OKLAHOMA Police Pension and Retirement System PROTECT & SERVE

PROTECT AND SERVE

Spring 2019

A publication of the Oklahoma Police Pension and Retirement System

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Inside this Issue:

Letter from the Executive Director — Ginger Sigler

LOOKING FORWARD TO 2019

Hello everyone. I hope everyone had the happiest of holidays this year. I enjoyed my time off with my family and making new memories. But now it is time to get to work!

I went to Washington DC the last week of January to attend a Legislative Conference. It was a great chance for me to meet other individuals who administer and serve on Public Pension Systems and Boards. I am listing a few of the things we discussed so you can have a sense of what is being debated in D.C. on behalf of retirees:

Windfall Elimination Provision/Government Pension Offset. Senator Sherrod Brown of Ohio has introduced legislation to repeal this act. This bill is Senate Bill 915. Ways and Means Chairman Kevin Brady and Richard Neal have developed a plan to give retirees a little relief by designing a rebate to those who suffer from the Offset. This bill is House Bill 6933. We will keep an eye on both of these bills.

Mandatory Social Security. The Windfall Elimination Provision was created when it allowed governments to opt out of social security for their employees. The Mandatory Social Security would not allow for opting out of it and help keep social security more solvent. This would alleviate the windfall problem for new hires going forward.

Early-Age Medicare. There is a push by Senator Sherrod Brown to draft legislation that would allow retired first responders who have reached age 55 to buy into Medicare under the same terms as individuals who have reached the current eligibility age of 65. There is currently no legislation out there, but they are looking into it.

On the state level, we are working hard to get a Cost of Living Adjustment ("COLA") passed for our retirees. This has been an uphill battle because we haven't been able to get any COLA Bills heard in the Senate Committees. We are starting the process in the House of Representatives and I hope in our next newsletter we will be able to bring you good news.

For the active guys, the bill that would have reduced the benefit for new hires has died for the present time. However, we never count a bill out until the session is over.

Continued

OKLAHOMA POLICE PENSION AND RETIREMENT SYSTEM

SPRING 2019 NEWSLETTER

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We are continuing our efforts to hold more retirement seminars across the state. We are also planning a few meet and greets throughout the state as well. Our first one in Tulsa was a great success. I enjoyed meeting many of you. I hope you enjoy being updated with things going on at the Pension System. Of course, if you aren't getting my regular emails, remember to send me an email at ginger.sigler@opprs.ok.gov and I will add you to my email list. I have enjoyed the many emails I am getting from all of you. I think together we can achieve great things.

Take Care and Be Safe!

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2019 OKLAHOMA POLICE PENSION AND RETIREMENT BOARD MEETING DATES

January 16, 2019	May 15, 2019	September 18, 2019
February 20, 2019	June 19, 2019	October 16, 2019
March 13, 2019	July 17, 2019	November 20, 2019
April 17, 2019	August 21, 2019	December 18, 2019

Insurance Premiums for Retired Public Safety Officers

In 2006, the federal legislature passed the Pension Protection Act. While it addressed numerous topics, one of the items included allowed retired public safety officers to exclude from taxable income certain insurance coverage premiums. To be eligible, the insurance premiums have to be withheld and paid by the plan on the member's behalf. Allowable insurance coverages include accident, health or long-term care policies. These premiums can cover the member, their spouse and dependents. Members with qualifying premiums paid by the plan may exclude from income up to $3,000.00 or the amount of the premiums, whichever is less.

If you had qualifying insurance premiums withheld during the year, they will be shown on your annual tax statement. The tax statement sent out by the System is divided into 4 quadrants. Allowable insurance premiums withheld and paid during the year are shown in the lower right quadrant of your tax statement. This amount is not included on your official IRS form 1099-R, which is presented as the other 3 quadrants of the tax statement. If you had qualifying premiums deducted and paid during the year, you can reduce the amount shown in box 2A by the amount of your premiums paid or $3,000.00, whichever is less.

Although the System works closely with members to accommodate this tax benefit, it is not without its challenges. Some outside insurers fail to credit the member's account when payment is sent, creating problems for the member who is soon contacted by the insurer indicating that the premium payment was not received. A communication loop is then created between the member, the insurer and the System in an attempt to resolve the issue. This is a common problem for the System and members with insurance deductions, particularly with independent insurers. Most pension systems with public safety officers have this problem, and some do not even provide this service due to the administrative burden.

The System recently had the opportunity to discuss this issue with a number of the State's federal legislators, and positive feedback was received. We recommended that the law be changed to allow the member to make premium payments directly to the insurer (usually through auto draft) while still allowing the deduction. This change would remove the administrative burden placed on systems that accommodate the deduction, and allow many more public safety officers to take advantage of this tax break. We encourage you to reach out to your legislator and let them know you would like to see this burdensome regulation removed from the law, allowing each member to deal directly with their insurer while retaining the deduction. Contacts for the State's federal legislators are as follows:

Oklahoma Senators

Jim Inhofe – 202-224-4721 –or- website: https://www.inhofe.senate.gov/contact
James Lankford – 202-224-5754 –or- website: https://www.lankford.senate.gov/contact/email

Oklahoma Representatives

Kevin Hern – 202-225-2211 –or- website: https://hern.house.gov/contact/
Markwayne Mullin – 202-225-2701 –or- website: https://mullin.house.gov/contact/

Frank Lucas – 202-225-5565 – or- website: https://lucas.house.gov/contact-me/email-me

Tom Cole – 202-225-6165 –or- website: https://cole.house.gov/contact/email

Kendra Horn – 202-225-2132 –or- website: https://horn.house.gov/contact

After the new year, we all say we are going to lose weight and get healthy.

Here are seven healthy weight loss tips for retirement:

1. Shop when you're full.

Healthy eating starts at the grocery store, with sensible ingredients that help you stay on the path to your healthy weight. But, if you go shopping when you're hungry, you're more likely to buy higher calorie, less nutritious foods, according to researchers from Cornell University. Retirees don't have to squeeze in visits to the grocery store after work, when they're likely to be hungry. Instead, you can enjoy a healthy meal and then go to the store with a full belly and a clear mind about the best foods to buy.

2. Cook for yourself.

With more time available in your day, you have the chance to prepare healthier meals for yourself and to experiment with lots of new dishes. If trial and error seems to be a costly way to learn how to cook healthy meals for just one or two people, many supermarkets, health clinics and organizations for seniors offer free (or low-cost) cooking classes. These will assist you in the transition from cooking for a big, hungry family to whipping up wholesome, delightful little meals for yourself and your spouse.

3. Make time to play.

While you can hit the gym whenever you want, retirement offers plenty of opportunities to have fun burning calories. At 185 pounds, you can melt off about 1,952 calories playing golf for four hours, if you carry your clubs. Even if you grab a cart, you'll hit about 1,240 calories. Grab your partner and go ballroom dancing to burn 488 calories per hour. Prefer gardening? Over 400 calories gone, after an hour of planting, watering and weeding. Meet a friend for a 30-minute walk instead of lunch and burn 178 calories, as you stroll at a comfortable pace of 3 and a half miles per hour.

4. Take a dip.

Sore muscles and joints can deter you from exercising regularly. Water-based activities reduce the stress on your body and can even soothe minor aches and pains. Swimming is one of the best forms of exercise because it works a wide variety of muscles in your body and your cardiovascular system. The possibilities don't end there, either. Check with your local public swimming pools for daytime water aerobics and group fitness classes just for retirees.

5. Drink more water.

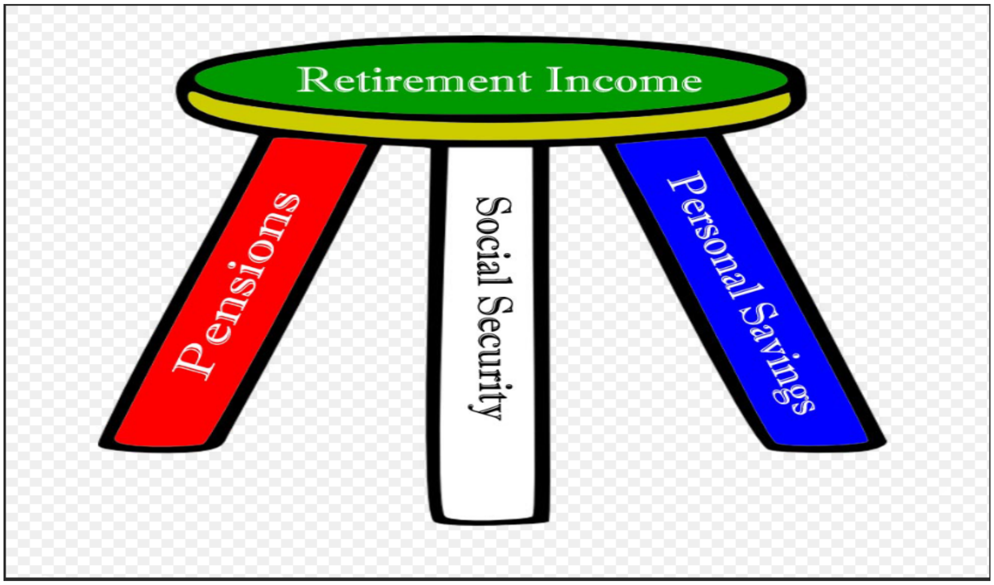
As you get older, you may find yourself going to the bathroom more frequently, even if you don't have a serious condition. Don't let this keep you from drinking water regularly. You need about 64 ounces a day to keep your digestion working and your metabolism burning. Carry a bottle with you to sip throughout the day and your body will stay hydrated, without overwhelming your bladder.

6. Get lean on protein.

As people age, their muscle mass can begin to diminish, leading to a slower metabolism, even at rest. Protein is the building block of muscles and it's essential to restoring and repairing them. You need about one gram of protein daily for every kilogram (2.2 pounds) of body weight. When you're trying to lose weight, protein provides steady energy and keeps you feeling full longer. The best kinds of protein, known as PowerFuels, are high in healthy fats and low in saturated fats. Turkey and salmon are concentrated sources of lean protein, as are eggs, chickpeas, other legumes and nuts.

7. Add calcium.

You may have heard that calcium is critical to maintaining the health of your bones. Bones become more brittle in your retirement years, making this mineral especially important. Calcium is just as important for healthy weight loss because it helps to regulate how fat is processed and stored in your body. Nonfat dairy products, such as milk, yogurt and cottage cheese are healthy sources of calcium. You also can get a heavy supply from dark leafy greens (like kale and collards), almonds and figs. Check with your physician before taking any calcium supplement.



Saving for a Secure Retirement – The Three-Legged Stool Approach

The "three-legged stool" is an old phrase that many financial planners used to describe the three most common sources of retirement income: Social Security, employee pensions, and personal savings. It was expected that those three sources of income would combine to provide secure retirement income. None of the three was expected to support most Americans in retirement on its own.

Times have changed, though, and so has the three-legged stool. For many younger workers, but fortunately not for OPPRS members, most defined-benefit plans, which are funded by a combination of company and employee contributions, have been replaced by 401(k) and other defined-contribution plans, also known as retirement savings accounts. 401(k)'s and other retirement savings plans were never meant to serve as a pension, however, but rather as a supplementary savings account. Some employers will match the employee contribution up to a certain percentage, but many are even eliminating contributing to that degree. Participation in OPPRS still provides the pension "leg" of a retirement stool today.

For some OPPRS members, many cities elected not to participate in Social Security, so this "leg" of the stool is not available, making the pension and personal savings legs much more important. For those that do participate in Social Security, there are many concerns about its future solvency and the ability to continue making payments as promised. Current estimates show Social Security trust fund reserves being depleted in 2034. This uncertainty places a higher demand on personal savings to bolster possible weaknesses in this "leg".

Personal savings rates have been extremely low for U.S. workers over the last decade. Starting early and saving a larger portion of income through retirement based accounts such as IRAs, annuities and other brokerage accounts to build retirement nest eggs will provide an important "safety leg" to your retirement stool . Financial advisors recommend investing up to 20% of each paycheck in a retirement savings account regularly. The earlier you start the better to take advantage of compounding investment returns. At the very least, always try to contribute enough to your 401(k) or other employer offered retirement savings account to max out the employer match, if your employer offers one.

Since retirement is far in the future for most, it feels difficult to plan for at times. As the old "three-legged" stool approach shows, even today, having various sources of income in retirement offers significant security and protection, even should one of those sources become compromised. Saving early and often goes a long way to supporting a comfortable retirement, but it's never too late to start!

13 MOST IMPORTANT THINGS TO KNOW ABOUT TAXES IN 2018

Your 2018 return won't look anything like what you're used to. The tax form is new and changes from the Tax Cuts and Jobs Act will substantially change what you can and cannot write off. Here is a roundup of the 13 most important changes to note so you're prepared for the upcoming tax filing season.

1. New Tax Form

When you file your 2018 return, it's going to be on a newly designed Form 1040 (not quite the size of a postcard but pretty close). There's no longer any Form 1040A or 1040-EZ. The new 1040 used by all filers is a short two-pager and is mostly for recapping income, deductions and credits. These items are reported on new schedules 1 through 6.

But don't despair about having a new form and schedules. Most taxpayers (about 80%) use software to file electronically (known as E-filing) or paid preparers to complete their returns. If this describes you, all you need is to provide the correct information; you don't have to worry where it goes on the form or schedules.

2. Lower Tax Rates

While there are still seven tax brackets, a number of them have been reduced. For example, the top tax rate is 37% (down from 39.6%). Overall, this means a lower tax bill for many individuals. It won't work out favorably for all, however. Take this example: The old ceiling for the 28% tax rate was $191,650 for a single filer. That 28% bracket is now gone and a single filer at that income level is now in the 32% bracket.

Regarding investment income, the rates that apply to long-term capital gains and qualified dividends are unchanged. However, the break points at which the zero rate, 15% rate, and 20% rate apply have been modified somewhat.

3. Higher Standard Deduction Amount

When you file your return, you still have a choice between taking the standard deduction or itemizing your personal deductions. The standard deduction amounts for 2018 are nearly double what they were in 2017: $24,000 for joint filers and surviving spouses, $18,000 for heads of households, and $12,000 for singles and married persons filing separately.

This higher standard deduction amount means you're more likely *not* to itemize (it is estimated that just 10% of filers will itemize under the new tax law down from 30% previously). This simplifies your recordkeeping

And the increased standard deduction amounts also affect whether you're required to file any tax return because there are now higher filing thresholds reflecting these higher standard deduction amounts.

Disclaimer: The Oklahoma Police Pension & Retirement System does not provide specific tax advice.

4. No Personal and Dependency Exemptions

In the past, you could claim exemptions for yourself (and spouse) as well as for your children and other dependents ($4,050 for each exemption in 2017). No more. Exemptions have been eliminated for 2018 (through 2025) on the theory that they're more than made up by an increased child tax credit (discussed next), the higher standard deduction amount, and other favorable tax changes.

5. Increased Child Tax Credit

If you have a child under the age of 17, you may be eligible for a $2,000 tax credit, $1,400 of which is refundable (payable even if more than the tax you owe). The child tax credit in 2018 is double what is used to be. You can take the credit for each eligible child.

Also, the income limits on eligibility have been dramatically increased — $400,000 for joint filers and $200,000 for other filers. This means more individuals are eligible to claim the credit.

And there's a new child tax credit of up to $500 for other dependents who are not your qualifying child (e.g., a disabled child of yours who is age 22 and lives with you). This credit is not refundable but cuts your tax bill dollar-for-dollar.

6. SALT Limitation

If you itemize deductions, the amount you can write off for state and local taxes (SALT), including state income or sales tax and local property taxes, is limited in 2018 to $10,000 ($5,000 for married persons filing separately). Until now, there was no limit.

If you live in a high tax state, you likely won't be able to deduct all of your SALT. Some states have enacted or are considering enacting workarounds to enable their residents to get a federal tax break for SALT payments. However, the IRS has already nixed one attempt. It's unclear whether states will go back to the drawing board on this one.

7. Cap on Mortgage Interest

If you obtained a mortgage to buy or build your principal residence (plus one other home) before Dec. 16, 2017, you're in the clear and can deduct all your mortgage interest (called "acquisition indebtedness") on borrowing up to $1 million ($500,000 if you're married and file separately). But if you have a newer mortgage, you're limited to interest on $750,000 (again half that if you're married and file separately).

Until now, individuals tapped the equity in their homes to pay off credit card debt, take a vacation, or finance their child's education. But on 2018 returns no deduction can be taken for interest on a home equity loan, regardless of when you obtained it. However, if you use the proceeds to add an addition to your home or make other substantial improvements, the interest is viewed as acquisition indebtedness, which is deductible subject to the overall limit above.

8. Almost No Miscellaneous Unreimbursed Deductions

If you've been deducting unreimbursed employee business expenses, such as union dues, business driving, and job-hunting expenses, you're now out of luck. No deduction is allowed for miscellaneous itemized deductions that were subject to a 2% of adjusted gross income (AGI) floor. One hopes, your employer has or will adopt an accountable plan to reimburse you for business expenses; you won't be taxed on this reimbursement.

In the same vein, investment expenses, such as safe deposit box rentals and investment advisory fees, are no longer deductible. They too had been miscellaneous itemized deductions subject to the 2%-of-AGI floor. One job-related deduction was saved: The deduction of up to $250 for teachers who buy school supplies for their classroom remains.

9. Only Federally Declared Disaster Losses Count

The itemized deduction for casualty and theft losses to personal-use property, such as your home, household items, car, and jewelry, can only be claimed if losses are the result of federally declared disasters. So those with uninsured losses from such disasters in 2018 as the Mt. Kilauea volcanic eruption, Hurricanes Florence or Michael, or the California wildfires may be eligible for a write-off. Check with FEMA for 2018 disaster declarations.

10. Higher AMT Exemption

Until now, about four million individuals (mostly those with income between $200,000 and $500,000) paid the alternative minimum tax (AMT) because it was greater than their regular tax liability. But that's now changed.

For 2018, the AMT exemption amount is increased to $109,400 for joint filers and surviving spouses, $70,300 for singles and heads of households, and $54,700 for married persons filing separately. What's more, the point at which these exemption amounts begin to phase-out has been increased to $1 million for joint filers and surviving spouses or $500,000 for other filers.

The result of these higher amounts: it's estimated that only about 200,000 taxpayers will pay this dreaded tax in 2018. In short, if you weren't subject to the AMT before and your income situation has remained roughly the same, you have even less reason to worry about it going forward.

11. Most Adjustments to Gross Income are Unchanged

Do you contribute to an individual retirement account (IRA) or Health Savings Account (HSA)? These and most other deductions you can take whether you itemize or take the standard deduction haven't changed (although there've been some adjustments to the numbers for inflation).

But the moving expense deduction that also was above the line is gone unless you are activeduty military moving as the result of military orders. If you relocate for a job or for your business, you can't deduct the cost of moving your household. What's more, if your employer reimburses you for moving costs starting in 2018, you're going to be taxed on this.

12. New 20% Deduction for Business Income

If you are an independent contractor or own a business (other than a C corporation), you may be eligible for a new qualified business income (QBI) deduction. To the extent you're eligible, you take it directly on Form 1040 as a personal deduction, whether you itemize or use the standard deduction.

13. Higher Estate Tax Exemption

Filing annual income tax returns isn't the full extent of the federal taxing arm; there's also estate and gift taxes. While the federal estate tax continues to apply, a giant exemption amount means that only very wealthy individuals need to be concerned with tax planning for their heirs. For those dying in 2018, the exemption is $11.18 million. (The same exemption amount can be used to gift property during your lifetime.) And for married couples, any unused amount can be applied toward the surviving spouse's estate in the future. But don't ignore lower exemptions that apply in some states.

The Bottom Line

Will you come out better or worse on your 2018 return as compared with your tax bill for 2017? Only completing your return will tell. Chances are that if you live in a low-tax state and don't itemize, you'll see a nice tax break. On the other hand, if you live in a higher-tax state (and also pay state and local taxes) – and if you have a big mortgage and have been accustomed to itemizing – you may see a bigger tax bill. This may also be true if you're in that unfortunate slice of low-six-figure earners who moved from the 28% to the 32% tax bracket.

IDENTY THEFT—FRAUDULENT SCAMS

I just got notified that my credit card had been compromised. AGAIN. It seems to happen about every other year. So this time I am getting serious about how to prevent this from happening. I k now this won't protect me completely, but here are a few ideas of how to better protect your card:

1. **Review your account statements.** If you are like me, I tend to skip over the details on my statement.
2. **Shred documents that have personal information on them.** I have finally purchased a shredder for my office at the house.
3. **Use Strong Passwords and change them often.** I am as guilty as anyone for using the same password for everything. If you are like me, you have more passwords than shoes and I have a lot of shoes. I have made a decision to use stronger passwords, I write them down in a safe place.
4. **Check your annual credit report.** You don't want to do this too often, but it is always good to check it in case something appears that shouldn't be there.
5. **Sign up for suspicious activity alerts.** Luckily our credit card has a fraud detection department that reviews transactions and watches for strange activity.

ADDITIONAL SERVICE AND MILITARY TIME

Do you have previous military service prior to joining your Municipal Police Department? Did you have previous service with another State Retirement System, either the Oklahoma Public Employees Retirement System ,Teachers Retirement System, Firefighters Pension System, or Law Enforcement Retirement System? When you joined OPPRS, you should have received a letter from us telling you that you could purchase this additional time. However, when you are starting your career, there is so much information thrown at you that it's easy to let that slip past. The earlier you purchase that time, the less expensive it is. So if you have previous military service or time with another state retirement system, please contact us about purchasing it. The time doesn't count towards your service time with OPPRS, but it increases your benefit after you complete your 20 years for retirement. Each year of purchased prior service adds an additional 2.5% towards your benefit calculation. That can add another $60-$100 a month to your benefit. Over many years of retirement, that can add up to a lot of money. Please do it early on in your career to keep the cost of prior service purchase as low as possible.

"I'm just saying, relying on change under the couch cushion is a risky retirement plan."

Important General Tidbits!!!

SAVE THE DATE FOR UPCOMING RETIREMENT SEMINARS!!!

JENKS MAY 2, 1PM

NORMAN JULY 11, 10 AM

WOODWARD AUGUST 27, 1 PM

FOR MORE DETAILS SEE OUR WEBSITE AT

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WE WANT TO WELCOME TO OUR NEW CITIES!

UNION CITY

STRINGTOWN

MEET AND GREET

MARCH 29, 2019

11 AM

STAFFORD AIR AND SPACE MUSEUM
WEATHERFORD OK

LIZ MARSHALL, DERIC BEROUSEK, AND DARCIE GORDON

We have started recognizing our staff who reach milestones in their service with the State of Oklahoma.

Liz Marshall completed 30 years of service

Deric Berousek completed 20 years of service

Darcie Gordon completed 15 years of service

GREAT JOB! THANK YOU FOR YOUR SERVICE!

OKLAHOMA

Police Pension and Retirement System

PROTECT & SERVE

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PLEASE KEEP YOUR ADDRESS CURRENT WITH US, WE ARE HAVING LOTS OF RETURNED MAIL! WE WANT TO KEEP YOU UPDATED AND INFORMED.

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This newsletter is for informational purposes only. Individual requirements and benefits may differ, depending on circumstances. Consult the plan provisions or OPPRS for detailed information.

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