Dixie L. Moody
Director of Client Services

Plan for Tomorrow - Today
Outline

- System Overview
- Defined Benefit Plan
- Funding /Contributions to Member Account
- Retirement Eligibility
- Retirement Benefit Formula
- Retirement Plans /Partial Lump Sum Option
- Preparing for Retirement
- Post Retirement Employment
- Questions
Retirement System Overview

- **Largest State Pension Fund**
  - Established July 1, 1943
  - 170,000 members
  - $15 billion assets

- **Average Active Member**
  - 45.8 Years of Age
  - 11.0 Years of Service
  - $46,819 Salary

- **Average Retired Member**
  - Retires with 24.8 Years of Service
  - $20,242 Annual Benefit ($1,687 per mo.)
Retirement System Overview

**Defined Benefit Plan**

- Defined Benefit Plan 401(a)
  - Commonly referred to as a Pension Plan
  - 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.
# How Is TRS Funded?

<table>
<thead>
<tr>
<th>Funding Source:</th>
<th>Account:</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Member Contributions</strong></td>
<td><strong>Member Account</strong></td>
</tr>
<tr>
<td><em>(7% of Total Compensation)</em></td>
<td></td>
</tr>
<tr>
<td><strong>Employer Contributions</strong></td>
<td><strong>Retirement Benefit Fund</strong></td>
</tr>
<tr>
<td><strong>Dedicated State Revenue</strong></td>
<td></td>
</tr>
<tr>
<td><strong>Investment Income</strong></td>
<td></td>
</tr>
</tbody>
</table>
Member Account

- What happens to the money in my retirement account if I should die while actively contributing to the System?
  - Contributions + Accrued Interest
  - $18,000 Death Benefit
  - Designated Beneficiary(ies)

- Is your beneficiary designation up to date?
  - Beneficiary Forms at Registration Desk
  - Website: Forms – Personal Data Form 1A
# Retirement Eligibility

<table>
<thead>
<tr>
<th>Entry Date</th>
<th>Rule of 80</th>
<th>Rule of 90</th>
</tr>
</thead>
<tbody>
<tr>
<td>Prior to July 1, 1992</td>
<td>Age + Service = 80</td>
<td>Age 62 + 5 Years</td>
</tr>
<tr>
<td></td>
<td>or</td>
<td>or</td>
</tr>
<tr>
<td></td>
<td>Age 62 + 5 Years</td>
<td>Age 62 + 5 Years</td>
</tr>
<tr>
<td>July 1, 1992 – October 31, 2011</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
# Retirement Eligibility

## Rule of 90 / Minimum Age 60

<table>
<thead>
<tr>
<th>Entry Date</th>
<th>On or After November 1, 2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Eligibility</td>
<td>Age + Service = 90</td>
</tr>
<tr>
<td>(with unreduced benefit)</td>
<td>Minimum Age 60</td>
</tr>
<tr>
<td>With Unreduced Benefit</td>
<td>Age 65 + 5 Years</td>
</tr>
</tbody>
</table>
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)

<table>
<thead>
<tr>
<th>Age</th>
<th>% of Reduction</th>
</tr>
</thead>
<tbody>
<tr>
<td>55</td>
<td>47.84</td>
</tr>
<tr>
<td>56</td>
<td>42.94</td>
</tr>
<tr>
<td>57</td>
<td>37.53</td>
</tr>
<tr>
<td>58</td>
<td>31.54</td>
</tr>
<tr>
<td>59</td>
<td>24.88</td>
</tr>
<tr>
<td>60</td>
<td>17.47</td>
</tr>
<tr>
<td>61</td>
<td>9.22</td>
</tr>
</tbody>
</table>
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)

<table>
<thead>
<tr>
<th>Age</th>
<th>% of Reduction</th>
</tr>
</thead>
<tbody>
<tr>
<td>60</td>
<td>35.00</td>
</tr>
<tr>
<td>61</td>
<td>27.00</td>
</tr>
<tr>
<td>62</td>
<td>20.00</td>
</tr>
<tr>
<td>63</td>
<td>14.00</td>
</tr>
<tr>
<td>64</td>
<td>7.00</td>
</tr>
<tr>
<td>65</td>
<td>0.00</td>
</tr>
</tbody>
</table>
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 $\times$ 2% $\times$ 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 Benefit Calculation**
  - Salary caps removed July 1, 1995
# Retirement Formula

## Benefit Calculation Tiers

<table>
<thead>
<tr>
<th>Tier 1</th>
<th>Tier 2</th>
</tr>
</thead>
<tbody>
<tr>
<td>(Capped Years of Service)</td>
<td>(Uncapped Years of Service)</td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Years</strong></td>
<td><strong>Years</strong></td>
</tr>
<tr>
<td>To June 30, 1995</td>
<td>Since July 1, 1995</td>
</tr>
<tr>
<td><strong>Salary Base</strong></td>
<td><strong>Salary Base</strong></td>
</tr>
<tr>
<td>Up to $25,000 or $40,000</td>
<td>Total Compensation</td>
</tr>
<tr>
<td><strong>Benefit</strong></td>
<td><strong>Benefit</strong></td>
</tr>
<tr>
<td>FAS x 2% x Years of Service through June 30, 1995</td>
<td>FAS x 2% x Years of Service since July 1, 1995</td>
</tr>
</tbody>
</table>

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

## Benefit Calculation Tiers

<table>
<thead>
<tr>
<th>Tier 1</th>
<th>Tier 2</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>(Years Capped Salary)</strong></td>
<td><strong>(Years Upcapped Salary)</strong></td>
</tr>
<tr>
<td>Prior to July 1, 1995</td>
<td>After July 1, 1995</td>
</tr>
<tr>
<td><strong>Years</strong></td>
<td>6</td>
</tr>
<tr>
<td><strong>Salary Base</strong></td>
<td>FAS = $40,000</td>
</tr>
<tr>
<td><strong>$40K x 2% = $800</strong></td>
<td><strong>$60K x 2% = $1,200</strong></td>
</tr>
<tr>
<td><strong>$800 x 6 = $4,800/12 =</strong></td>
<td><strong>$1,200 x 20 = $24K/12 =</strong></td>
</tr>
<tr>
<td><strong>$400 per month</strong></td>
<td><strong>$2,000 per month</strong></td>
</tr>
<tr>
<td><strong>$400 + $2,000 = $2,400 per month / $28,800 annual benefit</strong></td>
<td></td>
</tr>
</tbody>
</table>
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 additional year worked beyond eligibility
    - Moves 2 years from Capped Salary to Uncapped Salary
- EESIP can increase benefit significantly
Education Employees Service Incentive Plan (EESIP)

Salary Calculation after Converting all Years of service to Uncapped Salary Tier

6 year capped = work 3 additional years

26 Year Uncapped

$60,000 X 2\% = $1,200

$1,200 x 26 years = $31,200 annually

$2,600 monthly

($2,400 with salary caps in place)
Retirement Plans

5 Retirement Options

Each Provide:

- Lifetime monthly benefit to Member
- $5,000 Death Benefit
  - Not Life Insurance
  - Taxable Income to Beneficiary
  - Please keep designation updated
Retirement Plans

- **Maximum Plan**
  - Lifetime Benefit for Member
  - Single Life Annuity
  - Highest Monthly Benefit Amount
  - Member Account balance reduced each month by monthly benefit payment
  - Any Balance in Member Account upon member’s death is paid to Beneficiary(ies) or Estate
  - Account balance generally exhausted after 2 years
Retirement Plans

- **Retirement Option 1**
  - Lifetime Benefit for Member
  - 99.0% of Maximum Benefit
  - Slower use of Member Account to pay benefits
  - Any Balance in Member Account upon member’s death is paid to Beneficiary(ies) or Estate
  - Account balance generally exhausted after 10 years
Retirement Plans

- **Retirement Option 2**
  - Lifetime Benefit for Member
  - Member designates Joint Annuitant at retirement
    - Must be spouse or someone who is within 10 years of age
  - 100% Survivor Annuity
    - After Member’s death Joint Annuitant continues to receive same benefit as Member
  - 85%-95% of Maximum Benefit
  - Pop-up Provision
Retirement Plans

- **Retirement Option 3**
  - Lifetime Benefit for Member
  - Member designates Joint Annuitant at retirement
  - 50% Survivor Annuity
    - After Member’s death Joint Annuitant continues to receive one-half (50%) the Member’s benefit
  - 91%-97% of Maximum Benefit
  - Pop-up Provision
Retirement Plans

- Retirement Option 4
  - Lifetime Benefit for Member
  - Single Life Annuity / 10 Year Term Certain
  - Guarantees Member’s full benefit for 120 months
    - If Member dies within 120 month of retirement, Beneficiary continues to receive the Member’s full benefit until the 120th month after retirement
  - 96%-99% of Maximum Benefit
Partial Lump Sum Option

- 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

<table>
<thead>
<tr>
<th>Age</th>
<th>12 Months</th>
<th>24 Months</th>
<th>36 Months</th>
</tr>
</thead>
<tbody>
<tr>
<td>50</td>
<td>91.44%</td>
<td>82.88%</td>
<td>74.32%</td>
</tr>
<tr>
<td>55</td>
<td>91.06%</td>
<td>82.12%</td>
<td>73.17%</td>
</tr>
<tr>
<td>60</td>
<td>90.50%</td>
<td>80.74%</td>
<td>71.52%</td>
</tr>
<tr>
<td>65</td>
<td>89.72%</td>
<td>79.45%</td>
<td>69.18%</td>
</tr>
<tr>
<td>70</td>
<td>88.62%</td>
<td>77.23%</td>
<td>65.85%</td>
</tr>
<tr>
<td>75</td>
<td>86.96%</td>
<td>73.93%</td>
<td>60.89%</td>
</tr>
</tbody>
</table>
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
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

- Unused Sick Leave Days at Retirement
  - 120 days verified = 1 year of service credit
  - Anything less than 120 days = fractional year of service credit

- Example:
  - 60 days / 120 days = 0.50 year of service credit
Preparing for Retirement
Step 2 – Intent to Retire

Maximum Monthly Benefit: 2% X FAS X YEARS / 12
FAS (Final Average Salary) represents average salary from each service tier weighted by the number of years in each tier.

<table>
<thead>
<tr>
<th>Retirement Options</th>
<th>No PLSO</th>
<th>PLSO 12</th>
<th>PLSO 24</th>
<th>PLSO 36</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Benefit</td>
<td>Draw Down</td>
<td>Benefit</td>
<td>Draw Down</td>
</tr>
<tr>
<td>Max Option</td>
<td>$3,588.41</td>
<td>$3,588.41</td>
<td>$3,257.64</td>
<td>$3,257.64</td>
</tr>
<tr>
<td>Option 1</td>
<td>$3,586.39</td>
<td>$3,586.39</td>
<td>$3,245.62</td>
<td>$3,245.62</td>
</tr>
<tr>
<td>Option 2</td>
<td>$3,538.84</td>
<td>$3,538.84</td>
<td>$3,022.65</td>
<td>$3,022.65</td>
</tr>
<tr>
<td>Option 3</td>
<td>$3,463.77</td>
<td>$3,463.77</td>
<td>$3,135.75</td>
<td>$3,135.75</td>
</tr>
<tr>
<td>Option 4</td>
<td>$3,540.85</td>
<td>$3,540.85</td>
<td>$3,205.53</td>
<td>$3,205.53</td>
</tr>
<tr>
<td>Lump Sum Taxable</td>
<td>$45,177.98</td>
<td>$45,177.98</td>
<td>$386,355.96</td>
<td>$386,355.96</td>
</tr>
<tr>
<td>Lump Sum Non-Taxable</td>
<td>$2.96</td>
<td>$2.96</td>
<td>$5.96</td>
<td>$5.96</td>
</tr>
<tr>
<td>Lump Sum Payment</td>
<td>$43,180.96</td>
<td>$43,180.96</td>
<td>$66,361.92</td>
<td>$66,361.92</td>
</tr>
<tr>
<td>Lump Sum Multiplier</td>
<td>90.53%</td>
<td>90.53%</td>
<td>81.07%</td>
<td>81.07%</td>
</tr>
</tbody>
</table>
Preparing for Retirement

- Step 3 – Complete the Intent to Retire
  - Schedule an in-house or phone consult
  - 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

<table>
<thead>
<tr>
<th>Event</th>
<th>Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>Submit PIV</td>
<td>March 1</td>
</tr>
<tr>
<td>Submit Intent to Retire</td>
<td>April 1</td>
</tr>
<tr>
<td>Submit Contract</td>
<td>May 1</td>
</tr>
<tr>
<td>Effective Retirement Date</td>
<td>June 1</td>
</tr>
<tr>
<td>First Retirement Check</td>
<td>July 1</td>
</tr>
</tbody>
</table>
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
Noteworthy

- November 1, 2017
  - 7 Years of Service to Vest
- HB 2386 Definition of “Teacher”
  - Restored to include superintendents, principals, supervisors and nurses
  - State Credit Eligible
- Client Portal (www.ok.gov/TRS)
  - Log on today!
Question & Answer

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

- [www.ok.gov/trs](http://www.ok.gov/trs)
  - Related Topics
    - PIV Form
    - Retirement Presentation
    - Client Portal – My OTRS