will submit a report to the Court detailing the disability. The Court will then determine if the disability prevents the proper performance of your official duties. If so, the Court will award disability retirement benefits to you according to the benefit calculation formula.

The Court will require you to submit to a physical examination once each year for the three years following the start of the disability benefit payments. If it is found by two physicians that you are no longer disabled, the Court will terminate the disability benefits. However, such termination will not preclude you from receiving other benefits that you may be entitled to by law.

### **Disability of Surviving Spouse**

Your surviving spouse may apply to the Court for a determination of disability retirement benefits. The Court will determine whether the surviving spouse is disabled and, if so, will order disability retirement benefits accordingly.

## **TERMINATION OF EMPLOYMENT AND ELECTION OF A VESTED BENEFIT**

If you have completed at least eight years of credited service as a Justice or judge, you are eligible to receive a retirement benefit when you meet the age requirement for retirement. If you choose the right to a retirement benefit in

lieu of withdrawing your accumulated contributions upon termination of employment, you have elected a vested benefit.

When you elect a vested benefit, you do not immediately begin receiving a retirement benefit. However, you do reserve your right to a retirement benefit in the future when you become eligible to retire under URSJJ. The benefit at that time will be based upon the final average compensation and service credit you earned while participating.

In most cases, the receipt of a monthly retirement benefit is more beneficial than withdrawing contributions. The receipt of a retirement benefit over your lifetime has a monetary value generally greater than the amount of your accumulated contributions. Also, electing a vested benefit ensures you will receive an income from URSJJ during your retirement years or may provide a survivor benefit to your spouse or other joint-annuitant in the event of your death.

To apply for a vested benefit, you and your Retirement Coordinator must complete the *Application for Vested Benefits* form and submit it to URSJJ.

The receipt of a retirement benefit over your lifetime has a monetary value generally greater than the *amount* of your accumulated contributions.

## **TERMINATION OF EMPLOYMENT AND WITHDRAWAL**

The following is not intended to be tax advice. Members are encouraged to seek the advice of a professional tax advisor before making withdrawal decisions.

If your employment with URSJJ terminates before becoming vested or eligible to retire, you may withdraw the money you have paid in to URSJJ. 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 URSJJ. No accumulated interest or increased value is paid on the money withdrawn. Members are not entitled to the employer's share of contributions which always remains in URSJJ to be used toward future retirement benefits. Withdrawal cancels all service purchases and any future repurchase will be at new actuarial cost.

### **Leaving Contributions with URSJJ**

Leaving contributions with URSJJ allows you to retain membership and any service credit previously earned. Upon reemployment within URSJJ, this previously earned service will be used in determining your retirement benefits. Those who withdraw may find they have to meet additional or different eligibility requirements for retirement if they become URSJJ members again.

### **Application for Withdrawal**

To withdraw, you and your Retirement Coordinator will need to complete an *Application for Withdrawal* form and file it with URSJJ as soon as possible after termination.

Your mailing address must be accurate and valid at the time the withdrawal payment is to be issued. If you change your address during the waiting period,

you are asked do so in writing, with an original signature. This can be accomplished by letter or by completing a *Change of Address* form.

Upon receiving your withdrawal application, URSJJ will provide you, if eligible, an estimate of your retirement benefit and other information which constitutes an offer to you of an election of a vested benefit. At that time, you must choose to either: 1) withdraw your contributions; or, 2) elect a vested benefit.

### **Withdrawal Payments**

URSJJ will notify you of the amount and taxable status of funds available for withdrawal and the scheduled payment date.

If you choose to withdraw and you are *not* eligible to vest, you can expect to receive payment during the second month following the end of your employment. If you are eligible to vest, you cannot expect to receive payment until: 1) URSJJ has informed you of retirement benefits you would receive; and, 2) you have declined the vested benefit in writing.

### **Taxation of Withdrawn Contributions**

Member contributions that were paid after January 1, 2000, will be taxable in the calendar year in which the withdrawn contributions are received. Contributions paid in prior to January 1, 2000, are not taxable when withdrawn.

If you withdraw taxable contributions, you will have the mandatory taxes (currently 20% federal and 5% state tax) withheld from your payment, unless the contributions are rolled over. The withdrawn contributions must be reported as income on your income tax return. You will receive a 1099-R form after the end of the calendar year.

Withdrawn contributions may also be subject to an early distribution penalty (currently 10%). The additional tax is imposed only in certain conditions and does have exceptions. For more information, consult IRS Publication 575 and, as with all tax matters, consult a tax advisor.

### **Rollovers (Also see IRS Publications 575 and 590.)**

Withdrawn contributions may be "rolled over" directly to another retirement plan which accepts rollovers or to an Individual Retirement Account (IRA). If contributions are rolled over, the IRS will not currently tax the contributions and URSJJ will not withhold the mandatory taxes (currently 20% for federal and 5% for state taxes) on taxable contributions. All members applying for withdrawal will receive tax and rollover information and a *Rollover Application* no less than 30 to 60 days prior to the scheduled payment date.

*If you choose to withdraw and you are not eligible to vest, you can expect to receive payment during the second month following the end of your employment.*

## **REINSTATING WITHDRAWN SERVICE**

Upon returning to the bench, you may restore service credit lost due to withdrawal. You must repay to URSJJ the sum of the contributions withdrawn,

plus interest at ten percent (10%) per year.<sup>3</sup> Upon written request, URSJJ will calculate the total cost to repay and the payment options. Withdrawn service may only be reinstated once. Subsequent withdrawals of the same service may not be repaid.

## DEATH OF ACTIVE AND VESTED MEMBERS

You are asked to designate a primary and a contingent beneficiary when you are first enrolled in URSJJ. The designation of a beneficiary is extremely important since it allows URSJJ to pay death benefits to the person(s) of your choosing upon your passing.

You should name at least one primary beneficiary and one contingent beneficiary. You will be asked to provide complete legal names, Social Security numbers, and addresses of the beneficiaries you name and identify your relationship to them. URSJJ encourages you to avoid naming minors as beneficiaries. The Uniform Transfers to Minors Act, however, permits payments to adult custodians or to banks and trust companies on behalf of minors who are named beneficiaries of a deceased member of URSJJ.

You may change your beneficiary at any time. This is important to remember if your beneficiary dies or if your marital status changes.

URSJJ provides for two types of death benefits upon the death of an active or vested (non-retired) member, which are listed below. However, no benefits shall be payable before the date the deceased member would have met the requirements for normal or early retirement:

1. The first type of benefit is a survivor benefit and is available only to your legal surviving spouse, if you were vested, eligible to vest, or eligible to retire at the time of your death. Your surviving spouse will be offered Option B (explained on page 35) survivor benefits. However, no benefits shall be payable before the date the deceased member would have met the requirements for a normal or early retirement. If your spouse elects to receive the survivor benefit, there will be no benefit payments to your other beneficiaries.
2. The second type of benefit is a one-time lump-sum payment equal to your accumulated contributions. If no surviving spouse benefit is to be paid at your death, your accumulated contributions will be distributed among your primary beneficiaries. If one or more of your primary beneficiaries are deceased, accumulated contributions will be distributed among your remaining living primary beneficiaries. Contingent beneficiaries will receive accumulated contributions only if there are no living primary beneficiaries.

*You may change your beneficiary at any time. This is important to remember if your beneficiary dies or if your marital status changes.*

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<sup>3</sup> Purchased service, lost as a result of a withdrawal, may be reinstated and repurchased at the actuarial cost calculated as of the repurchase date.

**Note:** If you are making a purchase through the installment payment plan (see page 21 for more information) at the time of your death, your survivor has the option to pay the remaining balance within six months.

**Applying for Active Member Death Benefits**

Upon the death of an active member, your surviving spouse, beneficiary, or next-of-kin should contact URSJJ as soon as possible after your death.

## NOTES



## Approaching Retirement

There are several things to consider and plan for to ensure a smooth transition into retirement. In this section, we discuss payments options, obtaining information on insurance, benefit estimates, and the necessary vital documents to complete your retirement application. Lastly, we provide a step-by-step explanation of the benefit calculation, as well as a few examples to illustrate the steps involved.

# Are You Ready to Retire?

We all must define “retirement readiness” for ourselves – why we retire, when we retire, how much we need to retire. These are all unique questions to each of us with very personal considerations, but what are some guidelines on gauging how prepared we are for retirement.

## RETIREMENT RISKS

Being prepared for retirement is more than just reaching a certain age or having a certain amount of money set aside. You also need to consider the unique risks involved and then evaluate how prepared you and your retirement plan are in addressing those risks.

The Society of Actuaries (SOA) has explored the risks new retirees face today. The following is a quick overview of the risks outlined in the 2011 SOA Risk handout entitled *Managing Post-Retirement Risks: A Guide to Retirement Planning*. This should not be viewed as an exhaustive list of retirement risk, but a good place to begin. For more information, visit the SOA website at [www.soa.org](http://www.soa.org).

### Longevity

Advances in medicine have improved our life expectancy from previous generations, and many of us underestimate how long we may live in retirement. The average life expectancy for a 65-year old is approximately 19 and 21 more years for men and women, respectively. However, average life expectancy is just that, an average. You should consider your health and family history to determine individually how long you should plan, but experts recommend planning to live 10 to 15 years past the average life expectancy. Will your retirement plan provide that kind of security for you?

### Inflation

“Inflation is when you pay fifteen dollars for a ten-dollar haircut you used to get for five dollars back when you had hair.” – *Sam Ewing, author*

Unfortunately, inflation is no laughing matter. When you live on a fixed income in retirement and consumer prices rise, you lose purchasing power. Your dollars do not go as far as they once did. It is like compound interest in reverse – the prices of things we consume increase at a faster rate when compared to our income.

### Unexpected Health Care Needs and Costs

Declining health is a reality for us all as we age. As a result, health care takes a greater share of our retirement income later in life. Rising medical costs are increasing much faster than the rate of inflation and places a greater burden on retirement assets, especially for those who are not yet eligible for Medicare. We must also be aware of long-term care and the substantial costs late in retirement. See page 45 for more information on long-term care.

### **Stock Market and Interest Rate Risk**

You may think of retirement as a destination, or a finish line of sorts. However, given our discussion on longevity, inflation and rising health care costs, many of us remain exposed to market risk well into retirement. Considering we are no longer in the accumulation phase of building wealth, but in the withdrawal phase of turning assets into cash, market fluctuation can have dramatic effect on our available resources. The timing of a downturn in the market has a greater impact on you when retired than when you were working because you have less time to weather the impact.

Other risks we may need to incorporate into our retirement plan include:

- Death of a spouse or change of marital status;
- Unforeseen needs of family members;
- Changes in housing needs;
- Employment risk; and
- Bad advice, fraud or theft.

*According to the U.S. Department of Labor, the average woman spends 27 years in the workforce versus 40 years for the typical male, which translates into a significant difference in income replacement for women at retirement.*

### **WOMEN IN RETIREMENT**

Working women may face several situations making saving for retirement more difficult, including potentially shorter working careers and typically living longer than their male counterparts.

According to the U.S. Department of Labor, women are more likely to work in part-time jobs that do not provide a retirement plan. Working women are also more likely than men to interrupt their careers to take care of family members. Therefore, they work fewer years and contribute less toward their retirement savings, resulting in lower lifetime savings.

#### **Caring for Family**

Historically, women have shouldered more of the responsibility of caring for sick and elderly family members, as well as young children. These traditional roles continue today. The average woman spends 27 years in the workforce versus 40 years for the typical man, which translates into a significant difference in income replacement for women at retirement.

#### **Financial Impact of Living Longer**

On average, a female retiring at age 65 can expect to live another 21 years – a full two years longer than a man retiring at the same age. According to [www.wiserwomen.org](http://www.wiserwomen.org), 75 percent of women 85 and older are widows, and, on average, widowhood itself causes a 20 percent decline in income.

While these statistics may seem discouraging on the surface, they are only meant to serve as a warning to plan accordingly. The death of a spouse often means a drop in income from a spouse's pension and even Social Security.

Also, at advanced ages, medical costs will require a disproportionate amount of our savings.

## COMPARING RETIREMENT INCOME AND EXPENSES

### Income vs. Expenses

As we approach retirement, it becomes increasingly important to take a hard look at what income sources we will have coming in and compare against the retirement expenses going out.

First, determine your annual essential and discretionary expenses. **Essential expenses** are the items you need to maintain a basic standard of living, such as mortgage/rent, utilities, insurance and taxes. **Discretionary expenses** are those items that, if needed, could be cut back, such as the money you spend on hobbies, traveling, eating out, gifts, etc. Keep in mind, what may be a necessity to one person may be a luxury to another. We all must define our wants and needs.

Next, determine your annual lifetime income sources and managed income sources. **Lifetime income sources** would be things like Social Security and your URSJJ pension – income sources not directly under your control but guaranteed for your lifetime. On the other side, **managed income sources** are items under your direct control but not guaranteed for your lifetime, such as your retirement savings, rental income, inheritance or employment in retirement.

The goal is to have your essential expenses met with your lifetime income sources to ensure you can maintain your basic standard of living, and discretionary expenses met with your managed income sources.

Compare your expenses to your income sources and calculate your retirement income gap. Add your essential income gap and your discretionary income gap together to determine your overall income gap.

$$\begin{array}{r} \text{Essential Expenses} \\ - \text{Lifetime Income Sources} \\ \hline \text{Income Gap A} \end{array} \qquad \begin{array}{r} \text{Discretionary Expenses} \\ - \text{Managed Income Sources} \\ \hline \text{Income Gap B} \end{array}$$

$$\text{Combined Income Gap} = \text{A} + \text{B}$$

This is the amount of money you will need to withdraw from your personal savings each year to maintain the same level of spending.

**Example:**

Essential Expenses	\$30,000
- <u>Lifetime Income Sources</u>	<u>\$23,000</u>
Income Gap A	\$7,000
Discretionary Expenses	\$10,000
- <u>Managed Income Sources</u>	<u>\$7,000</u>
Income Gap B	\$3,000
<b>Combined Income Gap</b>	<b>\$10,000</b>

Once you determine your Combined Income Gap, you need determine how long your resources will last if you continue this same level of spending.

**How Long Will Your Savings Last?**

The following is for illustrative purposes only. Keep in mind, this is unique to everyone and factors like inflation, interest rates, working in retirement and lifestyle will impact how long your savings will last.

If you remember our discussion on longevity from page 30, you will recall experts recommend planning on living longer than 20 years in retirement.

If we were to adopt a 30-year rule, we could determine how much we need to pull from our savings each year and multiply that number by 30 (assuming inflation and taxes are offset by the interest earned).

A quick calculation of how much we need to save would be to multiply our combined income gap by 30. In the example above, an annual combined income gap of \$10,000 would require a \$300,000 nest egg to be financially prepared for retirement.

*Estimate requests should be made at least six months before your selected retirement date.*

## Retirement Benefits

### BENEFIT ESTIMATES

When you are approaching eligibility for retirement, you may ask URSJJ to calculate an estimate as of a selected retirement date or your earliest normal retirement date. URSJJ will prepare and mail the requested information. You may also use the benefit calculation worksheet contained in this handbook (page 40) to calculate an approximate retirement benefit estimate.

Estimate requests should be made at least six months before your selected retirement date. It is necessary to make assumptions about future salary and

service to estimate future benefits. URSJJ cannot guarantee the accuracy of any benefit estimate until all service and salary information is received by URSJJ.

## **INSURANCE**

All members planning to retire or terminating employment and electing a vested benefit must make elections regarding their group insurance coverage. For members covered under the Employees Group Insurance Division (EGID) of the Office of Management and Enterprise Services (OMES), these elections must be made within 30 days of termination and can affect eligibility for any premium contribution made by URSJJ.

All questions regarding insurance coverage through the Employees Group Insurance Division should be addressed to them at the address or telephone numbers listed below.

### **Employees Group Insurance Division**

3545 N.W. 58th Street, Suite 110

Oklahoma City, OK 73112

(Local) 717-8780

1-800-752-9475

[www.ok.gov/sib](http://www.ok.gov/sib)

If you are not covered through EGID, you should contact your insurance provider for instructions.

## **HEALTH INSURANCE SUPPLEMENT**

URSJJ pays an insurance premium supplement on your behalf in retirement if you maintain health insurance with the Employees Group Insurance Division or other provider approved by the OPERS Board of Trustees for the premium supplement. The monthly contribution is paid in addition to your monthly retirement benefit and is paid directly to EGID. It is not considered taxable income to you. It continues until you terminate health insurance coverage with EGID or other qualified plan, or until your death.

# Application for Retirement

## DECLARING YOUR INTENT TO RETIRE

To retire from active service on the bench and begin receiving monthly retirement benefits, you must file a written declaration with the Court Administrator. In most cases, the URSJJ *Retirement Notice and Application* form will serve this purpose. On the form, you may elect to retire effective immediately or at the expiration of your term. Forward your retirement application to the URSJJ office for review. The URSJJ will then submit it to the Court Administrator for approval.

**IMPORTANT:** Retirement dates can only be the first day of any given month. Once completed, the *Retirement Notice and Application* should be submitted to the URSJJ at least one month before you wish to retire.

In some cases, additional notification may be required. Contact the Court Administrator to see if you need to file anything apart from the *Retirement Notice and Application*.

*The URSJJ Retirement Notice and Application should be submitted to the URSJJ at least one month prior to your retirement date.*

## CHOOSING A PAYMENT OPTION

The URSJJ offers four types of retirement benefit payments described below. The one thing each of these payments has in common is a monthly benefit will be paid to you upon retirement for the remainder of your life. The difference between these payment options is what happens to the benefit when you pass away.

### **Maximum (Single-Life Annuity)**

The Maximum type of benefit is paid monthly for your lifetime and ceases the last day of the month you pass away. Married members may elect this type of benefit only with spouse consent.

If you wish to take a reduced benefit and thereby provide a monthly income for another person after your death, you may choose an Option A, or Option B type of benefit. An Original Surviving Spouse Plan is available to those who are married at the time of retirement.

### **Option A (One-Half Joint and Survivor Annuity)**

Under this option, you will receive a reduced retirement benefit during your lifetime (see page 48). 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. Your joint-annuitant must be a specific person.

All married members must retire under Option A, unless your spouse consents to your retirement under one of the other benefit types by signing the Spouse Consent portion of the *Retirement Notice and Application*. If you are

divorced or your spouse is deceased, you will need to provide proof of the divorce or death.

### **Option B (100% Joint and Survivor Annuity)**

Under Option B, a reduced retirement benefit (see page 49) is paid to you during your lifetime. After your death, the same monthly benefit is paid to your surviving joint-annuitant for his or her lifetime. Your joint-annuitant must be a specific person. Under federal limitations, Option B is only available to you if you choose your spouse as joint-annuitant or you choose a non-spouse joint-annuitant who is no more than 10 years younger than you. Married members may only elect this type of benefit with spouse consent.

### **Original Surviving Spouse Plan**

This plan provides an unreduced retirement benefit to you during your lifetime. After your death, **one-half** of the unreduced benefit will be paid to your eligible surviving spouse. To be eligible to choose this plan, you must have been a married member as of September 1, 2005, and still paying the additional three percent (3%) surviving spouse contributions as of that date. For your surviving spouse to be eligible to receive the benefits under this plan, all of the following conditions must be met:

- Your spouse was married to you at least 90 days prior to the termination of your active service as a Justice or judge;
- Your surviving spouse was married to you continuously for a period of at least three years immediately preceding your death; and,
- The required additional contributions were made.

An additional percentage increase in the monthly survivor benefit is payable under this plan when all of the following conditions are met:

- The member retired or died after June 30, 1999;
- The member paid the contributions for survivor benefits prior to July 1, 1999;
- Those contributions have not been refunded;
- The member and surviving spouse remained continuously married; and,
- The member continued to make the contributions up to the time of retirement or death.

The percentage increase in the monthly survivor benefit shall be based upon how long the member paid the survivor benefit contributions prior to July 1, 1999, as follows:

- Up to and including nine years and 11 months: 5% increase
- From 10 years up to and including 19 years and 11 months: 10% increase
- For 20 years, or more: 15% increase

*All married members must retire under Option A, unless your spouse consents to your retirement under one of the other benefit types by signing the Spouse Consent portion of the Retirement Notice and Application.*

## RESPONSE FROM THE URSJJ AND NEXT STEPS

After receiving the *Retirement Notice and Application*, the URSJJ will send you an acknowledgment letter, a *Designation of Beneficiary for the \$5,000 Death Benefit* form and a *Direct Deposit Authorization* form. Direct deposit is required for payment of your monthly benefit.

### Vital Documents

The URSJJ will also request the following vital documents necessary to complete your request:

- Birth certificates for you and your joint-annuitant, if applicable,
- A marriage license, divorce decree or death certificate verifying your **current** marital status.

You will need to respond as quickly as possible to any requests for information or documents to avoid a delay in benefit payments or retirement.

### Benefit Statement and Final Payment of Benefit

The URSJJ will also mail you a statement of benefits prior to your effective retirement date. This letter will provide:

- An accounting of your service credit;
- An estimate of your gross monthly benefit;
- The date your first payment will be issued; and,
- Withholding charts and a *Withholding Preference Certificate* form to authorize federal and state income taxes to be withheld.

A final retirement letter will be mailed about the time the first retirement payment is issued. This letter will contain:

- A final statement of benefits;
- A list of deductions, including tax withholding and insurance premiums; and,
- A statement of the amount of contributions you have paid (taxable and non-taxable).

**IMPORTANT:** You will receive the first retirement payment the last working day of the retirement month.

### Postponement or Cancellation of Retirement

Once you have submitted your *Retirement Notice and Application*, you may only postpone, cancel, or change your retirement before the effective retirement date. If you postpone or cancel your retirement and you wish to retire at a later date, you must complete a new *Retirement Notice and Application* form. If the retirement is canceled, you must again meet the deadline requirement.

*The type of retirement you choose may not be changed on or after the effective date of retirement.*

### Changing a Payment Option

If you retire under Options A or B, and your joint-annuitant passes away before you, your benefit changes to the Maximum benefit option. 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 URSJJ of the death and provide a certified death certificate to initiate the increase. Timely notice is important, as URSJJ is required to pay no more than six months of retroactive benefits increase.

The only types of benefit available for disability retirement are the Maximum benefit and Option A. 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.

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

*Your benefit payment for the first month is made by electronic deposit directly to your account in a bank or other financial institution on the last working day of the first month of retirement.*

## Benefit Payments

### RETIREMENT BENEFIT PAYMENTS

Your benefit payment for the first month is made by electronic deposit directly to your account in a bank or other financial institution on the last working day of the first month of retirement. All subsequent payments will be issued on the last working day of each month.

### LIMITATIONS ON RETIREMENT BENEFITS

Federal tax law places limits on the maximum amount of retirement benefits URSJJ can pay to its retirees. Typically, these limits tend **not** to affect most URSJJ retirees. The limit you may be subject to depends upon a variety of factors, including your age at retirement and the nature of your employment. Those most likely to be affected by the limits are the youngest group of retirees who are also among the highest in terms of final average salary. Each member who receives a retirement benefit estimate or applies for retirement may be notified of these limitations and whether they will reduce your retirement benefits.

## TAXATION OF RETIREMENT BENEFITS

The following information is not intended to be tax advice. URSJJ encourages all members to seek advice from a tax advisor on matters of taxation.

Currently, benefits from URSJJ are considered 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 in a state other than Oklahoma.

### 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 URSJJ to spread your accumulated nontaxable contributions over your life expectancy or the joint life expectancies of you and your joint-annuitant. URSJJ 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.

URSJJ 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.

### Tax Withholding

You will receive a *Benefit Recipient's Withholding Preference Certificate* from URSJJ approximately one month before your retirement payments begin. This form indicates whether or not state and federal tax should be withheld from the monthly benefit and, if so, at what rate. If the form is not completed and received by URSJJ, taxes will be withheld at the rates for an individual who is married and has three exemptions. A new Withholding Preference Certificate form may be completed at any time to change future withholdings.

## Revisiting the Benefit Formula

In this section, we will help you estimate the amount of your retirement benefits with a worksheet on page 40 to calculate your service credit and final average compensation – the two major components of the benefit formula. This worksheet will provide a rough estimate only and may differ from what

you ultimately receive. However, the more accurate the service credit and compensation figures you enter into the worksheet, the closer this estimate will be to your final benefit.

Once again, the formula for calculating your gross annual retirement benefit is as follows:

*Years of service X Final average compensation<sup>4</sup> X 0.04 (4.0% computation factor)*

### **STEP 1: DETERMINING SERVICE CREDIT**

Add up the years and full months you have participated in URSJJ. Also include any purchased service, military service, or credit from other retirement systems. Then, if you have more than six months of service credit past an exact year, round your service credit up to the next highest year.

Service is not rounded up or down until all service has been added together. Only the total of all service credit is rounded up or down.

### **STEP 2: CALCULATING FINAL AVERAGE COMPENSATION**

Your compensation during your highest three years is used to calculate your final average compensation. The highest three years of compensation are added together and divided by 36 to determine the final average compensation.<sup>5</sup>

### **STEP 3: CALCULATING MONTHLY RETIREMENT BENEFIT**

#### **Normal (Full, Unreduced) Retirement Benefits**

Once your service credit and final average compensation are determined or estimated, it is then possible to calculate or estimate your monthly retirement benefit. Simply multiply your final average compensation by your number of years of service. The result is then multiplied by the 4% computation factor (or 0.04) and divided by 12 months.

### **EXAMPLE: RETIREMENT BENEFIT CALCULATION**

Example: Bill began his employment with a participating URSJJ employer on July 1, at age 41. Bill plans to retire July 1, when he has reached age 60.

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<sup>4</sup> Your Monthly Retirement Benefit is limited to 100% of your Average Monthly Salary.

<sup>5</sup> In the past, certain salary caps applied. Therefore, if any of the highest three years of annual compensation out of your last 10 years of compensation prior to retirement was earned before July 1, 1999, your compensation for that year is subject to a cap.

**Step 1: Service Credit**

Bill has 12 years and 1 day of service credit and an additional two years and six months of military service credit. Therefore, Bill's total service of 14 years, six months, and one day can be rounded to 15 years of total service credit.

**Step 2: Final Average Compensation**

Bill's three highest years of salary are \$119,250, \$119,100, and \$117,000. The average of these salaries is \$118,450. Therefore, Bill's final average compensation is \$118,450.

**Step 3: Calculating Monthly Benefit**

Bill's final average compensation (\$118,450) multiplied by the total years of service credit (15) equals \$1,776,750. This result is then multiplied by .04 (or 4%) and divided by 12 to determine Bill's monthly benefit. **Bill's monthly retirement benefit is \$5,922.50.**

**Step 4: Applying Option Factors**

Once you have determined your monthly retirement benefit, you may apply the Option A or Option B reduction factors (if applicable). The reduction factor tables may be found on pages 48-49.

# Retirement Calculation Worksheet

## YEARS OF SERVICE

		Years	Months
Service as a Justice or judge			
Military			
Purchased	+		
<b>Subtotal</b>	=		
<b>Total Service Credit</b>	=		

## FINAL AVERAGE COMPENSATION

Add the three highest years of compensation out of the last 10 years of employment prior to retirement, including longevity pay (Remember to apply caps if applicable)		\$
	+	
<b>Subtotal</b>	=	\$
	÷	3 years
<b>Final Average Compensation</b>	=	\$

## RETIREMENT BENEFIT CALCULATION <sup>6</sup>

Final Average Compensation		\$
Service Credit	x	
4% Computation Factor	x	.04
Maximum Annual Retirement Benefit	=	\$
	÷	12 months
<b>Maximum Monthly Retirement Benefit<sup>7</sup></b>	=	\$

<sup>6</sup> The formula produces retirement benefits under the Maximum retirement payment option. Members choosing Options A or B will experience a reduction.

<sup>7</sup> Your Monthly Retirement Benefit is limited to 100% of your Average Monthly Salary.



## Life in Retirement

The retired life offers numerous possibilities. Many members continue working after entering retirement. In this section, we will discuss topics related to reemployment in retirement and financial aspects of aging, elder care and death. There are a few rules and guidelines regarding post-retirement income to maintain your eligibility and to continue receiving retirement payments.

# Social Security

Social Security is a confusing subject for many of us. Here are a few key items regarding Social Security you should keep in mind for your retirement plan.

## Social Security Normal Retirement Age

Year of Birth	Age
1937 and prior	65
1938	65 and 2 months
1939	65 and 4 months
1940	65 and 6 months
1941	65 and 8 months
1942	65 and 10 months
1943-54	66
1955	66 and 2 months
1956	66 and 4 months
1957	66 and 6 months
1958	66 and 8 months
1959	66 and 10 months
1960 and later	67

*Note: Persons born on January 1 of any year should refer to the normal retirement age of the previous year.*

### When to Start Benefits

You may begin collecting Social Security as early as age 62. However, by taking it at your earliest age, you may take a reduction in benefits of 25% or more for the rest of your life. If you wait until your Social Security Full Retirement Age, you will see no reduction in your benefits. Furthermore, the basis for future cost-of-living adjustments will be based on the larger original benefit.

If you wait until age 70 you can collect even more, thanks to the delayed-retirement credit worth 8% a year. Say your normal retirement age is 66 and you would collect \$2,000 a month at full retirement age. If you wait until 70, your check would grow to \$2,640 – a full 32% more. If you retired four years earlier at age 62, your monthly payment would be only \$1500. With average life expectancies at an all-time high, chances are good you'll be around to enjoy the higher benefits (see Longevity on page 28).

### Spousal Benefits

Couples have additional options. Spouses are entitled to the greater of either the Social Security benefit based on his/her own working record, or up to 50% of a spouse with a higher benefit. Widows and widowers are entitled to the higher earner's full retirement payout. Dual-earner couples who have reached their full retirement age can even claim twice by first signing up for a spousal payment, then claiming again later based on their own work record (which will then be higher due to delayed claiming). Ex-spouses are also eligible for benefits if the marriage lasted at least 10 years.

### Earnings Limitations

Am I required to stop working to collect Social Security benefits? No, you can receive benefits while working; however, if you are younger than the full retirement age (currently 66) and earn more than a certain amount, your monthly benefits will be temporarily reduced. Once you reach full retirement age, your benefits will be increased to make up for what was lost.

If you're turning 66 in 2015, the amount you can earn without a reduction in benefits is \$41,880. If you are younger than 66 for all of 2015, the amount you can earn without a reduction in benefits is \$15,720. After you reach your full retirement age, you keep all of your benefits no matter how much you earn.

The Social Security Administration website is very informative. Visit them at [www.ssa.gov](http://www.ssa.gov), or call (800) 772-1213 for more information.

# Estate Planning

As stated earlier, it is important to keep your beneficiaries current. Your beneficiary is entitled to your accumulated contributions if you die before becoming eligible to retire. Also, each retired member has a \$5,000 death benefit paid to their named beneficiary. If you have yet to name a beneficiary or have not updated your beneficiary designation since a divorce or death of a previously named beneficiary, your benefits may be paid to your estate.

Having a solid estate plan in place can also ensure your retirement benefits will be paid to the correct people. This section is meant to give you a brief introduction into estate planning and what important issues you may face at different stages in your life. This is by no means an exhaustive discussion.

It may be wise to consult an estate planning professional about your specific needs. A list of items to have handy when starting or updating your estate plan is provided below.

## The Basics

A **will** is a document to inform your loved ones on how to handle your estate upon your passing. Even if you have few material belongings, a will is still relevant and can decrease the tax liability associated with transferring your belongings to others. A will can also allow you to leave specific items to specific people.

Since an accident can happen at any time, a **durable power of attorney** is another important planning tool for everyone at every stage in life. A durable power of attorney lets you name someone to manage your affairs if you become physically or mentally unable to do so. Along that same line, an **advanced medical directive** is a document allowing your loved ones to honor your chosen medical decisions if you become unable to make those decisions in an emergency.

## Planning for Married Couples

It is important both you and your spouse have a will, especially if you have children, and name a guardian for your children. If you die without a will, the court will decide how to handle your estate and who to appoint as your children's guardian. One of many possible outcomes decided by the court is having half of your estate going to your spouse and the other half divided between your children. The court will also have to approve your spouse to control the children's portion of your estate. This can cause a huge headache and legal entanglements for your family. You might consider establishing a **trust** for your children in the event both parents die at the same time.

You should also consider **life insurance** to provide for your family after you are gone. Would your family be able to manage financially, now and in the future, in the event of your death and the loss of your income?

### **Planning for the Elderly or Ill**

Now is the time to make sure your documents are up to date and your family knows where your important documents are kept. It is also time to make your family aware of your decisions. Make sure your will is current with correct beneficiary information and taking into consideration any changes in the law or in your estate.

Remember, as an active, vested or retired member of URSJJ, there may be benefits paid at your death to your named beneficiaries. You can change these beneficiaries at any time by completing a new beneficiary designation. You can request one by calling (800) 733-9008.

### **The Information You Need**

It is helpful to have as much of the following information on hand when planning your estate:

- The names, addresses, and birth dates of those persons included in your will.
- The names, addresses, and phone numbers of possible guardians (if you have young children) and executors or trustees.
- The amount and sources of your income, including interest, dividends, and other household income, such as your spouse's salary or income your children bring home, if they live with you.
- The amounts and sources of all your debts, including mortgages, installment loans, leases, and business debts.
- The amounts, sources and beneficiaries of retirement benefits, including IRAs, pensions, government benefits, and profit-sharing plans.
- The amounts, sources, and account numbers of other financial assets, including bank accounts, annuities, outstanding loans, etc., and names of any joint owners or pay-on-death designees.
- A list of life insurance policies, including the account balances, issuer, owner, beneficiaries, and any amounts borrowed against the policies.
- A list (with approximate values) of valuable property you own, including real estate, jewelry, furniture, jointly owned property (name the co-owner), collections, heirlooms and other assets. This list could be cross-referenced with the names of the people you might want to leave each item.
- The names, trustees, and assets of any trusts held for your benefit.
- Any documents possibly affecting your estate plan, including prenuptial agreements, marriage certificates, divorce decrees, recent tax returns, existing wills and trusts, property deeds, and so on.

# Long-Term Care

As previously discussed, understanding a new set of risks and rewards in retirement is an important aspect of retirement planning. The obvious reward is more time devoted to the people and/or activities we may have put off during our hectic working years. Two of the primary risks in retirement are longevity (outliving your savings) and inflation (decreased purchasing power over time).

The good news is we are living longer, which also means we must be prepared financially to protect against outliving our savings. The bad news is we are seeing the costs of health care increasing at a faster rate than other common goods we purchase (annual inflation for medical costs has averaged 4% per year since 2000 vs. 2.5% for the Consumer Price Index).

Recent studies estimate 70% of all Americans will need some type of long-term care in their lifetime for such conditions as stroke, elder frailty, Alzheimer's, Parkinson's, and other conditions affecting more than 50% of people over the age of 65.

The need for long-term care insurance seems pretty compelling. According to the National Advisory Center for Long Term Care Insurance, in 2000, nine million Americans needed long-term care services at an average cost of \$55,750 per year. The current average annual cost is about \$75,000 per person. By 2030, they project the number of those needing this care will skyrocket to more than 23 million Americans with projected annual costs of about \$300,000 per person.

## **What is Long-Term Care Insurance?**

Most long-term care starts at home with the help of family or friends until the care giving becomes too difficult. The next step might be to hire a paid caregiver to help with care duties in the home or move to an assisted living facility. Unfortunately, many people simply cannot afford such a luxury.

Long-term care insurance covers the costs of long-term care services which are not covered by traditional health insurance. Unfortunately, Medicare will only pay for a very short time of care and only under specific, limited circumstances, usually in a nursing home, leaving the rest to you.

The value of long-term care insurance is it covers in-home assistance with activities of daily living as well as care in a variety of facility and community settings, giving you choices and protecting loved ones from the burdens of care giving.

### **How Much Does It Cost?**

According to the U.S. Department of Health and Human Services, the average cost of a long-term care policy in 2007 was \$2,207. Most experts agree to enroll between the ages of 40-60 to see the biggest savings. While those who enroll after the age of 60 will usually pay more, it may still be advantageous compared to the alternative of paying out-of-pocket.

Long-term care insurance products are continuing to evolve as insurance companies respond to consumer demand and increasing medical costs. Though Oklahoma is regulated by the Insurance Commission against unjustified increases, increasing prices are something you should be aware of and plan for when deciding if this insurance is right for you.

## **Post-Retirement Employment**

If you are elected or appointed to any judicial or other office covered by the system after retirement, your retirement compensation will be suspended during the period of time that you hold such office. However, upon leaving office, your retirement compensation will be reinstated.

Post-retirement employment in any other capacity does not limit or suspend your receipt of URSJJ retirement benefits.

### **Senior Status or Active Duty after Retirement**

Judicial service in this capacity at the direction of the Supreme Court does not limit or suspend your receipt of URSJJ retirement benefits.

## **Death of Retired Members**

When you pass away as a retired member, your monthly retirement benefit may cease, change, or continue depending on the type of benefit you chose at retirement. For more information about the benefit options, see page 33. In addition, a death benefit will be distributed among your primary beneficiaries. You can designate the percentage which goes to each beneficiary. You will be provided with a form to designate a beneficiary upon retirement. This beneficiary designation may be changed after your retirement date by completing a new form. 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, URSJJ 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 URSJJ withhold any amount for tax purposes,

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.

### **Excess Member Contributions**

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

### **Applying for Retired Member Death Benefits**

Upon the death of a retired member, your surviving spouse, beneficiary or next of kin should immediately contact URSJJ.

**APPENDIX I – NORMAL RETIREMENT REDUCTION FACTORS  
RETIREMENT OPTION A<sup>8</sup>**

Expressed as a percentage of the total Maximum Benefit

Member's age at retirement	The number of years <u>younger</u> the joint-annuitant is than the member at the date of the member's retirement.										Same age	The number of years <u>older</u> the joint-annuitant is than the member at the date of the member's retirement.									
	10	9	8	7	6	5	4	3	2	1		0	1	2	3	4	5	6	7	8	9
50	95.84%	95.94%	96.04%	96.15%	96.26%	96.37%	96.48%	96.60%	96.71%	96.82%	96.94%	97.05%	97.17%	97.28%	97.39%	97.50%	97.61%	97.71%	97.82%	97.92%	98.02%
51	95.56%	95.67%	95.79%	95.90%	96.02%	96.14%	96.26%	96.38%	96.50%	96.62%	96.74%	96.87%	96.99%	97.11%	97.23%	97.34%	97.46%	97.57%	97.68%	97.79%	97.90%
52	95.27%	95.39%	95.51%	95.63%	95.76%	95.88%	96.01%	96.14%	96.27%	96.40%	96.54%	96.67%	96.80%	96.92%	97.05%	97.18%	97.30%	97.42%	97.54%	97.66%	97.77%
53	94.96%	95.08%	95.21%	95.35%	95.48%	95.62%	95.76%	95.89%	96.03%	96.17%	96.31%	96.45%	96.59%	96.73%	96.87%	97.00%	97.13%	97.26%	97.39%	97.51%	97.63%
54	94.62%	94.76%	94.90%	95.04%	95.19%	95.33%	95.48%	95.63%	95.78%	95.93%	96.08%	96.23%	96.37%	96.52%	96.67%	96.81%	96.95%	97.09%	97.22%	97.36%	97.48%
55	94.27%	94.42%	94.56%	94.72%	94.87%	95.03%	95.18%	95.34%	95.50%	95.66%	95.82%	95.98%	96.14%	96.30%	96.45%	96.61%	96.76%	96.90%	97.05%	97.19%	97.33%
56	93.89%	94.05%	94.21%	94.37%	94.53%	94.70%	94.87%	95.04%	95.21%	95.38%	95.55%	95.72%	95.89%	96.06%	96.23%	96.39%	96.55%	96.71%	96.86%	97.01%	97.16%
57	93.49%	93.66%	93.83%	94.00%	94.18%	94.36%	94.54%	94.72%	94.90%	95.09%	95.27%	95.45%	95.63%	95.81%	95.99%	96.16%	96.33%	96.50%	96.66%	96.82%	96.98%
58	93.07%	93.25%	93.43%	93.62%	93.81%	94.00%	94.19%	94.39%	94.58%	94.78%	94.97%	95.17%	95.36%	95.55%	95.74%	95.92%	96.11%	96.28%	96.46%	96.63%	96.80%
59	92.63%	92.82%	93.02%	93.22%	93.42%	93.62%	93.83%	94.04%	94.24%	94.45%	94.66%	94.87%	95.07%	95.28%	95.48%	95.67%	95.87%	96.06%	96.25%	96.43%	96.61%
60	92.17%	92.37%	92.58%	92.79%	93.01%	93.23%	93.45%	93.67%	93.89%	94.11%	94.33%	94.55%	94.77%	94.99%	95.20%	95.41%	95.62%	95.82%	96.02%	96.22%	96.41%
61	91.68%	91.90%	92.12%	92.35%	92.58%	92.81%	93.04%	93.28%	93.52%	93.75%	93.99%	94.22%	94.46%	94.69%	94.92%	95.14%	95.36%	95.58%	95.79%	96.00%	96.20%
62	91.17%	91.40%	91.64%	91.88%	92.12%	92.37%	92.62%	92.87%	93.12%	93.38%	93.63%	93.88%	93.13%	94.37%	94.62%	94.86%	95.09%	95.32%	95.55%	95.77%	95.98%
63	90.63%	90.88%	91.13%	91.39%	91.65%	91.92%	92.18%	92.45%	92.72%	92.99%	93.26%	93.52%	93.79%	94.05%	94.31%	94.56%	94.81%	95.06%	95.30%	95.53%	95.76%
64	90.08%	90.34%	90.61%	90.89%	91.17%	91.45%	91.73%	92.02%	92.30%	92.59%	92.87%	93.16%	93.44%	93.72%	93.99%	94.27%	94.53%	94.79%	95.05%	95.30%	95.54%
65	89.51%	89.79%	90.08%	90.37%	90.67%	90.97%	91.27%	91.57%	91.88%	92.18%	92.49%	92.79%	93.09%	93.38%	93.68%	93.97%	94.25%	94.53%	94.80%	95.06%	95.32%
66	88.92%	89.22%	89.52%	89.83%	90.15%	90.47%	90.79%	91.11%	91.44%	91.76%	92.09%	92.41%	92.73%	93.04%	93.35%	93.66%	93.96%	94.26%	94.55%	94.83%	95.10%
67	88.30%	88.62%	88.95%	89.28%	89.62%	89.96%	90.30%	90.64%	90.99%	91.33%	91.67%	92.02%	92.36%	92.69%	93.02%	93.35%	93.67%	93.98%	94.29%	94.59%	94.88%
68	87.67%	88.01%	88.36%	88.71%	89.07%	89.43%	89.80%	90.16%	90.53%	90.89%	91.26%	91.62%	91.99%	92.34%	92.70%	93.04%	93.38%	93.71%	94.04%	94.35%	94.66%
69	87.02%	87.38%	87.75%	88.12%	88.50%	88.89%	89.28%	89.66%	90.05%	90.44%	90.83%	91.22%	91.60%	91.98%	92.36%	92.73%	93.09%	93.44%	93.78%	94.12%	94.44%
70	86.33%	86.72%	87.11%	87.51%	87.91%	88.32%	88.73%	89.14%	89.56%	89.97%	90.39%	90.80%	91.21%	91.61%	92.01%	92.40%	92.78%	93.15%	93.52%	93.87%	94.21%

<sup>8</sup> The member's and joint-annuitant's ages on the chosen date of retirement are rounded to the nearest year to determine the appropriate reduction factor.

**APPENDIX 2 – NORMAL RETIREMENT REDUCTION FACTORS  
RETIREMENT OPTION B<sup>9</sup>**

Expressed as a percentage of the total Maximum Benefit

Member's age at retirement	The number of years <u>younger</u> the joint-annuitant is than the member at the date of the member's retirement.										Same age	The number of years <u>older</u> the joint-annuitant is than the member at the date of the member's retirement.									
	10	9	8	7	6	5	4	3	2	1		0	1	2	3	4	5	6	7	8	9
50	92.00%	92.19%	92.39%	92.59%	92.79%	93.00%	93.21%	93.42%	93.63%	93.84%	94.06%	94.27%	94.49%	94.70%	94.91%	95.12%	95.33%	95.53%	95.73%	95.92%	96.11%
51	91.50%	91.70%	91.91%	92.12%	92.34%	92.56%	92.78%	93.01%	93.24%	93.47%	93.69%	93.92%	94.15%	94.38%	94.60%	94.83%	95.05%	95.26%	95.47%	95.68%	95.88%
52	90.97%	91.18%	91.40%	91.63%	91.86%	92.09%	92.33%	92.57%	92.81%	93.06%	93.30%	93.55%	93.79%	94.03%	94.27%	94.51%	94.74%	94.97%	95.20%	95.42%	95.64%
53	90.40%	90.63%	90.87%	91.11%	91.35%	91.60%	91.86%	92.11%	92.37%	92.63%	92.89%	93.15%	93.41%	93.67%	93.92%	94.17%	94.42%	94.67%	94.91%	95.14%	95.37%
54	89.80%	90.04%	90.29%	90.55%	90.81%	91.08%	91.35%	91.62%	91.90%	92.17%	92.45%	92.73%	93.00%	93.28%	93.55%	93.82%	94.08%	94.34%	94.60%	94.85%	95.09%
55	89.16%	89.42%	89.69%	89.96%	90.24%	90.52%	90.81%	91.10%	91.39%	91.69%	91.98%	92.28%	92.57%	92.86%	93.15%	93.44%	93.72%	93.99%	94.27%	94.53%	94.79%
56	88.49%	88.76%	89.05%	89.34%	89.63%	89.93%	90.24%	90.55%	90.86%	91.17%	91.48%	91.80%	92.11%	92.42%	92.73%	93.03%	93.33%	93.62%	93.91%	94.19%	94.47%
57	87.78%	88.07%	88.37%	88.68%	89.00%	89.32%	89.64%	89.97%	90.30%	90.63%	90.96%	91.30%	91.63%	91.96%	92.28%	92.60%	92.92%	93.23%	93.54%	93.84%	94.14%
58	87.04%	87.36%	87.68%	88.01%	88.34%	88.68%	89.02%	89.37%	89.72%	90.07%	90.43%	90.78%	91.13%	91.48%	91.82%	92.17%	92.50%	92.84%	93.16%	93.48%	93.79%
59	86.28%	86.61%	86.95%	87.30%	87.65%	88.01%	88.37%	88.74%	89.11%	89.49%	89.86%	90.24%	90.61%	90.98%	91.35%	91.71%	92.07%	92.42%	92.76%	93.10%	93.44%
60	85.47%	85.83%	86.19%	86.55%	86.93%	87.31%	87.70%	88.09%	88.48%	88.88%	89.27%	89.67%	90.06%	90.46%	90.85%	91.23%	91.61%	91.98%	92.35%	92.71%	93.06%
61	84.64%	85.01%	85.39%	85.78%	86.18%	86.58%	86.99%	87.40%	87.82%	88.24%	88.66%	89.08%	89.50%	89.91%	90.32%	90.73%	91.13%	91.53%	91.92%	92.30%	92.68%
62	83.76%	84.16%	84.56%	84.98%	85.40%	85.82%	86.26%	86.69%	87.13%	87.58%	88.02%	88.46%	88.91%	89.35%	89.78%	90.21%	90.64%	91.06%	91.47%	91.88%	92.28%
63	82.87%	83.29%	83.71%	84.15%	84.59%	85.04%	85.50%	85.96%	86.43%	86.90%	87.37%	87.84%	88.30%	88.77%	89.23%	89.69%	90.14%	90.59%	91.02%	91.45%	91.87%
64	81.95%	82.39%	82.84%	83.30%	83.77%	84.24%	84.73%	85.22%	85.71%	86.20%	86.70%	87.19%	87.69%	88.18%	88.67%	89.15%	89.63%	90.10%	90.57%	91.02%	91.46%
65	81.01%	81.47%	81.95%	82.43%	82.93%	83.43%	83.94%	84.46%	84.98%	85.50%	86.02%	86.55%	87.07%	87.59%	88.11%	88.62%	89.13%	89.62%	90.11%	90.59%	91.06%
66	80.04%	80.53%	81.03%	81.55%	82.07%	82.60%	83.14%	83.68%	84.23%	84.78%	85.33%	85.89%	86.44%	86.99%	87.54%	88.08%	88.61%	89.14%	89.65%	90.16%	90.66%
67	79.05%	79.57%	80.10%	80.64%	81.19%	81.74%	82.31%	82.88%	83.46%	84.04%	84.63%	85.21%	85.80%	86.38%	86.96%	87.53%	88.09%	88.65%	89.20%	89.73%	90.25%
68	78.05%	78.59%	79.15%	79.72%	80.30%	80.88%	81.48%	82.08%	82.69%	83.31%	83.93%	84.54%	85.16%	85.77%	86.39%	86.99%	87.58%	88.17%	88.75%	89.31%	89.86%
69	77.02%	77.59%	78.17%	78.77%	79.38%	80.00%	80.63%	81.26%	81.91%	82.56%	83.21%	83.75%	84.51%	85.16%	85.80%	86.44%	87.07%	87.69%	88.29%	88.89%	89.46%
70	75.95%	76.55%	77.16%	77.79%	78.43%	79.08%	79.74%	81.09%	81.09%	81.77%	82.46%	83.15%	83.84%	84.52%	85.20%	85.87%	86.53%	87.19%	87.82%	88.45%	89.05%

<sup>9</sup> The member's and joint-annuitant's ages on the chosen date of retirement are rounded to the nearest year to determine the appropriate reduction factor.

## Q & A ON REDUCTION FACTOR TABLES

Questions often arise regarding the reduction factors for retirement benefits. Below are answers to some of the most frequently asked questions regarding the tables.

**Question:** *Who determines the reduction factors and how often are they updated?*

**Answer:** The Plan's actuary periodically reviews all aspects of the Plan, including the reduction factors for Retirement Options A and B to ensure the actuarial assumptions reflect the actual experience of the members covered under the Plan.

**Question:** *Do the reduction factor tables go beyond the ages listed on the table?*

**Answer:** Yes. Due to the limitation of space, the URSJJ could not publish the reduction factors for every age. If you need the reduction factors for a particular member's and joint-annuitant's ages, please contact the URSJJ.

**Question:** *Why does an older member experience more of a reduction under Option A or B at retirement than a younger member?*

**Answer:** Since the URSJJ promises you a single-life annuity, any additional payment in the form of a joint and survivor annuity is an additional cost reflected in the reduction factors. This is similar to the cost of providing an insurance benefit for a joint-annuitant.

The cost of this benefit is more expensive for older retirees than for younger retirees because, on average, the older the retiree the sooner survivor benefits will be paid to a joint-annuitant.

The more likely the URSJJ will have to pay survivor benefits sooner, the more expensive survivor benefits become. Therefore, older retirees choosing Options A and B have to pay more to fund benefits for their joint-annuitants as compared to younger retirees. This additional cost is expressed as a greater reduction in the retiree's benefit.

**Question:** *How is age determined when using the reduction factor tables?*

**Answer:** Your age and the age of your joint-annuitant are rounded to the nearest full year for purposes of applying the appropriate reduction factor. For example, if your age on your chosen retirement date is 59 years and 7 months, you will be considered 60 years of age. Conversely, if you were 59 years and 2 months of age, you would be considered 59 years of age using the reduction factor tables.

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