

Relocating in Retirement? Five Important Things to Remember



Retirement can bring a feeling of liberation. Like a caged bird set free, many see retirement as an opportunity to take off and make a home somewhere new. In fact, 64 percent of retirees say they are likely to move at least once. However, moving can lead to regret if you desire a new address based on a single factor. Before making a move, thoughtfully evaluate the points below to ensure a comfortable and enjoyable future.

Downsizing

Are you thinking about changing zip codes or just downsizing to a smaller space? Less space can mean spending less on utilities, such as heat and air, and hopefully narrowing the gap between income and expenses. A townhouse or condo may be a better value for maintenance and landscaping. Buying a less expensive place may also lower your tax liability.

Surprisingly, nearly half of retirees don't downsize in a move and a third move into a larger home¹. With family dispersed across the country, the retiree's home becomes a gathering place. This is particularly important during holidays or vacations when space to take in visiting family members becomes a priority.

Reducing Expenses

Low or no-income tax states tend to be a big draw for retirees, but other taxes may prove burdensome. These states often source revenue through higher property tax, sales tax, estate taxes, inheritance taxes, gasoline taxes, etc. Keep in mind if you maintain a home or live part-time in your former state, you may still owe taxes on your retirement income.

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¹ Home in Retirement; More Freedom, New Choices: A Merrill Lynch Retirement Study conducted in partnership with Age Wave. https://mlaem.fs.ml.com/content/dam/ML/Articles/pdf/ml_Home-Retirement.pdf

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Director's Corner The Power of Tradition and Consistency

Joseph A. Fox, Executive Director

One of my favorite childhood memories was playing baseball. Growing up in rural Osage County, we traveled up and down Highways 11 and 20 to play teams from surrounding communities in a time where there were no cell phones or entertainment systems, just the car radio broadcasting the Cardinals all the way from St. Louis. I can still hear the voices of Jack Buck and Harry Caray calling every pitch and still taste the grape snow cone from the concession stand after a dusty, hard-fought game. I doubt many kids listen to or even watch baseball anymore; yet the most traditional of all games endures.

Tradition and consistency have also played a big part of our success at OPERS over the decades. The investment of your retirement is administered by our board of trustees, which has had only two chairmen in the past 30 years. This consistency of leadership and a stable investment strategy have provided a foundation and discipline for our board and investment staff to know what they can and cannot control. This approach, along with the transparency of investing almost exclusively in publicly traded markets, reduces overall risk in the plan.

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RETIREMENT 101

Seven Expensive Retirement Mistakes

While transitioning to retired life, there will undoubtedly be a few bumps in the road. Retirement is a brand-new chapter of life and it's reasonable to expect some challenges. The last thing you want to do is compromise your retirement security with costly, easily avoidable missteps. Everyone should consider planning ahead to avoid these expensive mistakes during retirement.

Not Changing Your Lifestyle in Retirement

If you want your savings to last until the end of your very long retirement, your spending habits will need to change. This may include downsizing or rethinking your spending strategy. Start learning how to save money on everyday expenses and re-evaluate your budget to find places for cuts. You won't become perfectly thrifty overnight, so make positive incremental changes over time. Small changes now will make a big difference in the long run.

Not Evaluating Risk

You may have determined your retirement savings goal based on a careful calculation of what you'll need to support your lifestyle, a simple formula, or guidelines from a financial advice source. That's a good start. However, you also need to account for the ups and downs of the market, the effects of inflation, and rising healthcare costs. Revisit your retirement plan to make sure your savings still reflect your needs and continually adjust for changing risks.

Spending Too Much Money Too Soon

Retirement generally affords us more free time. Often when we have more time, we spend more money. The enticement to spend your money can be almost irresistible, but discipline is vital. While living on a budget is helpful at any stage of life, it is a requirement for a secure retirement. Budgeting creates a plan to meet obligations and helps paint a clear picture of how much fun we can afford without wreaking havoc on our future financial outlook.

Loaning Money to Adult Children

According to a 2015 Pew Research Center poll, a whopping 61 percent of parents in the U.S. admitted to helping their adult children financially. Providing support could put you in a financial pickle, considering you may never see the payback. Don't be afraid to say no to giving money. Your non-financial support such as a listening ear, a place to sleep, providing meals or help finding solutions to their situation could be more valuable.

Taking Social Security Benefits Too Early

Claiming Social Security benefits too early means you could miss out on your full benefit potential. The same can be said about applying for early OPERS benefits. Taking a reduced benefit now may harshly affect you later in retirement after the impact of rising healthcare costs and inflation. Circumstance can make early retirement a necessity. Otherwise, the longer you wait the better.

Not Taking Required Minimum Distributions after Age 70 ½

Starting at age 70 ½, you must take required minimum distributions (RMDs) from your tax-deferred retirement saving accounts each year to satisfy rules set forth by the Internal Revenue Service. This includes SoonerSave for state employees. Failure to meet this requirement will result in a 50 percent penalty. More information and worksheets regarding RMDs may be found on the IRS website, www.irs.gov.

Not Keeping Your Address and Beneficiaries Up-To-Date

Keeping OPERS updated of any changes to your address or beneficiaries is extremely important whether you are actively employed, newly retired, or well into your retirement years. Providing OPERS with your address will ensure timely communication of publications, tax forms, and other information. Keeping beneficiary forms up-to-date guarantees your benefits are paid exactly as you intend after your passing.

Crunching the Numbers

4,649

Number of new members enrolled in OPERS in FY 2016

37.4

Average age of new members enrolled in FY 2016

\$73.8 million

Amount of contributions paid by members in FY 2016

11.2

Years of service credit of the average OPERS member

\$565 million

Total amount of retirement, disability, and survivor benefits paid by OPERS in FY 2016

1,984

Number of OPERS members who retired in 2016

26%

Percent of OPERS retirees with more than 20 years of service

\$296 million

Amount of contributions paid by employers in FY 2016

16.5%

State employer contribution rate for FY 2016

\$9 billion

Market Value of plan assets as of April 2017

93.2%

Funded ratio as of July 1, 2016

OPERS Profiled in Top 1000 Funds

Our retirement system, board of trustees, and Chief Investment Officer Brad Tillberg are featured in a recent article on Top1000Funds.com. The article, "OPERS Keeps it Simple and Succeeds", discusses the "continuity and success" of our board and investment strategy. To read the entire article, visit www.top1000funds.com/profile/2017/05/15/opers-keeps-it-simple-and-succeeds.

2017 Legislative Summary

The following is a description of the 2017 legislation affecting members of retirement systems administered by the Oklahoma Public Employees Retirement System (OPERS).

Senate Bill 242 (Sen. Adam Pugh and Rep. Ryan Martinez)
Effective August 25, 2017

This bill adds the Oklahoma State Treasurer, or his/her designee, to the OPERS and Teachers' Retirement System Board of Trustees.

House Bill 1704 (Rep. Randy McDaniel and Sen. Bill Brown)
Effective November 1, 2017

OPERS requested this bill to clarify certain plan provisions for members of the Uniform Retirement System for Justices and Judges, Elected Officials, and Public Safety Officers under the Grand River Dam Authority.

- **URSJJ Retirees Returning to Work** – Amended language treats retired members of the Uniform Retirement System of Justices and Judges (URSJJ) similarly to OPERS members. Judges who return to work for a URSJJ employer must participate in URSJJ by paying retirement contributions. If the judge returns to work for at least 36 consecutive months of full time service credit, they would be eligible to retire a second time and have their benefit recalculated. If the judge returns to work for less than the 36 consecutive months of full time service credit, they would not be able to retire a second time but would have their benefit reinstated upon leaving office and receive service credit for the additional months.
- **Elected Officials** – Currently if an elected official chooses the maximum option with a ½ survivor annuity, the surviving spouse will only receive the survivor annuity if he/she does not remarry after the elected official's death. The amended language removes the prohibition against remarriage.
- **GRDA Public Safety Officers** – The statutory cite for hazardous duty exemptions in Pathfinder needs to be updated to include GRDA officers under 74§902 as a result of 2016 legislation.

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

Pre-Retirement Seminars

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

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

2017 SCHEDULE

Oklahoma City

August 3
August 24
September 14
October 5
October 26
November 16
December 15

Enid

August 10

McAlester

September 7

Lawton

November 2

Tulsa

July 20
September 21
December 7

Relocating in Retirement?

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Taxes aren't the only expense worth reducing. You should also take into account cost of living. Increased spending on housing, food, goods and services can add up to more than what you will save in taxes. Don't forget to consider that the first \$10,000 of your OPERS benefit will be excluded from state taxes for those maintaining a primary residence in the state of Oklahoma. Use the following links to compare taxes and cost of living.

money.cnn.com/calculator/pf/cost-of-living/

www.kiplinger.com/tool/taxes/T055-S001-kiplinger-tax-map/

Healthcare

As we age, access to quality healthcare becomes vital. Take a realistic assessment of your current health and possible future needs. Factors to consider include cost, the availability of facilities, ease of scheduling appointments, and if preferred doctors are accepting new patients. Recognize you may be leaving behind physicians or specialists with whom you've developed a long-term relationship, as well as family or friends who could be potential caregivers. Those residing outside the U.S. will not have access to Medicare.

Getting around

Your location in retirement may help make travel more affordable. Frequent fliers may contemplate residing closer to or in hub cities to reduce connections and ticket prices. Those who long to hit the open road may choose a central location or a more western locale near national parks. Building loyalty to an airline, cruise line, or travel company may also bring perks that enhance or increase opportunities for travel experiences.

Don't forget about local commutes. How easily will you be able to access necessary services and stores if you are unable to drive in the future? Try taking public transportation for a day to track costs, distances, and accessibility. Also consider the travel costs associated with visiting family.

Neighborhood Amenities

A location's weather, lack of allergens, scenery, entertainment, or access to natural resources may entice you during vacation, but what will life be like year round? You may find the summers are too humid, the mosquitos unbearable, or the winters too brutal for your liking. Will you want access to cultural events, museums, the various food options of a big city, the quiet solitude of a mountain cabin, or quality hunting and fishing nearby? Decide what you want in retirement and determine if the new location will meet those needs.

Final Considerations

Moving at any time can be burdensome and expensive, but it may be extra stressful for someone who is also adjusting to life in retirement. A successful retirement move should be planned well in advance. Try staying at a rental property for an extended period to get a accurate feel for the costs and atmosphere. Having a solid, well-researched plan will either increase the odds of finding a satisfying new retirement retreat or solidify the sentiment that there really is no place like home.

Healthful *hints*

Five Reminders for a Safe Summer

Summer has finally arrived! It's time to fire up the grill, pack the swim suits, and head out for some well-deserved relaxation. With a few good habits, you can make it a summer full of only fun memories. Below are five reminders for a safe and healthy summer.



Drink Plenty of Water

During the hot summer months, heat and sweat can leave your body dehydrated. A lack of water is harmful to your body and can make you crave food when you're not actually hungry. Keep yourself hydrated by drinking at least eight to nine glasses of water a day. Bored of water? Add some low calorie flavoring or opt for healthy alternatives like green tea or coconut water.



Always Apply Sunscreen

Exposure to harmful UV rays is at its greatest during the summer. Use a sunscreen lotion of at least SPF 30, and try a mineral-based sunscreen if you have sensitive skin. Avoid the sun during peak hours between 10am and 4pm in order to minimize UV radiation. If you plan to be out in the sun for a long period of time, remember to reapply sunscreen lotion every two to three hours.



Protect Yourself from Insects and Ticks

Anyone participating in outdoor activities such as hiking, camping, or yard work should follow insect and tick bite precautions. Using an insect repellent containing at least 20 percent DEET on exposed skin is highly recommended for outdoor safety. Ticks are prevalent in Oklahoma, ranking among those states with the highest rates of Rocky Mountain spotted fever, ehrlichiosis, and tularemia. To protect yourself, liberally apply insect repellent and consider wearing long-sleeved shirts and long pants tucked into socks or close-toe shoes. Wearing light-colored clothes makes spotting ticks easier. Hikers and bikers should stay in the center of trails to avoid grass and brush. Check for ticks daily along waistbands, hairlines, in the armpits, and in the groin areas.



Eat Healthy

When the sun is beating down, the idea of seeking out the nearest ice cream truck or snow cone stand is seriously tempting. After the initial sugar high, these treats can leave you feeling tired and hungry. Stay strong by packing a cooler full of healthy snacks and juices. Bottled water, sandwiches, vegetable sticks with hummus, yogurt, and fruit are all healthy, easily-portable choices.



Take Up a New Hobby

Summer is the perfect time to take up a new activity. Gardening is a great way to enjoy the outdoors, will help you burn calories, and may be enjoyed with kids or grandkids. If gardening doesn't suit your interests, you can try biking, tennis, golf, or hiking. Pilates is the perfect alternative for some alone time in the garden. Roll out a towel and have fun trying out planks and breathing techniques in the sun.

Summer is a great time to enjoy all that Oklahoma has to offer. From Alabaster Caverns State Park in Freedom to the Talimena Drive near Talihina, our state is ready to be explored. For information regarding attractions, events, and dining, visit www.travelok.org or www.discoveroklahomatv.com.

Director's Corner — The Power of Tradition and Consistency

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OPERS is a very long-term and well-diversified plan with 18 distinct investment mandates. Through March 31, 2017, the plan returned 9.41 percent for this fiscal year, while the overall investment fees continue to rank as one of the lowest in the country. OPERS also surpassed \$9 billion in assets for the first time in history. Our SoonerSave defined contribution plan reached \$1 billion in assets, also a high mark. The new mandatory Pathfinder defined contribution plan continues to grow for our newest state employees.

This traditional and consistent approach has worked well for your retirement plan and we intend to continue on this path for many decades to come. Our accomplishments are recognized in an article titled "OPERS Keeps it Simple and Succeeds" featured on Top1000Funds.com.

Contact OPERS

Mailing Address:

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

Local Phone:

(405) 858-6737

Outside Local Calling Area:

(800) 733-9008

Website:

www.opers.ok.gov

Article Idea? Comments?

We want to hear from you!

newsletter@opers.ok.gov

This publication, printed by Mercury Press Inc., is issued by the Oklahoma Public Employees Retirement System (OPERS) as authorized by its Executive Director. Forty-four thousand (44,000) copies have been prepared and distributed at a cost of \$5,060.00. An electronic version of this publication has been deposited with the Publications Clearinghouse of the Oklahoma Department of Libraries.

Mailed July 2017



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