



OKLAHOMA TEACHERS RETIREMENT SYSTEM

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Plan for Tomorrow - Today

Outline

- System Overview
- Defined Benefit vs Defined Contribution
- Contributions to Client Account
- Retirement Eligibility
- Retirement Benefit Formula
- Education Employees Service Incentive Plan
- Retirement Plans /Partial Lump Sum Option
- Preparing for Retirement
- Post Retirement Employment
- Questions

Retirement System Overview

- Largest State Pension Fund
 - 166,000 clients
 - \$14 billion
- Complex System
- Funding Status
 - 66.6% Actuarially Funded as of June 30, 2015
 - Funding Period: 14 years
- FY-2015 Investment Returns
 - 2.7%
- Is your retirement safe?
 - Absolutely!

Retirement System Overview

Defined Benefit vs Defined Contribution

- Defined Benefit Plan 401(a) – *Advantages*
 - Commonly referred to as a Pension
 - Retirement benefit is guaranteed for your **lifetime**; possibly the lifetime of your joint annuitant
 - Retirement benefit you receive based on a formula
 - Benefit is independent of contributions and investment returns
 - Plan Sponsor bears all risks associated with a DB plan – longevity, inflation, investment, etc.

Retirement System Overview

Defined Benefit vs Defined Contribution

- Defined Benefit Plan – *Disadvantages*
 - Retirement benefit you receive is based on a formula that you do not control
 - Plan Sponsor determines how money is invested
 - Retirement benefits are unlikely to increase once you retire
 - Cannot “borrow” against retirement funds
 - Contributions stop if you leave employment

Retirement System Overview

Defined Benefit vs Defined Contribution

- Defined Contribution Plan – *Advantages*
 - 401(k), 403(b) or IRA
 - Voluntary Contributions
 - Employee chooses investments
 - Retirement benefits are controlled by you
 - DC Account is easily portable
 - Tax advantages (may reduce overall tax liability)
 - Borrowing Provisions

Defined Contribution Plan

What You Need to Know

- Defined Contribution Plan – *Disadvantages*
 - Voluntary Contributions
 - Discipline: must make contributions consistently over a long period of time
 - Retirement income uncertain: based solely on amount contributed and investment returns
 - Employee chooses investments and assumes risk
 - Employee bears longevity and inflation risk

Contributions

Funding Source:	Account:
Client Contributions (7% of Total Compensation)	Client Account
Employer Contributions Dedicated State Revenue Investment Income	Retirement Benefit Fund

Retirement Eligibility

	Rule of 80	Rule of 90
Entry Date	Prior to July 1, 1992	July 1, 1992 – October 31, 2011
Eligibility	Age + Service = 80 or Age 62 + 5 Years	Age + Service = 90 or Age 62 + 5 Years



Retirement Eligibility

Rule of 90 /
Minimum Age 60

Entry Date

On or After November 1, 2011

Eligibility

(with unreduced benefit)

Age + Service = 90
Minimum Age 60

With Unreduced
Benefit

Age 65 + 5 Years

Retirement Eligibility

(Under Rule of 80 or 90)

- Early Retirement
 - Ages 55 – 61
 - Must be vested in System
 - 5 Years contributory Oklahoma service
 - NOT age 62 nor eligible under rule of 80 or 90

Retirement Eligibility

(Under Rule of 80 or 90)

Early Retirement Adjustment Factors

<u>Age</u>	<u>% of Reduction</u>
55	47.84
56	42.94
57	37.53
58	31.54
59	24.88
60	17.47
61	9.22

Retirement Eligibility

(Rule of 90/Minimum Age 60)

- Early Retirement
 - Ages 60 - 64
 - Must be vested in System
 - 5 Years contributory Oklahoma service
 - **NOT** age 65 nor eligible under rule of 90/Minimum Age 60

Retirement Eligibility

(Rule of 90/Minimum Age 60)

Early Retirement Adjustment Factors

<u>Age</u>	<u>% of Reduction</u>
60	35.00
61	27.00
62	20.00
63	14.00
64	7.00
65	0.00

Retirement Benefit Formula

- Final Average Salary

- Rule of 80

- Highest 3 Salaries Earned During Career

- Rule of 90

- Highest 5 Salaries Earned Consecutively During Career

- Rule of 90 / Minimum Age 60

- Highest 5 Salaries Earned Consecutively During Career

Retirement Benefit Formula

- Basic Formula
 - Final Average Salary x 2% x Years of Service
- Prior to July 1, 1995
 - Contributions were paid on max salary of either \$25,000 or \$40,000
 - Those years are capped
- Results in a Two-Tiered Calculation
 - Salary caps removed July 1, 1995

Retirement Formula

Benefit Tiers

	Capped	Uncapped
Years	To June 30, 1995	Since July 1, 1995
Salary Base	Up to \$25,000 or \$40,000	Total Compensation
Benefit	Cap x 2% x Years of Service through June 30, 1995	FAS x 2% x Years of Service since July 1, 1995

Add capped benefit amount & uncapped benefit amount to determine total benefit. *Will be different for Higher Ed employees.

Education Employees Service Incentive Plan (EESIP)

- EESIP also known as *Wear-Away*
- Converts Capped Years of Service to Uncapped
 - Must reach full retirement eligibility
 - Rule of 80, 90 or Age 62
 - Each year of additional service
 - Moves 2 years from Capped to Uncapped
- EESIP can increase benefit significantly

Retirement Plans

5 Retirement Options

Each Provide:

- Lifetime monthly benefit to client
- \$5,000 Death Benefit

Retirement Plans

■ Maximum Retirement Plan

- Lifetime Benefit for Client
- \$5,000 Death Benefit to Beneficiary(ies)
- Highest Monthly Benefit Amount
- Any Balance in Client Account upon Client's death is paid to Beneficiary(ies) or Estate

Retirement Plans

■ 5 Retirement Plans

■ Retirement Option 1

- Lifetime Benefit for Client
- \$5,000 Death Benefit to Beneficiary(ies)
- 99.0% of Maximum Benefit
- Slower use of Client Account to pay benefits
- Any Balance in Client Account upon Client's death is paid to Beneficiary(ies) or Estate

Retirement Plans

■ 5 Retirement Plans

■ Retirement Option 2

- Lifetime Benefit for Client
- \$5,000 Death Benefit to Beneficiary(ies)
- Client designates Joint Annuitant at retirement
 - Must be spouse or someone who is within 10 years of age
- After Client's death Joint Annuitant continues to receive same benefit as Client
- 85%-95% of Maximum Benefit
- Pop-up Provision

Retirement Plans

■ 5 Retirement Plans

■ Retirement Option 3

- Lifetime Benefit for Client
- \$5,000 Death Benefit to Beneficiary(ies)
- Client designates Joint Annuitant at retirement
- After Client's death Joint Annuitant continues to receive one-half the Client's benefit
- 91%-97% of Maximum Benefit
- Pop-up Provision

Retirement Plans

■ 5 Retirement Plans

■ Retirement Option 4

- Lifetime Benefit for Client
- \$5,000 Death Benefit to Beneficiary(ies)
- Guarantees Client's full benefit for 120 months
 - If Client dies within 120 month of retirement, Beneficiary continues to receive the Client's full benefit until the 120th month after retirement
- 96%-99% of Maximum Benefit

Partial Lump Sum Option

- Client may elect at retirement
 - Also known as PLSO
- Must have 30 Years of Service to Qualify
- Equal to 12, 24, or 36 months of Retirement Benefit Payments
- Reduces the Monthly Retirement Benefit associated with the 5 Retirement Plans
 - Reduction based on Age and PLSO option

Partial Lump Sum Option

Partial Lump Sum Option Adjustment Factors

Age	12 Months	24 Months	36 Months
50	91.44%	82.88%	74.32%
55	91.06%	82.12%	73.17%
60	90.50%	80.74%	71.52%
65	89.72%	79.45%	69.18%
70	88.62%	77.23%	65.85%
75	86.96%	73.93%	60.89%

Preparing for Retirement

- ❑ Step 1 - Complete and return:
 - ❑ **Pre-Retirement Information Verification (PIV)** along with all required documentation
 - ❑ Online @ www.ok.gov/trs
 - ❑ Contact the Oklahoma Teachers Retirement System
 - ❑ 405.521.2387
 - ❑ 1.877.738.6365
 - ❑ One is in your packet / Registration Desk

Preparing for Retirement

❑ Step 1 – PIV

❑ The Following Information is Required

- ❑ Your name and complete mailing address
- ❑ Your Social Security Number
- ❑ Proof of Birth
- ❑ Proof of Birth for Joint Annuitant (if necessary)
- ❑ Marriage License
- ❑ Requested Retirement Date
- ❑ Sick Days (Verification Required for 120 days)
- ❑ Must be received no later than **90 days** before requested retirement date

Preparing for Retirement

- Step 2 – Review the Retirement Estimate or Intent to Retire



OKLAHOMA TEACHERS RETIREMENT SYSTEM

PO BOX 53524 OKLAHOMA CITY, OKLAHOMA 73152
(405) 521-2387 OR TOLL FREE (877) 738-6365

11/13/2012
Client ID: Q01

RETIREMENT ALLOWANCE ESTIMATE

Retirement Date	7/1/2013		
Retirement Age	55		
Birthdate	11/26/1957		
Joint Annuitant Birthdate	12/8/1952		
Joint Annuitant Age	60		
Total Deposits	\$64,689.77		

Tier	Years	Salary
Post-95: Uncapped	18.00	\$60,021.38
Pre-95: \$40K	7.00	\$40,000.00
Career	25.00	\$54,415.39

Maximum Monthly Benefit: 2% x Career Salary x Career Years / 12
Career Salary represents salary from each service tier weighted by the number of years in each tier.

Retirement Options				
	No PLSO	PLSO 12	PLSO 24	PLSO 36
Max Option Monthly Benefit	\$2,267.31	N/A	N/A	N/A
Option 1 Monthly Benefit	\$2,260.78	N/A	N/A	N/A
Option 2 Monthly Benefit	\$2,136.83	N/A	N/A	N/A
Option 3 Monthly Benefit	\$2,200.13	N/A	N/A	N/A
Option 4 Monthly Benefit	\$2,248.56	N/A	N/A	N/A
Lump Sum Taxable	\$0.00	N/A	N/A	N/A
Lump Sum Non-Taxable	\$0.00	N/A	N/A	N/A
Total Lump Sum Payment	\$0.00	N/A	N/A	N/A
Lump Sum Multiplier	100.00%	N/A	N/A	N/A

Notes:
Estimate includes 120 days unused sick leave to be verified by employer. Service assumes full time employment through school year 2013.

Intent To Retire:
Complete, and return this entire form after April 01, 2013 to receive retirement contract documents. All documents and balances are due June 01, 2013 to retire July 01, 2013 to receive first check August 01, 2013.

I request the following Retirement Option:
Maximum Option 1 Option 2 Option 3 Option 4

I request a Partial Lump Sum of:
None 12 Months 24 Months 36 Months

We understand that **only** if the Option 2 or 3 is elected, a lifetime benefit will be awarded to a joint annuitant to be named on the final contract without the right to make a later change after effective date of retirement.

Member's Signature _____ Date _____

Spouse's Signature _____ Date _____ OR ___ I have no legal spouse.

A final audit may reveal deviations from this estimate. Corrections must be made and may change the amount indicated above.

Preparing for Retirement

- ❑ Step 3 – Complete the Intent to Retire
 - ❑ Decide which Retirement Plan is best for you
 - ❑ Sign and Date
 - ❑ Return to the Oklahoma Teachers Retirement System no later than **60 days** before your effective retirement date

Preparing for Retirement

- ❑ Step 4 – Final Retirement Contract
 - ❑ A Final Retirement Contract will be sent
 - ❑ Sign, date and have it notarized
 - ❑ Return the Contract at least **30 days** prior to your retirement
 - ❑ State law requires your Contract be received at least 30 days prior to your retirement

Preparing for Retirement

❑ Retirement Timelines

❑ Retirement Timeline Example – June 1

Submit PIV	March 1
Submit Intent to Retire	April 1
Submit Contract	May 1
Effective Retirement Date	June 1
First Retirement Check	July 1

Preparing for Retirement

❑ Contract Changes

- ❑ Contract Changes for Plan Options 1 – 4 must occur within **60 days** of effective date of retirement. However, you may not change your retirement date, or your joint annuitant.

Preparing for Retirement

□ Step 5 – Relax and Enjoy a Well Earned Retirement



Post-Retirement Employment

- Earnings Limits apply to Oklahoma Teachers Retirement System Contributory Employment:
 - Oklahoma Public Schools (K-12 & Higher Ed)
 - Other Reporting Entities
 - Oklahoma State Department of Education
 - Oklahoma Regents for Higher Education
 - Oklahoma Teachers Retirement System

- Must be Retired for at least 60 Calendar Days

Post-Retirement Employment

- If Retired Less than 36 Months:
 - Prior to Age 62
 - May Earn the Lesser of \$15,000 or One-half of Final Average Salary
 - Age 62 to and over
 - May Earn the Lesser of \$30,000 or One-half of Final Average Salary
- Earnings are Pro-rated by calendar year
- If Retired More than 36 Months:
 - No Earnings Limit

Helpful Information

- Oklahoma State Tax Information: www.ok.gov/tax/
- Federal Tax Information: www.irs.gov/
- Social Security: www.socialsecurity.gov/

Health Insurance Seminar Schedule

www.ok.gov/sib

Date	City	Address	Location	Time
November 5	Lawton	Great Plains Technology Center 4500 W Lee	Room 701	10:00 a.m.
November 6	Oklahoma City	EGID 3545 NW 58th St	Board Room Floor 5	1:00 p.m.
December 4	Oklahoma City	EGID 3545 NW 58th St	Board Room Floor 5	1:00 p.m.
December 10	Tulsa	Tulsa Community College (West Campus) 7505 West 41st Street	Gallery Room	10:00 a.m.

Question & Answer

- I will do my very best to address all of your questions.