

What is the Medicare Gap Benefit Option?

The Medicare Gap Benefit Option is an irrevocable election you may make at retirement to **temporarily** increase the amount of your monthly retirement benefit from OPERS if you are under the age of 65. This increase is intended to help pay health insurance premiums until you become eligible for Medicare. However, there will be a **permanent** decrease in your monthly benefit amount to repay this pre-Medicare increase.

In some cases, the permanent decrease in the benefit amount will be greater than the temporary initial increase. In essence, you are taking a loan against future benefits to fund this temporary increase and you will pay it back in the form of a permanent decrease in benefits upon reaching Medicare eligibility.

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 to determine your pre-Medicare benefit amount. Beginning in the month following your 65th birthday, 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.

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 (EGID). The amount of the increase is locked in at retirement and changes in premiums after you retire will not change the amount you receive.

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.

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

The amount of the post-Medicare decrease in your benefit after age 65 is actuarially determined based on your age at retirement. An actuarial calculation is used to determine

the amount of the post-Medicare reduction. 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 must 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 Notice and Application*. Your opportunity 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 or refer to the member handbook for more details about post-retirement employment.

What should I consider before choosing the Medicare Gap Benefit Option?

OPERS cannot provide advice about making the election. It is a personal decision each individual must make. Here are some factors you may wish to consider in making this 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 explain how it will work. While you may be prepared for the decrease in the amount of your benefit, your spouse may not. He or she 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.

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. He or she will receive the amount as if you had not made this election.

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.