As a result of her election of the Step-Up, Barbara's total monthly retirement benefit would increase from $1,181.00 to $1,374.00 per month, an increase of $193.00 per month. This is only an estimate.

The following is a projection of the additional contributions Barbara would have to make to fund the increased retirement benefit in Example B. Again, keep in mind this is an estimate only. The contribution rate could be raised or lowered by law in the future.

Additional Step-Up Contribution Projection

Year	Assumed Salary x 2.91%	Additional Annual Contribution
2013	$24,500 X 2.91%	$712.95
2014	$25,000 X 2.91%	$727.50
2015	$25,500 X 2.91%	$742.05
2016	$26,000 X 2.91%	$756.60
2017	$26,500 X 2.91%	$771.15
2018	$27,000 X 2.91%	$785.70
2019	$27,500 X 2.91%	$800.25
2020	$28,000 X 2.91%	$814.80
2021	$28,500 X 2.91%	$829.35
2022	$29,000 X 2.91%	$843.90
2023	$29,500 X 2.91%	$858.45
2024	$30,000 X 2.91%	$873.00
2025	$30,500 X 2.91%	$887.55
2026	$31,000 X 2.91%	$902.10
2027	$31,000 X 2.91%	$902.10
Total Contributions		**$12,207.45**

OPERS has prepared the example and information in this brochure to assist you in understanding the Step-Up and its impact on benefits and contributions. Each person's situation is unique based on his or her age, salary and years of service. Therefore, you should make your own calculations based on your individual situation. OPERS cannot make these calculations for you and cannot provide advice about your decision whether to make the election or the timing of that election.

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OKLAHOMA PUBLIC EMPLOYEES RETIREMENT SYSTEM

2.5% STEP-UP

What is the 2.5% Step-Up?

The 2.5% Step-Up allows members to increase their retirement benefits by paying an additional member contribution each pay period.

The standard retirement benefit calculation for most OPERS members uses a benefit computation factor of 2% (or 0.02). The additional Step-Up contributions are used to fund a higher benefit computation factor of 2.5%. The standard formula for calculating retirement benefits is:

- Final Average Compensation
  × Years of Service Credit
  × 0.02 (2.0% benefit computation factor)

  = Gross Annual Benefit (Standard)

The Step-Up formula for calculating retirement benefits is:

- Final Average Compensation
  × Years of Service Credit
  × 0.025 (2.5% benefit computation factor)

  = Gross Annual Benefit (Step-Up)

The Step-Up will increase your computation factor only on participating service you accrue after the election and only for full years (12 months) of participating service. (NOTE: 2,076 hours equals a full year of participating service).

Who can participate in the Step-Up?

All actively participating OPERS members may make this election, with the exception of hazardous duty members and elected officials who were first elected or appointed prior to November 1, 2011.

This is an irrevocable election and is binding on all future participation in OPERS, including a change in position, a break in service, or returning to OPERS participating employment after retiring or having withdrawn retirement contributions from previous periods of employment.

What is the additional contribution that is required?

You are required to make an additional retirement contribution to "step up" your retirement benefit calculation. Currently, this actuarially determined amount is an additional **2.91% of your compensation** for retirement purposes. To determine your Step-Up contribution rate, add 2.91% to your current retirement contribution rate. If you don't know your current retirement contribution rate, ask your retirement coordinator or payroll clerk. **Regular employee contribution rates and/or the additional Step-Up rate could change in the future.**

How and when do I start paying the additional contribution and start accruing Step-Up service?

To participate in the Step-Up, you must complete and sign a *Step-Up Election Form* and return it to your retirement coordinator. The election can be made at enrollment or at any time while you are an active participating member and will be effective the first payroll period after your election and acceptance by your employer.

What should I consider before electing the Step-Up?

You should evaluate your individual circumstances to determine whether the Step-Up is appropriate for you. There are no provisions for stopping the Step-Up once it has begun. The increased employee contributions will lower your take-home pay. You are not permitted to withdraw your OPERS retirement contributions unless you terminate your employment and membership in OPERS. Partial years of service (including participation in the Step-Up for partial years), service prior to your election, purchased credit, prior service, military service, transported service, bonus years and unused sick leave will all be calculated at the regular 2% computation factor.

Here are some factors you may wish to consider in making your personal decision:

- Your financial condition and tax status;
- Whether you can afford to have the higher contribution withheld from your pay;
- How long you are likely to remain an active member of OPERS;
- How long you and/or your survivor are likely to receive a pension from OPERS, based on age and life expectancy;
- Other choices for tax-sheltered retirement savings (such as SoonerSave or an IRA).

Members electing the Step-Up are not permitted to participate in the Excess Benefit Plan to the extent any excess benefit is attributable to the Step-Up election. The Excess Benefit Plan applies only to a very small number of members and permits members whose benefit exceeds federal tax laws to receive the excess over such limits. (26 U.S.C.A. §415)

Step-Up Benefit Calculation Examples

Barbara began participating in OPERS in January 2005. She completed eight years of participating service at the end of December 2012. Barbara expects to work another 15 years before reaching normal retirement eligibility for a total of 23 years of service. She estimates her final average compensation at retirement will be $30,833.

A. If Barbara does not elect the Step-Up, her monthly benefit will be calculated as follows:

- Standard Benefit Calculation

Final Average Compensation		$30,833
Years of Service	×	23
Standard Computation Factor (2%)	×	0.02
Total Annual Benefit	=	$14,183
12 Months	÷	12
Total Monthly Benefit	**=**	**$1,181.93**

B. If Barbara elects to begin paying the higher contribution on January 1, 2013, her monthly benefit would consist of two calculations to create a combined benefit as follows:

- Annual Standard Benefit Amount

Final Average Compensation		$30,833
Years of Service before Step-Up	×	8*
2% Standard Computation Factor	×	0.02
Annual Standard Benefit	**=**	**$4,933.28**

** January 2005 through December 2012*

- Annual Step-Up Benefit Amount

Final Average Compensation		$30,833
(Full) Years of Service after Step-Up	×	15#
2.5% Step-Up Computation Factor	×	0.025
Annual Step-Up Benefit	**=**	**$11,562.38**

 # January 2013 to normal retirement date

- Total Combined Benefit Amount

Annual Standard Benefit (2%)		$4,933.28
Annual Step-Up Benefit (2.5%)	+	$11,562.38
Total Annual Benefit	=	$16,495.66
12 Months	÷	12
Total Monthly Benefit	**=**	**$1,374.64**

(continued)