



OKLAHOMA TEACHERS RETIREMENT SYSTEM

Employer Manual

Formerly Payroll Officer Handbook

Oklahoma Teachers Retirement System
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TABLE OF CONTENTS

INTRODUCTORY SECTION	1
Purpose of the Employer Manual	1
Oklahoma Teachers Retirement System’s Mission Statement	1
Mission Action Plan.....	1
What’s New for FY 2010-2011 Reporting Year?.....	2
Contact Information	3
EMPLOYERS AND OKLAHOMA TEACHERS RETIREMENT SYSTEM	4
Employer Responsibilities	4
MEMBERSHIP ELIGIBILITY IN OTRS.....	5
These Following Employees Are Eligible for OTRS Membership:.....	5
Mandatory OTRS Membership:	5
Optional OTRS Membership:	5
These Following Employees Are Ineligible For OTRS Membership:	6
Date of Membership:	6
Re-establishing Withdrawn Service.....	7
Employer Pickup Purchase of Service Credit.....	7
REPORTING CONTRIBUTIONS	8
Regular Annual Compensation.....	8
Contribution for Part-Time Employees	8
Employer Contribution Rate	8
Matching Contributions	8
Employer’s Statutory Contribution.....	9
Post-Retirement Employer’s Statutory Contribution.....	10
Contributions for Part-Time Employees.....	10
OTRS 1A Personal Data Forms	10
FICA Taxes	10
State Credit Portion of Employee’s Contribution.....	11
Highlights of Statute:	11
State Credit Amounts	12
Calculating State Credit for Employee Contributions	12

How the State's Payment to an Eligible Employee's Retirement Account Works	14
Calculating Retirement Contributions	14
Examples of Calculating Retirement Contributions	14
MONTHLY OTRS REMITTANCE REPORTING	17
Form OTRS 32.....	18
Contribution Reporting via Internet.....	19
Notice of Reportable Date and Late Charge	21
Annual Earnings Report.....	21
RETIREMENT PROCESS.....	22
Retirement Process Schedule	22
Sample Forms	23
Returning to Work After Retirement	23
Definition of Post Retirement Employment	24
Salary Limit for a Retiree Client.....	24
When a Retiree Exceeds the Earnings Limit	24
Paying Contributions for the Retired Client	24
Post-Retirement Employer's Statutory Contribution.....	25
Remitting Contributions\ for a Retiree Returning to Active Membership	25
For a Retiree Receiving OTRS Disability Retirement Benefits	25
Processing an Active Contributing Retiree's Second Retirement	25
MEMBERSHIP WITHDRAWAL.....	26
Termination of Contributions by Non-Classified Optional Personnel	26
Refunds	26
SERVICE CREDIT IN OTRS	27
Full Time Service.....	27
Half-Time Service.....	27
Combined Service.....	27
Sick Leave Credit.....	27
Purchased Service	27
Service Accrued During Leave.....	28

INTRODUCTORY SECTION

The Oklahoma Teachers Retirement System (OTRS) was established by the Oklahoma Legislature in 1943 to provide retirement benefits and other benefits to common education schools, higher education, career technology centers, and some state agencies.

Purpose of the Employer Manual

To properly administer the retirement benefit programs of the Oklahoma Teachers Retirement System, we rely on employers to enroll OTRS eligible employees for membership; remit retirement contributions on clients' contributory salary; complete the necessary forms; and to provide other information necessary for the efficient operation of the retirement plan. The purpose of this Employer Manual is to provide employers with information to accurately and efficiently provide this information to OTRS. We thank you for your efforts in assisting OTRS in this endeavor.

This Employer Manual provides general information about OTRS membership benefits and employer responsibilities related to OTRS clients and the contribution reporting process. OTRS membership rights, benefits, and obligations are governed by Oklahoma State Statutes Title 70 and the rules of the Oklahoma Teachers Retirement System which takes precedence over any interpretations in this Employer Manual.

The Employer Manual was formerly named the Payroll Officers Handbook. OTRS' intention is that this handbook should not be solely focused on payroll officers, but also human resource personnel and employer service providers. This manual is not just for common and higher education schools, but also career technology centers and state agencies.

Oklahoma Teachers Retirement System's Mission Statement

It is the mission of the Oklahoma Teachers Retirement System to provide outstanding customer service to all of our active and retired Clients.

Mission Action Plan

Provide excellent communication and education to our Clients

Protect and promote the financial interests of our Clients

Consistently improve performance

Pursue pro-active solutions and innovation

Promote an environment of trust and cooperation where Colleagues are encouraged to reach their potential.

What's New for FY 2010-2011 Reporting Year?

The Oklahoma Teachers Retirement System is currently developing a new Client Accounting System (CAS) to be implemented January 1, 2012. This new system will allow OTRS to provide more efficient and effective services our clients as well as our employers. This process will eventually require our employers to make changes to their procedures. Below is a list of other changes OTRS will put in place being November 2010.

OTRS will only accept electronic payroll files submitted through our website (<http://www.ok.gov/TRS/Schools & Agencies/index.html>) and will not accept diskettes, paper deviation reports, or FTP uploads.

OTRS will no longer accept outdated or manipulated TRS32 forms. OTRS forms will change from time to time; however, all current forms can be found on OTRS website and should be printed as needed. This includes Form 32 and Enrollment Form 1A.

OTRS will no longer accept contribution reporting information, TRS32 form, detail contribution file, and warrants that do not agree. The total before tax contributions submitted via electronic contribution file must agree with the before tax contributions filled out in the TRS32 Form and the TRS32 Form Total must agree with the warrants submitted.

OTRS will no longer fix retirement contribution reports/files for employers. We can assist employers with issues, when file and reports do not balance. We will not change files or data for reporting employers. Reports that do not balance will be returned to employers for correction.

Contact Information

Oklahoma City Office

2500 North Lincoln Boulevard, Fifth Floor
Oklahoma City, Oklahoma 73105

Telephone Numbers

(405) 521-2387 or (877) 738-6365

Website

www.ok.gov/TRS/

Who to call with questions regarding the following:

Contribution Reporting, enrollment forms, reporting errors (405) 521-4728

Installment payments (405) 521-2387

Retirement benefits (405) 521-2387

Office Hours (Central Time)

8:00 a.m. to 5:00 p.m. (Monday through Friday)

EMPLOYERS AND OKLAHOMA TEACHERS RETIREMENT SYSTEM

OTRS currently has 627 reporting employers as of June 30, 2010. These employers include common education employers, career technology employers, higher education employers, state agencies, and other organizations.

Employer Responsibilities

The rights and obligations of OTRS clients and employers are governed by Oklahoma State law Title 70 and OTRS Rules and Laws. We encourage employers to have the current copies of both these documents. The documents can be found on and downloaded from OTRS website at www.ok.gov/trs.

It is the responsibility of each OTRS employer to do the following:

- Enroll clients in OTRS membership as required by Oklahoma State law using the most current Enrollment Form (1A) on OTRS website. Section 3 of this manual explains clients who are eligible for membership and those for whom membership is optional.
- Remit OTRS employee and employer contributions on contributory salaries that are subject to OTRS contributions in a timely manner. Section 4 of this manual explains OTRS' current reporting process and forms to use. Employers shall make sure contribution information detail, checks remitted, and Summary of Payroll Report (Form 32) balance before remitting information to OTRS. If these three do not agree when received by OTRS, all information will be returned to employer for correction.
- Provide OTRS with employment, salary, and other related information for current clients and former clients so that OTRS can make accurate determinations under Oklahoma State law concerning clients' benefit entitlements. Section 5 of this manual explains information which OTRS may require in these situations.
- Provide OTRS with information necessary to process retirement benefits, disability benefits, and survivor benefits in a timely and accurate manner. Sections 6, 7, 8, 9, and 10 of this manual respectively, explain OTRS's retirement process, working after retirement, disability process and survivor benefit process.

MEMBERSHIP ELIGIBILITY IN OTRS

As of June 30, 2010, OTRS had 89,896 active clients, 48,756 retired clients, and 7,439 inactive vested clients, and 7,206 inactive non-vested clients for a total of 153,297 clients. For most clients of OTRS, membership is required except in those cases where OTRS membership is optional or where clients do not meet eligibility requirements discussed below:

These Following Employees Are Eligible for OTRS Membership:

1. An employee working twenty (20) hours or more per week, who has assigned duties and responsibilities, is treated by all standard conventions as an employee of the school, and, who receives compensation commensurate with the responsibilities of the position. Temporary, seasonal, supplemental and other employees employed on a limited or short-term basis are not regular employees, and are thus ineligible.
2. An employee who receives payment for service by an employer or state warrant, recorded on a warrant register with standard payroll deductions, and receives benefits generally provided to other "regular" employees.
3. The minimum requirement of twenty (20) hours per week shall be determined by the actual time the employee is required to be present at the place of employment.
4. Clients working at least (20) hours per week, but less than (30) hours per week will be considered half-time employees. Employees that work at least (30) hours per week will be considered full-time employees for retirement purposes.

Mandatory OTRS Membership:

1. A "Classified" (see 70 O.S. Supp. 1998 §17-101(3)) employee working twenty (20) hours or more per week at a rate of compensation comparable to other persons employed in similar positions.
2. An administrative or supervisory employee of the State Department of Education, or other state agency whose function is devoted primarily to public education, and who works twenty (20) hours or more per week at a rate of compensation comparable to other persons employed in similar positions.

Optional OTRS Membership:

1. A "Non-classified" (see 70 O.S. Supp. 1998, §17-101 (4)) employee working twenty (20) hours or more per week at a rate of compensation comparable to other persons employed in similar positions.
2. A "Classified" employee who has reached age 55 at the time of employment.
3. An employee, on official sabbatical leave, receiving at least one-half pay from the employing school or institutions. (See OAC 715:10-1-4.)

4. Any client absent from the teaching service who is eligible to continue membership under special provisions of 70 O.S. § 17-116.2, provided that such employee continues to be employed by a governmental agency.
5. A visiting professor from another state or nation.
6. "Classified" and "Non-classified" clients employed after retirement. (See OAC715:10-17-13.)

These Following Employees Are Ineligible For OTRS Membership:

1. An employee working fewer than twenty (20) hours per week.
2. A substitute, irregular, seasonal, graduate assistant, fellowship recipient, adjunct, supplemental or temporary employee.
3. Persons employed as a consultant or persons contracting with a public school to transport students to provide food service, or to provide any other services, who are not "regular" employees of the school.
4. An employee whose primary function at a school or institution is that of a student. An employee shall be considered a student if the employment is conditional upon the employee's being enrolled as a student at the same institution and the employee has no other employment during the same payroll period that is eligible for membership in OTRS.
5. A regular employee who earns less than \$2,000 per year.
6. Any persons whose employment compensation comes from federal or other funds and is not administered by a public education employer.
7. Any person employed by a public school after July 1,1991, who is covered by another federal, state, county or local public retirement plan that will provide benefits on the employment service covered by the Oklahoma Teachers' Retirement System.
8. Employees of employers that are not governmental employers. (See 70 O.S., §17-116.23)

Date of Membership:

The date that the initial contribution is made to OTRS under the current membership account is the date of membership. Any former OTRS client who has previously withdrawn contributions and who redeposits his or her contributions shall have his or her initial date of membership reinstated. If a current client purchases non-contributory service for those years of qualified employment prior to the current date of membership, the official date of membership will remain the date the client's current membership account was opened.

Re-establishing Withdrawn Service

1. A "Classified" or "Non-classified" client (with the exceptions listed below) who has returned to public education employment and has established one full year (12 calendar months) of creditable Oklahoma service, is eligible to redeposit withdrawn contributions. A redeposit of withdrawn contributions must include all applicable interest, which shall be computed at a simple interest rate of ten percent (10%) per annum from the date of the withdrawal to the date repayment is made.
2. "Non-classified" clients who continued contributions until termination of previous public school employment and withdrew four or more months after termination are eligible to rejoin OTRS.
3. "Non-classified" clients who voluntarily withdrew from membership while still employed can now rejoin the Retirement System. However, these clients cannot redeposit any withdrawn years or use for service credit any contributions made prior to terminating their membership.

Employer Pickup Purchase of Service Credit

An active OTRS client may elect to purchase, re-establish service credit or participate in the Education Employees Service Incentive Plan (EESI P) on a pre-tax basis under OAC 715:10-5-35, in accordance with Section 414(h)(2) of the Internal Revenue Code of 1986.

An election to make installment payments can be made through a binding, irrevocable payroll reduction authorization. Employers must elect to participate in the pickup of these employee contributions by a resolution adopting the provision of OAC 715:10-5-35. These forms can be obtained by calling (405)521-2387 or toll-free (877)738-6365.

Installment payments should not be included with current contributions remitted on your monthly payroll reports. Please write a separate check and attach a list (labeled at the top as back payments or installment payments) of the individuals, including name and Social Security number, with the amount of payment that each is making.

Once the client payments have been receipted and posted, your school will receive OTRS Form 18, listing those clients with their payments and the remaining balance for each individual. It also will note whether a client has an Irrevocable Payroll Reduction Authorization on file with OTRS. If not, please send a completed form to the OTRS office.

REPORTING CONTRIBUTIONS

Regular Annual Compensation

Regular annual compensation is defined in 70 O.S. Section 17-116.2(D) as the wages and fringe benefits on which each client's contribution to OTRS is based. Generally, regular annual compensation will include the client's monthly gross salary, including pay for extra duties, stipends and regular fringe benefits provided by the school.

Fringe benefits include group health, disability and life insurance, retirement contributions, tax-sheltered annuities, other pension plan contributions, and any other "fringe benefits" paid by the employer on behalf of the client which are provided on a periodic basis to all qualified employees of the school. Payments for health insurance made under the Flexible Benefit Act are not included as fringe benefits. (*See OTRS Rule 715:10-13-1 and 70 O.S. §26-105.*)

The employer statutory contribution, federal matching contributions paid by the school and reimbursements to clients for expenses or expense accounts and rent payments are not to be included as regular annual compensation. Any payment made because of termination or retirement, such as lump-sum payments for unused vacation and/or sick leave, retirement bonuses or contract buy-outs are not regular annual compensation.

All regular pay for any employment must be included in regular annual compensation. Wages paid to a teacher who, on a regular basis, also drives a school bus, sponsors extracurricular activities, gets payment for teaching summer school, homebound, detention, or an athletic camp (when paid by the school) should be included in regular annual compensation. Pay for non-periodic work, such as working concession stands, taking tickets at athletic events, or extra or substitute duties not normally performed by an employee, is not regular annual compensation.

Contribution for Part-Time Employees

Membership in OTRS is limited to regular employees working half-time or more. However, any employees working less than half-time must be included when they are employed by another school district as a regular employee who qualifies and is a client of OTRS.

Employer Contribution Rate

All OTRS clients will continue to contribute 7% on regular annual compensation. Contributions shall be made on each client's total compensation. (*See OTRS rule 715:10-13-3.*) This includes OTRS clients employed by the University of Oklahoma and its constituent agencies and Oklahoma State University and its constituent agencies for the 2010-2011 school year. There is no longer a salary cap.

Matching Contributions

The matching contribution rate remains at 6.5% for 2010-2011. Employers must provide 6.5% matching contributions for OTRS clients whose salaries are paid by federal or private grants. The 6.5% matching applies to all programs funded by non-state dollars. If a client's salary is paid in part by federal or private funds, the contribution on that portion of the salary paid by those funds

must be matched at 6.5%. These funds must be remitted monthly, at the same time as regular client and employer contributions are remitted.

Employer's Statutory Contribution

Employers are required by law to contribute a percentage of applicable employee earnings. The statutory contribution rate changed from 7.6% to 7.85% on July 1, 2007. Funds for this employer contribution increase were provided by House Bill 1105 and Senate Bill 334. This increase applied to all remitting schools and agencies except four-year regional and comprehensive universities, for which the employer contribution rate remained 7.05% through December 31, 2007.

On January 1, 2010, the employer contribution rate for all but four-year regional and comprehensive universities increased to 9.5%. No further increases are scheduled.

The employer contribution rate for four-year regional and comprehensive universities increased to 8.55% on January 1, 2010. The employer contribution rates for four-year regional and comprehensive universities are lower because employees of these schools do not participate in EESIP (the so-called "Wear-Away" plan).

Employer contributions are *in addition* to the contribution required by the employee, and in addition to any matching monies required when federal funds or private grants are used to pay a client's salary. Employer contributions must be remitted monthly along with the client's contributions. *The employer's contribution will not be deposited into a client's account and will not affect a client's regular annual compensation.*

Employer Contribution Rates			
K-12, Career Tech, 2-Year Colleges and State Agencies with OTRS Clients		4-Year Colleges and Universities	
07/01/2007:	7.85%	Through 12/31/2007:	7.05%
01/01/2008:	8.35%	01/01/2008:	7.55%
07/01/2008:	8.50%	07/01/2008:	8.05%
01/01/2009:	9.00%	01/01/2009:	8.55%
*01/01/2010:	9.50%	*01/01/2010:	

* Funds have been provided for this rate increase in the 2009 Legislative session. It will remain at this rate for future contributions.

Post-Retirement Employer's Statutory Contribution

Employers must remit statutory employer contributions monthly on the compensation paid to a retired client *for any reason*, including substitute teaching or officiating at athletic events. The rate is the same as that for currently contributing clients.

70 O.S., Section 17-116.10(A) (4) reads:

A client shall be considered to be employed by a school district to perform the duties ordinarily performed by classified or nonclassified personnel if the client is hired by the school district in the client's individual capacity to perform the duties or if the client performs the duties through employment with a proprietorship, partnership, corporation, limited liability company of partnership, or any other business structure that has agreed or contracted to provide the services to the school district.

When remitting this contribution, please provide an electronic list of retirees, including Social Security Numbers, names, compensation, and contributions made for each report.

Contributions for Part-Time Employees

Membership in OTRS is limited to regular employees working half-time or more. However, any employees working less than half-time must be included when they are employed by another school district as a regular employee who qualifies and is a client of OTRS.

OTRS 1A Personal Data Forms

The most current forms can be found under Schools and Agencies" as "1A Enrollment Forms". Please use the most current form when completing it for each new employee or transfer into your school. Once form is complete, it needs to be printed and signed. The superintendent or payroll officer is required to sign the Enrollment Form (1A) certifying that each new employee or district transfer meets the requirements of membership in OTRS, and employment date. We will not accept any new Enrollment Form which has not been signed.

A new OTRS 1A form is required to report changes in name, beneficiary, or address. These forms are to be sent to OTRS before the first remittance for the new employee.

The employer and client have the responsibility to review each new Enrollment form (1A) or personal data in the payroll to make sure the data is complete and accurate. If the employer identifies an error in the client's personal data such as name, social security number, or address, it is the responsibility of the employer to report this error to OTRS. The reason for this is incorrect personal data whether in the payroll system or Enrollment Form (1A) may have been remitted with the retirement contributions to OTRS. This may affect how OTRS provides services to our clients in the future. Please make sure data is accurate and complete.

FICA Taxes

The amount paid by the State of Oklahoma to an eligible employees' retirement account is not subject to FICA taxes. This applies only to the amount the State of Oklahoma contributes to each eligible employees' retirement account pursuant to 70 O.S. Section 17-108.2, and does not

affect the tax status of federal income taxes or FICA taxes on wages or benefits paid to or on behalf of an employee by an employer.

Employee contributions to a qualified retirement plan that are “picked-up” by the employer and paid for the employee are “wages” for the purposes of FICA, if there is (or was) any diminution of the client’s salary. The Internal Revenue Code subsection 3121 (v)(1)(B) provides generally that wages, for purposes of FICA, includes any amount treated as an employer contribution under IRS Code subsection 414(h)(2), where the pick-up is pursuant to a salary reduction agreement (whether evidenced by a written instrument or otherwise).

OTRS cannot advise schools whether FICA taxes should be withheld on retirement contributions the employer “picks-up” and pays for its employees. Clearly, retirement contributions paid by an employer that result from any form of a salary reduction agreement should be included as “wages” for FICA taxes. OTRS advises each employer to review its position on FICA taxes to ensure compliance with IRS tax regulations.

State Credit Portion of Employee’s Contribution

Highlights of Statute:

- Provides for the state to pay a specified amount toward each teacher's retirement contribution. (See Table on next page.)
- "Teacher" includes all personnel who qualify for the state's minimum salary schedule. This includes administrators and other "certified" personnel.
- Use total experience allowed by the State Department of Education as shown on the Annual Personnel Report. Do not use more than five years of military service credit or out-of-state teaching experience.
- Requires the state credit to be divided by the number of pay periods in the employee's contract and the monthly credit to be added to the teacher's compensation. Payment begins with the first full month of employment. The teacher forfeits the state's contribution to his or her retirement account if employment terminates prior to the end of the school year.
- If the eligible client is employed less than full time, the state credit must be prorated.
- Calculate the eligible client's retirement contribution in the regular manner and subtract the monthly credit to be paid by the state. School districts must adjust their payroll procedures to include the monthly credit and adjust remittance reports to OTRS to reflect the amount paid by the school and the credit taken as a result of the state payment.
- If a school pays the teacher's retirement contribution in addition to other compensation, the school must reduce the appropriate amount from the teacher's monthly retirement contribution and add that amount to the teacher's net pay. The amount paid by the state to the client's retirement account cannot be treated as regular annual compensation or count as compensation toward meeting the minimum salary schedule of the state or the local school district's pay plan.

- If a school deducts the teacher's retirement contribution from the teacher's gross salary, the school must decrease the amount of the retirement deduction by the appropriate amount, which will cause an amount equal to the state credit to be added to the teacher's net pay.
- Taxable income will increase by any amount added to an employee's wages. The tax status of compensation in any form other than wages will depend upon IRS regulations.
- The employer statutory contribution will still be calculated on each client's regular annual compensation.
- Federal matching for those employees whose salary is paid in whole or in part by federal funds will continue to be calculated in the usual manner.
- The amount paid by the state to client accounts is not wages for federal or state income taxes or wages for purposes of FICA taxes. (IRS issued a favorable ruling that the amount paid by the state is not subject to FICA taxes.)

State Credit Amounts

State statutes provide that every teacher employed by a school district or vocational-technical school district, who qualifies for a minimum salary pursuant to the State's minimum salary schedule, shall have a specific amount credited against the employee's contribution to the Teachers' Retirement System. Funds have been appropriated to the State Board of Education and the State Board of Vocational and Technical Education to pay the State's share of each eligible employee retirement contribution.

Years of Service	Credit Amount	Years of Service	Credit Amount
0	\$60.15	13	\$680.48
1	103.41	14	735.47
2	145.65	15	791.53
3	188.15	16	848.65
4	233.33	17	906.83
5	278.76	18	966.07
6	325.26	19	1,026.38
7	372.82	20	1,087.75
8	421.44	21	1,150.18
9	471.12	22	1,213.68
10	521.87	23	1,278.23
11	573.67	24	1,343.85
12	626.54	25 or more	1,410.53

The state credit amounts are unchanged for the 2010-2011 school year.

Calculating State Credit for Employee Contributions

A. Calculate Total Compensation and Retirement Contributions

The contribution rate for the 2010-2011 school year remains 7% of total regular annual compensation. If the school district is paying the retirement contribution as a fringe

benefit (whether in addition to wages and other benefits or as a salary reduction), use the factor .075269 instead of .07 to correctly calculate the retirement contribution on the retirement benefit.

B. Calculate the State Credit of Employee's Contribution

1. Determine total experience for each eligible employee. This is the total experience shown on the State Department of Education's (SDE) Annual Personnel Report. The experience shown on the Annual Personnel Report does not include experience for the current year. In other words, the experience shown on the 2009-2010 report does not include experience for 2009-2010. *(Do not use total experience established for a local pay schedule if it is different from SDE's experience count, and do not use total creditable service shown on OTRS' annual statement to each client. OTRS creditable service does not include service withdrawn by the client or out-of-state service unless payments have been made by the client to establish these types of credits.)*
2. Calculate the state credit by matching each eligible employee's experience against the credit amount schedule.
3. Divide the annual state credit by the pay periods provided in each eligible employee's contract. If the employee is hired after the start of the school year, the state credit begins with the first full month of employment.
4. Prorate the benefit to those employees working less than full time (i.e. half-time employees are entitled to only 50% of the allowable benefit).
5. Calculate the retirement contribution in the same manner as previous years, using the 7% contribution rate. Subtract the monthly state credit from the amount to be remitted to OTRS and add the same amount to the eligible employee's wages or other compensation. *(An amount equal to the State Credit must be added back in some manner to the eligible employee's wages and/or benefits. The amount paid by the State cannot be treated as salary or fringe benefits for purposes of determining the minimum salary required by 70 O.S. § 18-114.7 or for purposes of meeting the requirements of any locally adopted salary schedule.)*

C. Report Each Client's Retirement Contribution on the Monthly OTRS Remittance Report

1. Adjust the Employer Paid column on the OTRS Form 50 or magnetic media report by subtracting the monthly state credit.
2. In the indicated column on OTRS Form 50, report the calculated state credit. Be sure this column is included on your magnetic media report to OTRS, if applicable.
3. In the indicated column on OTRS Form 50, report the total experience used to calculate the state credit. Be sure this column is included in your magnetic media report to OTRS, if applicable.

Note: The state credit does not require an increase in total compensation paid by the school district. The school pays less to OTRS because the state pays part of the employee's contribution. The school deducts less from the employee's pay, which is added to the employee's net pay.

How the State's Payment to an Eligible Employee's Retirement Account Works

- Example 1: If School Deducts OTRS Contribution from Gross Salary:

	<u>Before Statute</u>	<u>After Statute</u>
Gross salary and other benefits (<i>including OTRS</i>)	\$32,412	\$32,412
OTRS Retirement Contribution ($7\% \times \text{Salary}$)	(2,269)	(858)
State Contribution (<i>from SB776</i>)	<u>0</u>	<u>1,411</u>
Net Pay and Benefits (<i>excluding OTRS Contribution</i>)	\$30,143	\$31,554

- Example 2: If School Pays OTRS Contribution in Addition to Salary and Benefits:

	<u>Before Statute</u>	<u>After Statute</u>
Gross Salary and other benefits (<i>excluding OTRS</i>)	\$32,412	\$32,412
OTRS Retirement Contribution ($7.5269\% \times \text{Salary}$)	2,440	1,029
State Contribution (<i>from SB776</i>)	<u>0</u>	<u>1,411</u>
Total Compensation (<i>including OTRS Contribution</i>)	\$34,852	\$34,852
Net Salary and Benefits (<i>before deductions for taxes</i>)	\$32,412	\$32,412
State Contribution (<i>from SB776</i>)	<u>0</u>	<u>1,411</u>
Net Pay and Benefits (<i>excluding OTRS Contribution</i>)	\$32,412	\$33,823

(The State contribution in these examples is for teachers with 25 or more years' experience.)

Calculating Retirement Contributions

When determining a client's contribution for any payroll period, the employer must consider the *total* amount of compensation earned. The contribution is to be calculated on this total compensation, which must include fringe benefits, before any deductions such as tax-sheltered annuities, income tax, FICA, etc.

If the retirement contribution is paid as a *fringe benefit*, that contribution *also must be calculated as part of the client's compensation*. If the contribution is paid as part of a fringe benefit package, the employer must adjust the contribution to include the employee's monthly salary, plus fringe benefits, which must include the retirement contribution itself. The following are examples of how a retirement contribution should be determined for the 2009-2010 school year:

Examples of Calculating Retirement Contributions

- Example 1: When the employer does not pay the Teachers' Retirement contribution:

	<u>Annual</u>	<u>Monthly</u>
Salary (<i>from all sources</i>)	\$30,000.00	\$2,500.00
Total fringe benefits	<u>3,600.00</u>	<u>300.00</u>
Total compensation	\$33,600.00	\$2,800.00
Multiply by .07	<u>.07</u>	<u>.07</u>
Total retirement contribution	\$ 2,352.00	\$ 196.00

[Total compensation credit for retirement is \$33,600.00]

- Example 2: When the employer pays part of the Teachers' Retirement contribution (example assumes employer pays contribution up to \$25,000 level and employee pays contribution on compensation above \$25,000):

- If compensation is less than or equal to \$23,250

	<u>Annual</u>	<u>Monthly</u>
Salary and fringe benefits (<i>excluding retirement contribution</i>)	\$23,000.00	\$ 1,916.67
Multiply by .075269	<u>.075269</u>	<u>.075269</u>
Retirement contribution	\$ 1,731.19	\$ 144.27

[Total compensation credit for retirement is \$24,731.19]

(In this example .075269 is used because employer is paying the first \$1,750.00 of the client's required contribution.)

- If compensation is more than \$23,250, amount paid by employer

	<u>Annual</u>	<u>Monthly</u>
Salary and fringe benefits (<i>excluding retirement contribution</i>)	\$30,000.00	\$2,500.00
Retirement contribution paid by employer (<i>7% of \$25,000</i>)	<u>1,750.00</u>	<u>145.83</u>
Total compensation	\$31,750.00	\$2,645.83
Subtract \$25,000 from total	<u>(25,000.00)</u>	<u>(2,083.33)</u>
Total	\$ 6,750.00	\$ 562.50
Multiply by .07	<u>.07</u>	<u>.07</u>
Retirement contribution on compensation in excess of \$25,000 (a deduction from client's pay)	\$ 472.50	\$ 39.38
Plus contribution on compensation up to \$25,000	<u>1,750.00</u>	<u>145.83</u>
Total retirement contribution	\$ 2,222.50	\$ 185.21

[Total compensation credit for retirement is \$31,750.00]

(In this example .07 is used because the client is paying the contribution on salaries above the \$25,000 level.)

- Example 3: When the employer pays all of the Teachers' Retirement contribution (and there is no predetermined limit on the total compensation the employee may receive)

- Example 3.1

	<u>Annual</u>	<u>Monthly</u>
Salary (<i>from all sources</i>)	\$20,000.00	\$1,666.67
Total fringe benefits (<i>except OTRS</i>)	<u>3,000.00</u>	<u>250.00</u>
Total compensation	\$23,000.00	\$1,916.67
Multiply by .075269	<u>.075269</u>	<u>.075269</u>
Retirement contribution	\$ 1,731.19	\$ 144.27

[Total compensation credit for retirement is \$24,731.19]

➤ Example 3.2

	<u>Annual</u>	<u>Monthly</u>
Salary (<i>from all sources</i>)	\$47,000.00	\$3,916.67
Total fringe benefits (<i>except OTRS</i>)	<u>3,000.00</u>	<u>250.00</u>
Total compensation	\$50,000.00	\$4,166.67
Multiply by .075269	<u>.075269</u>	<u>.075269</u>
Retirement contribution	\$ 3,763.45	\$ 313.62

[Total compensation credit for retirement is \$53,763.45]

(In these examples .075269 is used because the district is paying the retirement contribution in addition to salary and other fringe benefits.)

- Example 4: When the employer pays all of the Teachers' Retirement contribution (and the employee's total compensation, including fringe benefits, is known before the calculation of the contribution).

➤ Example 4.1

	<u>Annual</u>	<u>Monthly</u>
Total compensation	\$20,000.00	\$1,666.67
Multiply by .07	<u>.07</u>	<u>.07</u>
Retirement contribution	\$ 1,400.00	\$ 116.67
Total wages and benefits excluding OTRS contribution*	\$18,600.00	\$1,550.00
Retirement contribution (\$18,600 x .075269)	<u>1,400.00</u>	<u>116.67</u>
Total compensation	\$20,000.00	\$1,666.67

➤ Example 4.2

	<u>Annual</u>	<u>Monthly</u>
Total compensation	\$50,000.00	\$4,166.67
Multiply by .07	<u>.07</u>	<u>.07</u>
Retirement contribution	\$ 3,500.00	\$ 291.67
Total wages and benefits excluding OTRS contributions*	\$46,500.00	\$3,875.00
Retirement contribution (\$46,500 x .075269)	<u>3,500.00</u>	<u>291.67</u>
Total compensation	\$50,000.00	\$4,166.67

* (If other fringe benefits are to be paid, subtract the value of these benefits from total wages and benefits shown above to obtain the actual wages to be paid.)

(In these examples, .07 is used to find the retirement contribution because the total compensation *includes* the retirement contribution. The factor .075269 x wages and benefits excluding OTRS contributions are used as a tool to verify the correct retirement contribution.)

MONTHLY OTRS REMITTANCE REPORTING

State statutes require one remittance report for each month. Please see Item D on page 16 if you need to send more than one report for a particular month. This report will include all contributions for payroll periods ending during the month. The types of remittances the schools and agencies pay to the Oklahoma Teachers' Retirement System are as follows:

1. Client-paid (taxed) contributions (Statutes require all retirement contributions be remitted on a non-taxed basis. Taxed contributions will no longer be remitted except in special circumstances.)
2. School-paid (non-taxed) contributions
3. State credit of employees' contributions
4. Grant matching funds
5. Employer statutory contributions
6. Post- Retirement Employer's Statutory Contribution

In general, your monthly report will consist of:

1. Form OTRS 32
2. Detail information for non-taxed contributions
 - a. electronic file transfer via the Internet
 - b. Detail printout for retirees, including name, social security number, salary, and contribution amount.
3. Warrants
4. Form 1A's which have not been previously submitted for new clients and Form 1A's submitted for any changes.

Form OTRS 32 can be completed online. Once all the amounts on Lines 1 through 5 have been entered, the total will show on Line 6; as the warrant amounts are entered below, the "Check Total" will also be displayed in the lower right corner of the form. The total of the checks must match the total on Line 6.

You may also be remitting installment payments for employees who are purchasing or re-establishing service credit that you have deducted on a pre-tax basis from their payroll. You will send a separate check. The following documents need to precede or accompany the first payment:

1. Copy of the signed Billing that the client received from OTRS; client also needs to mark payment amount he/she has chosen.
2. Copy of completed and signed Irrevocable Payroll Reduction Authorization

Once the first payment has been receipted and posted, your school will receive OTRS Form 18, listing all your employees making installment payments. This form needs to be returned with subsequent payments.

Form OTRS 32

Form OTRS 32 is the *SUMMARY OF PAYROLL REPORT*, and serves as the controlling document for your monthly reports. This report must be sent with your remittance. Your detail information also must be included by sending your electronic file via the Internet.

There are several vitally important elements of information that will have an impact on your employees' eventual retirement benefits. Please remember that all payroll reports must be signed and that the official signing the report is certifying, under penalty of perjury, that the information is true and complete.

- A. OTRS CO.-DIST. CODE - This is a six character code designating your school or agency.
- B. SCHOOL YEAR - This is the school or fiscal year for which you are reporting, and not the calendar year. If you have contributions for more than one fiscal year, a separate "Summary of Payroll Report OTRS 32" should be prepared for each year. As an example, if you need to remit FY-09 and FY-10 expenditures for the month of July, prepare two reports, one for FY-09 and one for FY-10 (number one of the reports "1" and the other "2"). Two reports may be prepared for the summer months i.e. one for your teachers for the 2008-09 school year and another for your administrative and support staff who will be paid from the 2009-10 FY expenditures. Even though you may process payroll for your summer months all in May, you should separate them into individual monthly reports. Your payroll report should have the month for which it is intended, not when you processed it. (If you need to make up contributions for an employee from a prior year, do not send the remittance with a "Summary of Payroll Report." You must first send a printout of the payroll information and request a back billing; this bill will include interest. **THE REMITTANCE SHOULD THEN BE SENT TO OTRS WITH THE BACK BILLING STATEMENT.**)
- C. PAY PERIOD - This is the last day of the payroll month that you are reporting, and not the date you completed the report.
- D. REPORT NUMBER - This will be "1" every month if you only send in one report. If you need to send one or more supplemental reports, they will be numbered "2," "3," and so on.
- E. LINE 1. TOTAL AFTER-TAX CONTRIBUTIONS - This line should no longer be used. Taxed contributions shall no longer be remitted except under special circumstances. Senate Bill 1037 includes a provision requiring every school to "pick up" retirement contributions under §414(h) (2) of the Internal Revenue Code. This means retirement contributions must be calculated and remitted to OTRS on a before-tax basis. This new law includes all school employees who are clients of OTRS. The IRS Code allows employers to "pick up" employee contributions by paying the contribution in addition to salaries or by salary reductions.
- F. LINE 2. TOTAL BEFORE-TAX CONTRIBUTIONS - Contributions submitted for the employee when taxes have not been paid by the client are not reported to the IRS as ordinary income. These non-taxed contributions may be true fringe benefits, or may be salary reductions. They are considered the same by the IRS since taxes have not yet been

paid. After the client retires, he or she will begin paying taxes on these monies, generally at a lower tax rate. This total must equal the total of the employer paid contributions on the Form 50, or in the detail records of the computer generated media.

- G. LINE 3. MATCHING FUNDS REMITTED TO MATCH CLIENTS' DEPOSITS WHERE SALARIES ARE PAID FROM GRANT FUNDS - Statutes require employers of Teachers' Retirement System clients whose compensation is paid from federal or private grant funds to pay 7% on all compensation or that portion of compensation paid from these funds. The amount you will include on this line will be the contributions being paid on the grant funds portion only.
- H. LINE 4a. EMPLOYER'S STATUTORY CONTRIBUTION - Statutes require the schools and agencies to contribute a percentage of each employee's regular annual compensation for the school or fiscal year 2009-10. OTRS establishes the employer's statutory contributory rate annually at its March board meeting.
- I. LINE 4b. POST-RETIREMENT EMPLOYER'S STATUTORY CONTRIBUTION - Please provide a list of the retirees, including Social Security numbers, names, compensation and contributions. If you have only one or two retirees, you may write this information on the form.
- J. LINE 5. ADJUSTMENTS TO RETIREMENT CONTRIBUTIONS, ATTACH LETTER OF EXPLANATION - Please attach a letter or note explaining any requested or required adjustments, and indicate the amount of the adjustments on this line. The OTRS staff will use this letter when reconciling Form 32 to the warrants. Please write to OTRS and request the refund of any overpayments or contributions in error, rather than making credit entries on the report.
- K. LINE 6. TOTAL REMITTANCE SENT WITH THIS REPORT (COMPLETE LIST OF WARRANTS BELOW IF MORE THAN ONE IS ENCLOSED) - This is the sum of lines 1, 2, 3, 4, & 5, which should be the same as the total amount of warrants.
- L. LIST OF WARRANTS ENCLOSED - Please list the warrant number and amount for each.
- M. NUMBER OF OTRS PERSONAL DATA FORMS ENCLOSED - As the instructions indicate, a Form 1-A needs to be included for each new client, transfers, beneficiary changes, or name changes if you have not already done so.

Contribution Reporting via Internet

If your monthly remittance reports are submitted to OTRS via electronic file, it is your responsibility to ensure that the data is correct and complete. You should communicate extensively with your service bureau and/or the developer of your software to ensure that you have a proper understanding of the use of your system. There are a few basic tips that you should keep in mind when preparing your detailed contribution reports:

1. Always verify the content of your file before submitting it to OTRS.
2. Always create and save this file in case OTRS has questions.

3. Label each file with your OTRS county-district code, school name, and report month and report number.

Following is a description of what your magnetic media reports must contain. If you have any questions, or if you need information of a more technical nature, please contact OTRS.

- a. OTRS County/District Code - OTRS-assigned code identifying your school or agency (6-character alphanumeric field). (Positions: 1-6)
- b. School Year - The school or fiscal year for which you are reporting (not the calendar year). This must be the same as that which appears on the Form 32 (2-digit numeric field). (Positions: 7-8)
- c. Report Date - The last day of the month for which you are reporting (not the date the report is prepared). The month must be the same as that which appears on your Form 32 (6-digit numeric field, MMDDVY format). (Positions: 9-14)
- d. Employee SSN - Self explanatory (9-digit numeric field). (Positions: 15-23)
- e. Name - Client's legal name (20-character last name, 15-character first name, 1-character middle initial). (Positions: 24-59)
- f. After-Tax Contributions - This information is no longer applicable for most reporting entities, since retirement contributions must now be calculated and remitted to OTRS on a before-tax basis.(Positions 60-65)
- g. Before-Tax: Contributions - Total district-paid (pre-tax) contributions for the month (6-byte signed numeric, 2 assumed decimal positions). (Positions: 66-71)
- h. State Credit for Employee's Contribution (State Offset) - The amount calculated for each eligible client who qualifies for the State's minimum salary schedule including teachers and other certified personnel (6-byte signed numeric, 2 assumed decimal positions). (Positions: 72-77)
- i. Experience Count - Years of experience used to calculate state credit of employee's contribution (should be experience shown on the State Department of Education annual personnel report or the experience verified to the State Department of Vocational-Technical Education. *Do not use local experience count if different from State experience count. Do not use OTRS service.* (Positions: 78-79)
- j. Report Number - Two-digit number that matches Form 32; normally = "01" (Positions: 80-81)
- k. Gross Compensation - Total monthly compensation as defined in the OTRS Rules & Laws manual (7-byte signed numeric, 2 assumed decimal positions). (Positions: 82-88)

Notice of Reportable Date and Late Charge

Remittance Report Due Date - Remittance reports are required for each calendar month. The monthly remittance report should include all contributions for payroll periods ending during the month.

Reports are due by the 10th of the month following the close of the payroll month and past due 30 days from the end of the payroll month. 70 O.S., § 17-120 requires OTRS to assess a monthly late charge of one and one-half percent of the unpaid balance, to be paid by the employer to the Retirement System, if employee and employer contributions are not paid by 30 days from the end of the payroll month. If you cannot reconcile your report, you need to at least send Form OTRS 32 with your payment to avoid a penalty. The OTRS staff will try to assist you in balancing your report.

Example

The report for the month of June should include all payroll periods ending during June. The report should be dated June 30, and it is due by July 10. The late charge is assessed on reports not received by July 31.

Annual Earnings Report

OTRS Rule OAC 715:10-17-12 requires each employer to submit a report (file) showing the total earnings received by each individual client and those who are not clients of OTRS during the previous calendar year. This report is due prior to March 15th each year. The report shall have the name, social security number, address and the total earnings paid from all sources from January 1st through December 31st of the previous year.

To meet the requirements of this report, you may submit an exact copy of the file you provide Social Security or IRS to OTRS at the same time you remit your file by the IRS deadline of March 31 of each year.

Colleges, universities and state agencies that process payrolls through the Office of State Finance are not required to file individual reports. OSF will file a multi-employer report with Oklahoma Teachers' Retirement System. Likewise, ADPC will file this report for its main system customers. If a private firm or outside agency files your tax reports, have them make a copy and remit it to OTRS.

If your detailed file is not fully IBM-compatible or you have other questions concerning submission of this information, please call OTRS Information Technology at (405) 521-2387 or toll-free (877) 738-6365.

RETIREMENT PROCESS

As the district's Payroll Officer, you may be asked about the TRS retirement process. This section is designed to help you answer some questions you might be asked. At the end of this section are examples of what is included in the:

- Retirement Allowance Estimate Packet
- Final Contract for Retirement Packet

Retirement Process Schedule

12 months before the client's retirement date:

The client should call or write TRS, requesting a retirement allowance estimate. The client needs to include the following information when making his or her estimate request:

- Name and complete mailing address
- Social Security Number
- Client's date of birth
- Beneficiary's birth date*
- Number of unused sick leave days the client expects to have at the time of retirement
- Date the client wants the retirement to begin
(*This date is used in calculating Options 2 & 3 for the client and beneficiary.)

90 days before retirement is to begin:

- The client must designate on the Form 40.04 (TRSP27) the contract (retirement plan) under which he or she wants to retire.
- Form 40.04, Partial Lump-Sum Option (if applicable) and proof of birth for the client (and, *if choosing Option 2 or 3*, the beneficiary) must be returned to TRS by the dates specified under the shaded area. If the form is returned too soon, it will be returned to the client. If the form is returned too late, it will delay the client's retirement date.
- TRS will send the client his or her Final Contract for Retirement.

60-90 days before retirement is to begin:

- The client executes the Final Contract for Retirement before a notary and returns it to TRS. All Final Contract Documents for Retirement must be on file with TRS by the first day of the month prior to the retirement date.
- All pending balances must be paid by the first day of the month prior to the retirement date.

Example: If the retirement date is June 1, 2011, the final documents must be in our office by May 1, 2011.

- The client's first payment will be paid one month after his or her retirement date if all funds have been remitted for that fiscal year.
- Effective Jan. 1, 2000, retired clients are required to receive benefit payments via electronic fund transfers to a designated banking or financial institution (OAC 715: 10-15-24b).

Example: If the retirement date is June 1, the first check will be deposited' by 5:00p.m. July 1 (deposits may be credited to the account sooner than this if the 1st occurs during the weekend).

Sample Forms

A form generated from the Teachers' Retirement System office for a client now has a bar code on the bottom that is unique to the individual listed at the top of the form. It is not to be used for another client. Some forms may be found on our website without barcodes.

Sample Estimate Packet

Cover Letter
 Signed Form 40.04 (Retirement Allowance Estimate)
 Explanation of Retirement Plans
 Date of Birth Information
 Partial Lump Sum Distribution Option (for clients with 30+ years of service)
 Health Insurance Subsidy Information

Sample Contract Packet

Cover Letter
 Contract Packet Checklist
 Contract Instruction Sheet
 Retirement Contract (Must indicate client's choice of Retirement Plan)
 Tax Withholding Instruction Sheet
 Tax Withholding Election Form
 Instruction Sheet for Form 80 (Request for Retirement and Notice of Final Payment)
 Form 82 (Employer Verification of Unused Accumulated Sick Leave)
 Direct Deposit Form
 Spousal Consent Form
 Health Insurance Subsidy information

Returning to Work After Retirement

A TRS retiree is allowed to return to post-retirement employment in the public schools, institutions, and agencies covered by TRS after a 60-day break between retirement and re-employment. A retired client cannot be employed by the public schools of Oklahoma in any capacity for (60) calendar days after the retiree's last day of work prior to retiring. A retiree employed in any capacity during this time or receiving payment at a later time for services performed during this time period must forfeit all retirement benefits received for that period. There are two different types of post retirement employment, non-contributing and active-contributing.

Definition of Post Retirement Employment

A client shall be considered to be employed by a school district when performing the duties ordinarily performed by classified or non-classified personnel under the following guidelines. The client is hired by the school district in his or her individual capacity. The client performs the duties through employment with a proprietorship, partnership, corporation, limited liability company or partnership; or the client performs duties through any other business structure that has agreed or contracted to provide the services to the school district.

Salary Limit for a Retiree Client

The salary limit for a retired client who has received fewer than 36 benefit payments and who is under age sixty-two (62) and who is employed in the public schools of Oklahoma performing duties of an ordinarily classified or non-classified position shall be the lesser of Fifteen Thousand Dollars (\$15,000.00) or one-half (1/2) the client's final average salary used in computing retirement benefits. The salary limit for a client who has been retired fewer than 36 months and who is age sixty-two (62) or older, and who is employed in the public schools of Oklahoma performing duties of an ordinarily classified or non-classified position shall be the lesser of Thirty Thousand Dollars (\$30,000.00) or one-half (1/2) the client's final average salary used in computing retirement benefits.

Example:

Date of Birth: May 10

- 1) $\$15,000 \cdot 12 = \$1,250$ (x) 4 (Jan, Feb, Mar, April) = \$5,000 (Prorate)
- 2) The lesser of \$30,000 or v., of Final Average Salary (\$40,000) $\$20,000 \cdot 12 = \$1,666.67$
- 3) $\$1,666.67$ (x) 8 (May - birthday month - June, Jul, Aug, Sep, Oct, Nov, Dec) = \$13,333.36 (Prorate)
- 4) $\$5,000 + \$13,333.36 = \$18,333.36$ (Prorated Benefit for Calendar Year)

The salary limit for a client who has received 36 or more benefit payments and who is employed in the public schools of Oklahoma performing duties of an ordinarily classified or non-classified position shall be unlimited after the 36th month.

When a Retiree Exceeds the Earnings Limit

If a client is paid more for his or her public school employment than the earnings limit, future retirement benefits will be decreased by \$1.00 for each \$1.00 earned over the limit.

Paying Contributions for the Retired Client

A public school district employing a retired client shall be required to make the statutory employer contributions on salaries paid to the retired client at the rate of the current contribution as stated in this manual.

Post-Retirement Employer's Statutory Contribution

Employers must remit statutory employer contributions monthly on the compensation paid to a retired client *for any reason*, including substitute teaching or officiating at athletic events. The rate is the same as that for currently contributing clients.

70 O.S., Section 17-116.10(A) (4) reads:

A client shall be considered to be employed by a school district to perform the duties ordinarily performed by classified or non-classified personnel if the client is hired by the school district in the client's individual capacity to perform the duties or if the client performs the duties through employment with a proprietorship, partnership, corporation, limited liability company of partnership, or any other business structure that has agreed or contracted to provide the services to the school district.

When remitting this contribution, please provide an electronic list of retirees, including Social Security Numbers, names, compensation, and contributions made for each report.

Remitting Contributions\ for a Retiree Returning to Active Membership

A retiree is allowed to return to active-contributive membership by returning to at least half-time employment and by suspending his or her retirement benefits for the time he or she is again an active client.

To do this:

1. During the month of May, the client must notify the Teachers' Retirement System in writing of his or her intention to return to active status; including the date his or her post-retirement employment is to begin at the start of the school year.
2. The school must complete a "Personal Data Form - 1 A" for the client.
3. The retired client and employing school will remit contributions in the same manner as for all active contributing employees. After the employment ends, the employer will provide OTRS with a completed "Form 80" providing written notice of that termination and the date that the adjusted benefit checks are to resume.

For a Retiree Receiving OTRS Disability Retirement Benefits

A client retired under OTRS disability retirement provisions may not be employed in any capacity by any public or private school in Oklahoma or in any other state from the date of retirement to age 65. After age 65, a client receiving disability retirement is eligible for post-retirement employment under the same conditions as other retired clients.

Processing an Active Contributing Retiree's Second Retirement

When retired, active-contributing clients wish to re-retire, the payroll officer may call the office of OTRS to request a FORM 80. (See sample form in Contract Packet Samples.) Upon receipt of the completed form, OTRS will calculate new benefits and add the retiree to the next month's payroll. The retiree will retire under the initial retirement plan chosen at first retirement.

MEMBERSHIP WITHDRAWAL

Four months after permanently leaving employment covered under the Teachers' Retirement System, a client may withdraw all deposits. An application form may be requested and filed after the last day of employment. The application for withdrawal must be received by the System no later than the first day of the fourth month of the required waiting period in order to be approved by the Board of Trustees that same month.

A form asking for written verification from the school's payroll department of a client's termination of employment and/or non-resumption of teaching contract must be on file with the System before the application for withdrawal can be processed. Basically, this form asks you to indicate the last date the client was physically present on the job and the date of the last contribution.

Termination of Contributions by Non-Classified Optional Personnel

Non-classified personnel who are not in a supervisory or administrative position may choose to FORFEIT CURRENT ESTABLISHED SERVICE, stop their OTRS contributions and terminate membership while they are still employed in public education. However, the Internal Revenue Service allows OTRS to distribute only after-tax contributions prior to actual separation from service. Before-tax contributions cannot be returned until four months after the client's last day at work or turns 62.

If a non-classified employee chooses to stop contributions and continue to work, please request an "Optional Withdrawal" form from the Withdrawals desk. It must be completed and signed by the employee and payroll person.

Refunds

Refunds of overpayment of annual contributions, ineligible service purchases, contributions in error, and membership service contributions of less than 6 months will be made upon request by the employing school. This includes refunds to people who are age 55 or older at the time of enrollment and decide, during the first 6 months of membership, to exercise their option not to contribute to OTRS. Refunds of pre-tax contributions must be paid to the employer unless the employee is terminated. You may be asked to verify salary if a refund of overpayment is requested. Please request a refund rather than make a credit entry on a school report.

Special Note:

The state credit contributions to an eligible client's account are not refundable unless the client completes the contract year. The client must complete the school year or terminate after June 30, to retain the contributions made by the state.

SERVICE CREDIT IN OTRS

Full Time Service

A client employed at least 30 hours per week who earns at least \$4000/year shall receive one year of creditable service for each year worked.

Half-Time Service

A client employed at one-half the workload of other persons in similar positions or a client working at least 20 hours but less than 30 hours per week and earns at least \$3001/year shall receive one-half year service credit for each year worked.

Combined Service

Fractions of school terms performed as an active, contributing client in different school years may be combined to make a total of 6 full months to receive one year of creditable service. However, service in one school year may not be divided up into different service years. A partial year of service may also be combined with unused sick leave credit until the combined total is 120 days for another year of credit.

Sick Leave Credit

Sick Leave Credit is service credit for documented unused sick leave accrued while working in Oklahoma public education. A total of 120 days of unused sick leave may count as one year of service credit. Sick leave may also be combined with fractional service if the combined total is 120 days or more. The following restrictions apply on sick leave for service credit: Donated leave, sick leave that accrued during non-creditable service or sick leave accrual in excess of 15 days per year will not count toward sick leave credit. Sick leave Form 82 must be completed by employer at retirement or termination of employment, but no later than one month prior to the retirement date. (See Retirement Contract Packet for Sample of completed SF082.)

Purchased Service

Purchased Service is subject to verification and documentation before a billing statement is prepared, including:

- *Substitute service* (120 day minimum in same school year)
- *Adjunct service* (18 or more credit hours in same school year)
- *Military service* (180 day minimum in same fiscal year)
- *Out-of-state service* (120 day minimum in same school year)
- *Prior Oklahoma service* (non-contributory service).

Service Accrued During Leave

Upon return from leave, OTRS must be immediately notified of intent to purchase credit for leave taken under Workers Compensation, Family Medical Leave, Active Military Duty (qualifying under USERRA), and official sabbatical service. Contributions should not be remitted under the above conditions, while client is not receiving wages from an OTRS employer. Interest and actuarial cost will vary depending on type of billing.