

June 2007

To: Superintendents of Schools and Financial Officers

From: Tommy C. Beavers, Executive Secretary

Subject: 2007 Legislation Update

******* NEW EMPLOYER CONTRIBUTION RATES *******

*K-12, Career Tech, 2-year colleges
& state agencies with TRS members*

4-year colleges & universities

July 1, 2007 7.85%*
Jan. 1, 2008 8.35%*
July 1, 2008 8.5%
Jan. 1, 2009 9.0%
Jan. 1, 2010 9.5%

Through Dec. 31, 2007 7.05%*
Jan. 1, 2008 7.55%*
Through Dec. 31, 2008 7.55%*
Jan. 1, 2009 8.05%
Jan. 1, 2010 8.55%

*Funds have been provided for these rate increases in either HB1105 or SB334. Rate increases on or after July 1, 2008 must be funded by the Legislature in future years to be effective.

The employer contribution rates for 4-year colleges and universities are lower because employees in these schools do not participate in EESIP (also known as the Wear-Away Plan).

******* 2007 LEGISLATION *******

Legislators enacted six measures that affect the Teachers' Retirement System. Several of these measure will have a direct impact on local school districts and other TRS remitting agencies.

HB1105 Allocates \$10 million to cover the increase in employer contributions due to passage of SB-357 and SB-1092.

HB1133 allocates monies appropriated by SB334 and includes \$35.3 million to cover the cost of the Teachers' Retirement Credit (that portion of employee contributions paid by the State) and \$4.4 million to TRS from the Education Lottery.

(Over)

HB2070 modifies language in the 2006 EESIP (Education Employees Service Incentive Plan) Act to clarify that the average salary used in the new retirement benefit formula will not increase unless additional funding is provided to increase employer contribution rates. Also adds other state retirement systems to the statute requiring an interim study on any retirement measure increasing actuarial liabilities of a retirement plan. TRS was included in a measure enacted last year requiring this type of in-depth study.

HR1026 is a non-binding House of Representatives' resolution encouraging state pension plans to divest holdings in foreign companies doing business in Iran, Syria, Sudan or North Korea. The TRS Board is studying this issue and an interim study has been requested by a House member.

SB357 increases employer contribution rates for all TRS remitting agencies, including K-12, career technology centers, higher education institutions and state educational agencies. These rate increases are in addition to rate increases due for EESIP.

SB1092 clarifies language in SB357 establishing a baseline on revenues earmarked to TRS from sales, use and income tax collections. Once the baseline is determined, money allocated to TRS cannot fall below the baseline amount. Also makes a distinction between appropriated and allocated monies, but does not change the contribution rate increases originally enacted in SB357 or change the intent of SB357.

THE EMPLOYEE CONTRIBUTION RATE AND THE CONTRIBUTION RATE FOR MATCHING EMPLOYEE SALARIES PAID BY FEDERAL FUNDS AND OTHER NON-STATE GRANT MONEY HAS NOT CHANGED; BOTH ARE STILL 7% OF EACH MEMBER'S REGULAR ANNUAL COMPENSATION.

THE PAYROLL OFFICER HANDBOOK IS AVAILABLE ON THE TRS WEBSITE (www.ok.gov/TRS/), ALONG WITH ALL RECENT MEMOS TO REMITTING AGENCIES.

If you have any questions about these or other retirement matters, please contact the Retirement Office. Our toll-free telephone number is 1-877-738-6365 or 521-2387 in the Oklahoma City dialing area.