

Retired Member Edition Summer 2016

## Protecting Your Personal Information

### Get familiar with your OPERS Member ID

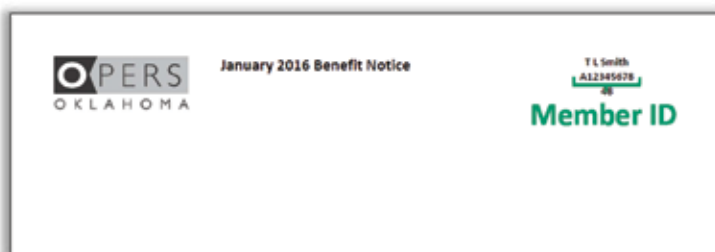
Every account you maintain – bank, credit card, even Netflix – has a unique account number that identifies you as a member. The same is true at OPERS. Every member has a unique identifier and you can find this number on most pieces of communication received from OPERS.

#### Why do you need to know your OPERS Member ID?

Historically, your Social Security number (SSN) has served as your primary identification with OPERS. However, for the past several years, correspondence, annual statements and benefit notices have included your OPERS Member ID instead of your SSN. Please use your member ID any time you interact with OPERS. If you contact OPERS by phone or through the mail, please include your member ID and not your SSN. OPERS is moving away from the use of SSNs over the phone, by email, or in person. Eventually, OPERS will stop asking for your SSN on many of our forms, as well. You will need to know your OPERS member ID for your forms to be accepted.

#### Where to find your OPERS Member ID?

Locating your member ID is as easy as pulling out your most recent communication from OPERS. Annual statements are mailed every September for active members and January for retired and vested members. You will find your member ID printed in the top right corner under your name.



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### Director's Corner It's All About the Fees

Joseph A. Fox, Executive Director

Whether investing an \$8.3 billion defined benefit portfolio (as we do at OPERS) or a personal retirement account, fees matter—a lot. Management fees and administrative fees and commissions, oh my! It's no wonder these and other strangely named fees investment professionals charge for their services have attracted a lot of attention recently. Fees come in many forms and are usually described in terms that most of us have trouble understanding.

How do these fees affect you? Check your wallet. Fees are like compound interest – in reverse. They may appear as a small percentage, but can really add up over the life of your investments. Some of the outrageous fees I have seen make me believe that some in the investment world follow the infamous quote: "The trick is to stop thinking of it [fees] as your money."

Think of it like this: say you make an initial investment of \$2,000 in an IRA, and you increase the investment by \$100 each year for the next 30 years. After 30 years, assuming a 7% rate of return, your account value without fees would be worth \$281,008. If you paid a 1% fee, the account value would be \$239,880, or a decrease of \$41,128. If you paid a 2% fee, your account value would be

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# RETIREMENT 101

## Why Inflation Means Something Different for Retirees

Did you know in 1980 the average cost of a loaf of bread was 50 cents? In 2015, a loaf of bread averaged about \$1.98, or nearly a 300 percent increase over the last 35 years.

Welcome to the world of inflation.

Inflation impacts everyone, whether you are just starting out, in the prime of your career, or already enjoying your retirement. However, special consideration must be paid to retirement spending because inflation disproportionately affects retirees.

Inflation is a steady increase in the price of goods and services, but not all prices increase at the same rate. The inflation rate for groceries is much lower than for medical expenses. How inflation works on a retiree's basket of goods and services is very different than a person actively working. As we age, and especially after retirement, our spending changes. What a person buys before retirement is fundamentally different than what is purchased after retirement.

A March 2016 article<sup>1</sup> from the U.S. Bureau of Labor Statistics (BLS) discussed how spending categories change for older Americans, and how housing and healthcare expenses make up half of a retiree's budget.

### Housing

Older Americans spend relatively more on housing than the general population. Although nearly 70 percent of elderly homeowners over age 75 have paid off their mortgages, there are other costs associated with homeownership, such as maintenance, taxes and insurance. Also, a significant number of older people are renters. According to the BLS, 36.5 percent of their budget goes toward housing expenses.

### Healthcare

With declining health as we age, health care takes a greater share of our retirement income later in life. The share of total spending going toward health care for the elderly is 15.6 percent – nearly double the rest of the population. Not only does the increased need for medical care increase the cost, but the rate of inflation on healthcare places a greater burden on retirement assets. This is especially true for those not yet eligible for Medicare or in need of long-term care.

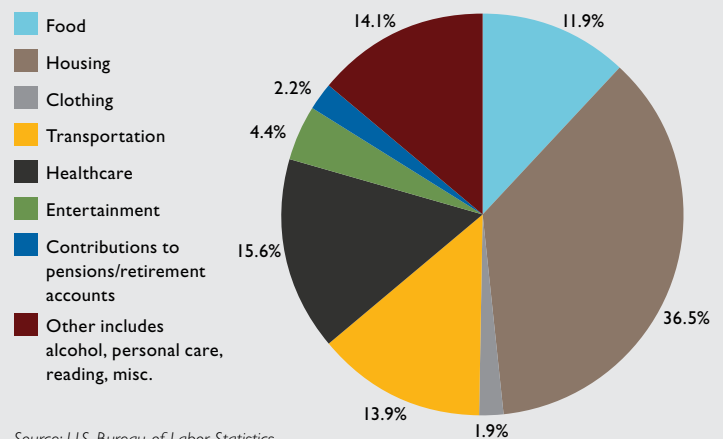
<sup>1</sup> Ann C. Foster, "A closer look at spending patterns of older Americans", *Beyond the Numbers: Prices and Spending*, vol.5, no 4 (U.S. Bureau of Labor Statistics, March 2016), <http://www.bls.gov/opub/btn/volume-5/spending-patterns-of-older-americans.htm>

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 because the prices of consumer goods increase faster than your income. The good news is that although more of our budget is spent on housing and healthcare in retirement, there are many other things we will spend less on in retirement to help offset the change in spending.

- Your work related expenses will decrease. You will no longer be driving back and forth to work, so transportation costs go down. You may also save money on buying and cleaning new work clothes.
- You may no longer be saving for retirement by participating in OPERS, Social Security, or a defined contribution plan. You are no longer saving for retirement; you are spending in retirement.
- Your tax liability may decrease if your annual income is less after retirement.

There are many variables to consider in retirement planning, and inflation is just one of them. For more information to help you understand your retirement, please visit the OPERS website at [www.opers.ok.gov](http://www.opers.ok.gov).

Ages 75 and Over: Total Household Spending



# Death Benefits

## Understanding Your Survivor's/Beneficiary's Options

Any good retirement or estate plan includes some consideration of what will happen to your loved ones after you are gone. In this article, we will discuss what happens to your OPERS retirement upon your passing.

The importance of keeping your beneficiary designation current cannot be overstated. Doing so allows OPERS to pay out your retirement benefit or contributions to those you designate in the event of your death. Remember, you may update your beneficiary at any time by completing a new form. OPERS will go by the most recent form accepted.

A change in marital status, the death of a beneficiary, a new address, or if you can't remember the last time you updated your beneficiaries are all good reasons to complete and submit a new *Beneficiary Designation* form. OPERS recommends that you designate both primary and contingent beneficiaries.

### What happens if I pass away before I retire?

OPERS provides for one of two types of death benefits upon the death of an active or vested (non-retired) member:

- **Survivor Benefit**

If you are vested, eligible to vest, or eligible to retire at the time of your death, your legal surviving spouse is entitled to a survivor benefit. Your spouse will be offered a lifetime survivor benefit under Option B (100% joint and survivor annuity). Benefits shall be payable no earlier than the date you 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.

- **Accumulated Contributions**

If no surviving spouse benefit is to be paid at your death, a one-time lump-sum payment equal to your accumulated contributions, less taxes, will be distributed among your beneficiaries.

### What happens if I pass away after I retire?

When you pass away as a retired member, your monthly retirement benefit may continue, change, or end depending on the type of benefit you chose at retirement. In addition, certain death benefits will be distributed among your primary beneficiaries.

The *Beneficiary Designation* form is to be used to designate beneficiaries to receive one or more of the following death benefits:

- **\$5,000 Death Benefit**

Your beneficiary is entitled to a lump-sum \$5,000 cash

payment upon your death. This death benefit is not insurance and is taxable to the beneficiary. This benefit is only payable upon the death of a retiree.

- **Excess Accumulated Contributions**

Occasionally upon the death of a retired member, the amount of member contributions paid into OPERS is more than the total received in monthly retirement benefits. If you chose the Maximum Retirement Benefit Option at retirement and pass away before receiving the balance of contributions you paid in to OPERS, the difference between your accumulated contributions and the cumulative monthly retirement benefits will be paid according to your beneficiary designation.

- **Final Monthly Benefit Payment**

If applicable, your final monthly benefit payment may be paid according to your beneficiary designation.

### What happens if my joint-annuitant passes away before I do in retirement?

Typically, your retirement option may not be changed on or after the effective date of retirement for any reason. However, there is an exception to this if you retire under Options A or B and your joint-annuitant passes away first. In this event, you may not choose a new joint-annuitant, but you may change your benefit option to the Maximum benefit (i.e., no reduction in benefits and no survivor benefit).

The request to change to a Maximum benefit must be made in writing and include a certified death certificate of the joint-annuitant. The increased benefit becomes effective the first day of the month following the death of the joint-annuitant if OPERS receives your written request and the death certificate in a timely manner. OPERS cannot pay more than six months in arrears.

### Applying for Member Death Benefits

Upon the death of a member (or joint-annuitant in retirement), the beneficiary or your next of kin should contact OPERS as soon as possible by calling (405) 858-6737 or (800) 733-9008. OPERS will guide beneficiaries through the process, informing them of options, mailing appropriate forms, and requesting required documents.

## ONLINE RESOURCES

OPERS Death Benefits  
[www.opers.ok.gov/death-benefits](http://www.opers.ok.gov/death-benefits)

Update your Beneficiary Designation  
[www.opers.ok.gov/beneficiary-forms](http://www.opers.ok.gov/beneficiary-forms)

OPERS Retirement Options  
[www.opers.ok.gov/retirement-options](http://www.opers.ok.gov/retirement-options)

Member Handbook  
[www.opers.ok.gov/publications](http://www.opers.ok.gov/publications)

# Direct Deposit Schedule

Our 33,000 retired members receive their monthly payments via direct deposit on the last working day of each month. You may change your direct deposit information at any time by completing a *Direct Deposit Authorization* form, which can be found at [www.opers.ok.gov/forms](http://www.opers.ok.gov/forms) or by calling (405) 858-6737 or (800) 733-9008. The completed form is due by the 5th of the month for your payment to be directly deposited into your account for that month.

Here is the direct deposit schedule for the remaining 2016 calendar:

July 29, 2016	October 31, 2016
August 31, 2016	November 30, 2016
September 30, 2016	December 30, 2016

## Protecting Your Personal Information

*(Continued from page 1)*

### Securing Your Personal Information

The Social Security Administration strongly urges all organizations to move away from SSNs and start using alternative identifiers in an effort to curtail identity theft. Identity thieves may pose as someone who legitimately needs information from you. Once armed with a SSN, they gain access to personal information and the ability to open credit accounts. This can lead to monetary losses and can wreak havoc on your personal and financial reputation. To safeguard yourself from being a victim, the Federal Trade Commission<sup>1</sup> recommends asking a few questions before sharing your SSN.

- Why do you need it?
- How it will be used?
- How will you protect it?
- What happens if I don't share the number?
- Can I use a different kind of identification?

Sometimes sharing your SSN is necessary to receive a service or benefit. For example, your SSN may be used by an employer, financial institution or a business for wage and tax reporting purposes or to check your credit. However, you can never be too protective. Those seeking your SSN for a legitimate purpose will not hesitate to answer your questions. OPERS will continue to ask for your SSN on many of our forms, but we will no longer ask for your SSN over the phone or by email. To identify yourself, we will ask for your OPERS member ID. Please keep that number accessible when contacting OPERS.

<sup>1</sup> <https://www.consumer.ftc.gov/articles/0272-how-keep-your-personal-information-secure#social>

## Director's Corner — It's All About the Fees

*(Continued from page 1)*

worth \$205,755, a decrease of \$75,253. Assuming you withdraw the recommended 4% per year from your account, you would have \$251 less each month in which to live in retirement just because you paid excessive fees on your investment portfolio during your working years.

The OPERS Board of Trustees is very sensitive to investment fees. Each time a new investment manager is hired, one of the primary issues the Board considers in the selection process is the investment fee. We are tough negotiators; just ask our investment managers. Our Board would expect nothing less and neither should you as a member. Our primary duty is to protect your investment and make sure we are getting the best deal for those services.

The total investment expenses for the OPERS portfolio during the last fiscal year were 0.13% of assets. You read that correctly, "point one three percent", or just north of one-tenth of one percent. There are very few public defined benefit plans in the nation with an investment fee level as low as ours. We are very proud to be able to manage a traditional investment strategy with competitive returns while keeping our costs to a minimum. This strategy has been successful for many years and has weathered the ups and downs on Wall Street.

It's never too early to learn how to protect your money from excessive fees. The best way to teach your kids about investment fees is by eating 30% of their ice cream.

# Healthful *hints*

## Numbers to Live By

At OPERS, we are consumed with numbers – years of service, benefit payments and investment performance are just a few of the figures we monitor on a daily basis. Just as our goal is to maintain a healthy retirement system, the numbers below can help you maintain a healthy lifestyle.

### WATER

# 75

Water is the body's principal chemical component, making up about 50-65% of your body weight. Dehydration can drain your energy and impair the body's ability to carry out normal functions. Individual water intake needs vary widely based in part on level of physical activity and exposure to heat stress. There is no formal recommendation on water consumption, but you should try to drink roughly half an ounce of water for each pound you weigh. If you weigh 150 pounds, that would be 75 ounces of water a day.

### SCREEN TIME

# 2

Our many devices, social media platforms, and the seemingly bottomless internet have created a new time drain. According to a 2015 Nielsen report, American adults average 11 hours of screen time per day—11 hours! Of course some of this time is work-related, but just think of all we could accomplish by reclaiming some of this lost recreational time. Consider making small changes like occasionally calling a friend instead of texting, not bringing gadgets into certain rooms, or committing to spending less than two hours per day looking at a screen.

### FRUITS AND VEGETABLES

# 9

The U.S. Department of Agriculture recommends nine daily servings of fruits and vegetables, which is roughly two cups of fruit and two and a half cups of vegetables each day. Meeting these recommendations can help reduce the risk for heart disease, Type 2 diabetes, some cancers and high blood pressure. Countless tips and recipes may be found online. Also, consider trying something new in the produce section. For more information, visit [www.choosemyplate.gov](http://www.choosemyplate.gov).

### ACTIVITY/EXERCISE

# 150

Weight control, disease prevention, mood improvement, better sleep and energy boosts are just a few benefits of regular physical activity. Haven't exercised in a while? Start slow and build momentum. According to the Department of Health and Human Services' Physical Activity Guidelines for Americans, adults need at least 150 minutes of moderate-intensity physical activity each week. Don't have a free hour? Move 10 minutes here and five minutes there. Every step is a move in the right direction!

### SLEEP

# 7-8

Sleep is a basic survival need, as well as a vital indicator of overall health and well-being. Sleep *quality* is also extremely important. Stimulants like caffeinated beverages, alarm clocks and external lights – like those from electronic devices – interfere with our natural sleep cycles. The National Sleep Foundation recommends adults age 18 and over should get at least seven to eight hours of quality sleep per night.

### SUGARY DRINKS

# 0

That morning latte, super-sized soda at lunch, or afternoon trip to the vending machine is taking a toll on your health. Commit to eliminating all sugary drinks from your diet. If stopping cold turkey doesn't seem reasonable, try replacing one drink with a glass of water or freshly brewed herbal tea. Try that for a few days and then replace another drink. Eventually, you'll reach your goal and feel the positive effects of less sugar.

# We like hearing from you!

Connect with something you read in this edition? Have a different point of view? Maybe you have an article idea, or want to share a healthful tip to maintain a vibrant life in retirement. We want your comments and suggestions. Please send all feedback to our new email address at [newsletter@opers.ok.gov](mailto:newsletter@opers.ok.gov).

## Contact OPERS

**Mailing Address:**

Oklahoma Public Employees Retirement System  
Post Office Box 53007  
Oklahoma City, Oklahoma 73152-3007

**Local Phone:**

(405) 858-6737

**Outside Local Calling Area:**

(800) 733-9008

**Website:**

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

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