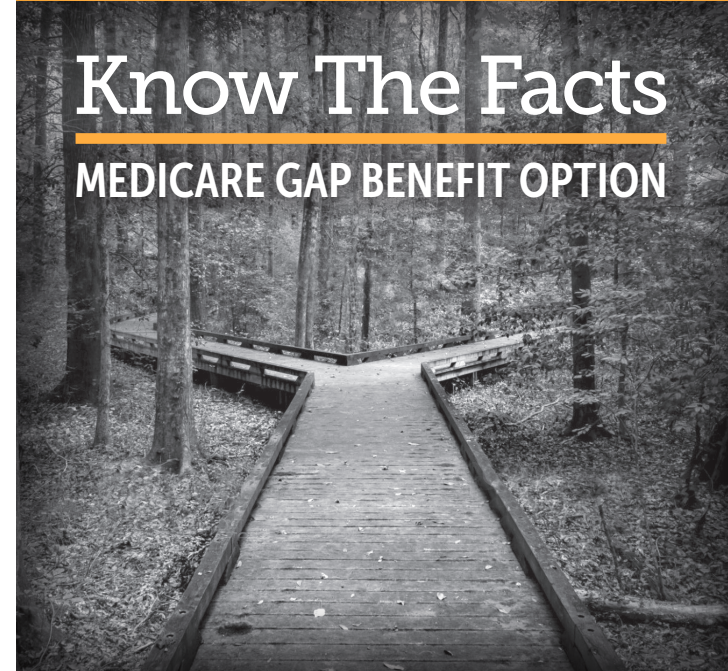


Know The Facts

MEDICARE GAP BENEFIT OPTION



How does Medicare Gap affect taxes?

The Medicare Gap Benefit is taxable to the same extent as regular retirement benefits and has no effect on your eligibility for the separate health insurance subsidy payment made by OPERS.

What happens to the benefit upon my death?

The Medicare Gap Benefit expires upon the death of the member. Your election of the Medicare Gap Benefit Option will not affect the amount of benefits payable to your joint annuitant under the option you selected at retirement. Your surviving spouse or joint annuitant's benefit will be based on your regular retirement benefit, including all cost of living adjustments after your retirement date. The joint annuitant will receive the amount as if you had not made this election.



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Table of Medicare Gap Benefit Examples

AGE	REGULAR MONTHLY BENEFIT AMOUNT				MONTHLY BENEFIT AMOUNT WITH MEDICARE GAP OPTION			
	<65	65+	<65	65+	<65	65+	<65	65+
	\$500		\$1,000		\$1,500		\$2,000	
45	NA	NA	NA	NA	\$1,749	\$394	\$2,249	\$894
50	NA	NA	\$1,249	\$330	\$1,749	\$830	\$2,249	\$1,330
55	NA	NA	\$1,249	\$637	\$1,749	\$1,137	\$2,249	\$1,637
58	\$749	\$275	\$1,249	\$775	\$1,749	\$1,275	\$2,249	\$1,775
60	\$749	\$352	\$1,249	\$852	\$1,749	\$1,352	\$2,249	\$1,852
61	\$749	\$386	\$1,249	\$886	\$1,749	\$1,386	\$2,249	\$1,886
62	\$749	\$418	\$1,249	\$918	\$1,749	\$1,418	\$2,249	\$1,918
63	\$749	\$447	\$1,249	\$947	\$1,749	\$1,447	\$2,249	\$1,947
64	\$749	\$475	\$1,249	\$975	\$1,749	\$1,475	\$2,249	\$1,975

NOTE: This table assumes a Medicare Gap increase of \$249 per month before age 65.

AGE means at retirement
 <65 refers to pre-65 benefit amount

65+ refers to post-65 benefit amount

NA Not available due to minimum benefit amounts

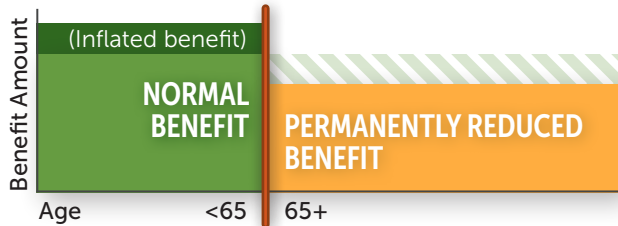
For more detailed information about the Medicare Gap Benefit Option, you should read the statutes and rules governing this option. You can find them on the OPERS website at www.opers.ok.gov.

What is the Medicare Gap Benefit Option?

The Medicare Gap Benefit Option is an irrevocable election that allows you to take a loan against future benefits to fund a temporary increase in your retirement benefit before age 65. You will pay back the pre-65 increased benefit in the form of a permanent decrease in benefits upon reaching Medicare eligibility at age 65.

OPERS will communicate with you at retirement if you are eligible to make this election.

Carefully consider, because the decrease in your monthly benefit amount will be permanent. **In some cases, the permanent decrease in the benefit amount will be greater than the temporary initial increase.**



How does the Medicare Gap work?

Your regular retirement benefit will be calculated based on the retirement payment option you select (Maximum, Option A, or Option B). If you elect the Medicare Gap Benefit Option, the pre-Medicare increase will be added to your regular retirement benefit amount to determine your pre-Medicare benefit amount. Beginning the month following your 65th birthday, the Medicare Gap amount will be removed and your benefit will be permanently reduced to an amount less than your original retirement benefit to begin repaying the pre-Medicare increase. (See the example on the back of this brochure.)

How is the Medicare Gap Calculated?

The amount of the pre-Medicare increase is determined by the OPERS Board of Trustees before January 1 of each year for retirees who will retire that calendar year. The amount is based upon the difference between the Medicare and non-Medicare supplement premiums for all health insurance plans offered by the Employees Group Insurance Division. The amount of the increase is locked in at retirement and changes in premiums after you retire will not change the amount you receive.

How much will my benefit decrease at age 65 when the Medicare Gap benefit expires?

The amount of the post-Medicare decrease in your monthly retirement benefit after age 65 is actuarially determined based on your age at retirement. The reduction is spread out over your expected life span to make up for the higher pre-Medicare payments and ensure this option is actuarially equivalent to your regular retirement benefit.

The amount of your decrease will change as a result of cost of living adjustments (COLAs) or other changes in the benefit amount you actually receive. Your post-Medicare benefit will be adjusted for COLAs granted after your retirement date using the percentage equivalent of those COLAs.

Who is eligible to participate in the Medicare Gap Benefit Option?

State, county and local government employees who are active OPERS participants are eligible to make this election, unless:

- ▶ You have received any OPERS retirement benefits prior to May 1, 2006;
- ▶ You are retiring under OPERS disability retirement;
- ▶ You are selecting an Option C type of benefit;
- ▶ The post-Medicare reduction would result in your monthly benefit being less than \$200.00;
- ▶ Your retirement benefits are subject to a qualified domestic relations order and the post-Medicare reduction would result in a monthly payment of less than \$100.00 to you or the alternate payee.

You can only make the election of the Medicare Gap Benefit Option before your retirement date. It is irrevocable and cannot be changed after you retire. OPERS will send you an election form after receiving your Retirement Application. Your ability to make this election is lost if your signed election form is not received before your retirement date.

If you return to work for an OPERS participating employer after retiring and electing the Medicare Gap Benefit Option, you will not be eligible to waive receipt of your monthly retirement benefit and retire a second time. You will remain eligible to continue receiving

retirement benefits (until reaching annual post-retirement earnings limits) and to earn additional service credit toward increased retirement benefits. Visit the OPERS website at www.opers.ok.gov for more details about post-retirement employment.

Is the Medicare Gap Benefit Option the right choice for me?

OPERS cannot provide advice about making the election. It is a personal decision you must make if you are under age 65 at the retirement date. Here are factors you may wish to consider in making this personal decision:

- ▶ Your financial ability to pay your pre-Medicare health insurance premiums;
- ▶ Whether or not you can afford the permanently reduced post-Medicare benefit;
- ▶ How long you expect to receive a pension from OPERS, based on age and life expectancy.

You should evaluate your individual circumstances to determine whether the Medicare Gap Benefit Option is appropriate for you. There are no provisions for stopping the Medicare Gap Benefit Option once you have elected it.

Your monthly benefit will be reduced in the month after you reach age 65 and for the remainder of your lifetime, regardless of any change in your circumstances.

Electing the Medicare Gap Benefit Option is an important decision, and we encourage you to discuss it with your spouse and financial advisor and explain how it will work. While you may be prepared for the decrease in the amount of your benefit, your spouse may not. Your spouse may not understand or remember the details of the election after your death. Please keep a copy of this information with your important papers, such as your will, life insurance policies, etc.

(continues on back)