TITLE 715. TEACHERS' RETIREMENT SYSTEM
CHAPTER 10. GENERAL OPERATIONS

SUBCHAPTER 5. ESTABLISHING OTHER SERVICE CREDITS

715:10-5-4.1. Payment of Contribution Deficit for Education Employees Service Incentive Plan

a. A member whose Regular Annual Compensation, as defined in 70 O. S. § 17-101, was greater than $40,000 during the school years 1987-88 through 1994-95, must make an additional contribution based on his or her Regular Annual Compensation in excess of $40,000 to qualify for the provisions of OAC 715:10-15-7.2. A member who chooses not to make the additional contribution payment will not qualify for the EESIP formula.

b. The payment required for any school year between 1987-88 and 1994-95 is the contribution rate in effect for each year applied to the difference between the member's total Regular Annual Compensation and the amount contributed by or on behalf of the member during the school year. This may include compensation in excess of $25,000, when the member elected not to contribute on earnings between $25,000 and $40,000 for these school years or when the school failed to contribute on the member's total compensation up to $40,000 for any school year during this period. In addition to the contribution balance, compound interest of ten percent (10%) per annum will be included in the balance due for each year. The interest rate will be applied from June 30 of the school year to the date payment is made to the Teachers' Retirement System.

c. To qualify for the movement of the first two (2) years of service credits performed before July 1, 1995, the member must make any payment due for the 1993-94 and 1994-95 school years. To qualify for the next two (2) years of service performed prior to July 1, 1995, the member must make any payment due for the 1991-92 and 1992-93 school years. Payment for additional years of service performed prior to July 1, 1995, will be required in descending order back to the 1987-88 school year.

d. Payment must be made in accordance with existing Internal Revenue Service regulations in effect at the time of payment. TRS will accept after-tax contributions and pre-tax direct or indirect rollovers and transfers from 401(a), 401(k), 403(b), 457 and IRA plans, when allowed by IRS regulations, and installment payment arrangements as provided under OAC 715:10-5-35. Payments may be a combination of any of the available payment methods. (Also see OAC 715:10-5-32. Roll-overs from other qualified plans or conduit IRAs.)

e. Any payment balance(s) required for a member to qualify for the EESIP formula must be completed at least thirty (30) days before the member's retirement date.

f. TRS staff will calculate each member's contribution deficit for any year(s) based on payroll records as reported by the employing school. When existing payroll records are not sufficient to accurately determine the member's contribution deficit, TRS has the right to request additional information from the member and/or the employing school. If additional records are required, it is the member's responsibility to obtain or cause records to be forwarded to TRS from the employing school.

g. If a member retires on or after July 1, 2006, and before June 30, 2007, the member will be required to pay 50% of the total contribution deficit balance.

h. If a member retires on or after July 1, 2007, and before June 30, 2008, the member will be required to pay 75% of the total contribution deficit balance.

i. If the member retires on or after July 1, 2008, the member will be required to pay 100% of the total contribution deficit balance.

j. TRS will accept EESIP contribution deficit payment(s) from the member at any time prior to the member's retirement. However, if at retirement it is determined that an additional balance is due, the member will be required to make the additional payment, including interest, before his or her first retirement benefit payment is due. If it is determined the member has paid more than the required balance, any difference will be refunded to the member, but no interest will be paid by TRS on the deposits, regardless of the length of time such deposits have been held by the Teachers' Retirement System.

715:10-5-32. Roll-overs from other qualified plans or conduit IRAs

Credit for past service, including redeposits of withdrawn Oklahoma service, defined in this subchapter, contribution deficit payments provided for by 70 O.S. § 17-116.2C or balances due as authorized under 70 O.S. § 17-116.2, may be purchased with roll-overs from another retirement plan if allowed by the Internal Revenue Code. This includes "conduit IRAs" which have been established with funds received from a 401(a) plan distribution for the purpose of holding the funds separate until a rollover can be consummated, traditional IRAs, 403(b) tax-deferred annuity plans, 401(k) and 457 deferred compensation plans. For a roll-over payment to be accepted by Teachers' Retirement the following conditions must be met:

(1) The member should contact Teachers' Retirement to obtain a billing statement for the service to be purchased and convey the intent to make total or partial payment by a roll-over.

(2) The member must obtain written documentation from the originating institution verifying the amount of the distribution and that the monies came from a qualified plan under the Internal Revenue Code.

(3) The roll-over check from the qualified plan must be made payable to the Oklahoma Teachers' Retirement System, For Benefit Of and the member's name. The member must deliver the check to Teachers' Retirement with the required documentation and the billing statement for the service to be purchased. Teachers' Retirement will only accept payment for the amount of the billing statement. If the distribution from the originating institution is greater than the billing, the originating institution must be willing to generate a check payable to Teachers' Retirement for the exact amount of the billing statement. If the distribution from the originating institution is less than the billing, a personal check or cashier's check must accompany the roll-over proceeds, or the member may pay the balance through an installment payment plan. Payments in excess of the billing will not be accepted.

(4) A receipt for the payment will be issued after Teachers' Retirement has determined all documentation and the appropriate amount of funds have been received.

(5) Roll-overs must comply fully with the Internal Revenue Code and applicable Internal Revenue Service regulations.

715:10-5-35. Employer pick-up of purchase of service credit

~~(a)~~a. The purpose of OAC 715:10-5-35 is to provide a pick-up of employee contributions by participating employers under Section 414(h)(2) of the Internal Revenue Code of 1986 for contributions that are made for the purpose of purchasing service credit or re-establishing withdrawn service under Chapter 10, Subchapter 5 of these Rules~~.~~, and for contribution deficit

payments provided for by 70 O.S. § 17-116.2C or balances due as authorized under 70 O.S. § 17-116.2, Employers may elect to participate in the pick-up of employee contributions made for the purpose of purchasing service credits, or re-establishing withdrawn service by a resolution adopting the provisions of this regulation.

~~(b)~~b. An active member of the Teachers' Retirement System (employed by a participating employer) who elects to purchase or re-establish service credit under any applicable provision of Chapter 10, Subchapter 5 of these Rules, or to make contribution deficit payments provided for by 70 O.S. § 17-116.2C or balances due as authorized under 70 O.S. § 17-116.2 through installments in accordance with a schedule established by the Board of Trustees~~,~~ may elect to do so through a binding, irrevocable payroll reduction authorization.

~~(c)~~c. An active member of the Teachers' Retirement System, having executed a binding, irrevocable payroll reduction authorization with respect to any such contributions, shall not be entitled to any option of choosing to receive the contributed amounts directly instead of having them paid by the employer to the Teachers' Retirement System. Such contributions shall be remitted to the Teachers' Retirement System and credited to the member in the same manner as all other employee contributions. Such contributions, although designated as employee contributions, will be paid by the employer in lieu of contributions by the employee. The contributions so assumed shall be treated as tax-deferred employer "pick-up" contributions pursuant to the United States Internal Revenue Code Section 414(h)(2), ~~subject to~~as authorized in a favorable letter ruling by the Internal Revenue Service.

~~(d)~~d. An active member of the Teachers' Retirement System may elect to pay all or part of any contribution to purchase or re-establish service credit or to make contribution deficit payments provided for by 70 O.S. § 17-116.2C or balances due as authorized under 70 O.S. § 17-116.2 through such payroll reduction. The amount by which an employee's compensation will be reduced and the duration of the reduction shall be specified on the authorization form prescribed by the Board of Trustees and the amounts and duration shall be irrevocable and binding once made. Prepayment of amounts covered by the authorization is not permitted. However, nothing herein shall prevent a member from paying any amounts not covered by the authorization with after-tax dollars, provided that any such after-tax payments by an employee of a participating employer shall be paid directly by the employee to the Teachers' Retirement System, as opposed to being paid to or withheld by the participating employer. An employee of non-participating employer may purchase service credit or re-establish withdrawn service by making after-tax payments directly to the Teachers' Retirement System.

~~(e)~~e. No such payroll reduction shall begin unless and until the member executes the payroll reduction authorization described below on a form prescribed by the Board of Trustees. The Board of Trustees will send such form to the treasurer or other disbursing officer of the participating employer. After receiving the binding, irrevocable payroll reduction authorization, the treasurer or other disbursing officer of each participating employer shall reduce the member's regular annual compensation by the authorized amount and remit these contributions to OTRS, in addition to (but separate from) the mandatory contributions from the member's regular annual compensation pursuant to 70 O.S., §17-116.2 and OAC 715:10-13-3. The participating employer shall continue to make such reductions for the number of months specified on the form and shall treat these reductions as picked-up contributions.

~~(f)~~f. All such payroll reductions, including the amounts and the duration specified, shall be binding and irrevocable upon the member's execution of the prescribed form.

~~(g)~~g. Notwithstanding the above, such reductions will cease only after the authorization has expired by its terms or upon any of the following events:

(1) The member's death. In the event of a member's death, the designated beneficiary shall have the option of paying the remaining amount owed (using after-tax dollars) within six (6) months of the member's death. If the balance is not paid, the beneficiary shall be entitled to prorated credit for that portion of the additional contributions actually made for service purchases prior to the member's death. If there is any remaining amount owed with respect to a redeposit of contributions, the designated beneficiary will be reimbursed for those redeposits which had already been paid at the time of the member's death. A beneficiary may not make payments for a purchase of service credit or a re-deposit of contributions if such a purchase or re-deposit had not been initiated by the member prior to the member's death.

(2) The termination of the member's employment. In this event, the member shall have the right to pay the remaining amount owed (using after-tax dollars) within six (6) months of the member's termination of employment, but payment must be completed one (1) month prior to the effective retirement date of the member. If the member retires and does not pay the entire remaining amount, the member shall be entitled to prorated service credit for those payments actually made for service purchases. If there is any remaining amount owed with respect to a redeposit of contributions, the member shall be reimbursed for those redeposits which had already been paid at the time of the member's termination. In the situation where a terminated member becomes employed by another employer participating in OTRS, the member may elect to reinstate or not reinstate his authorization with the new employer.

(3) For purposes of (1) and (2) above, after-tax contributions shall only be received to the extent allowed by section 415 of the Internal Revenue Code.

~~(h)~~h. In no event shall the member receive a return of the payroll reductions made hereunder, except as a refund together with all other contributions, as provided in OAC 715:10-11-1 et seq. or as a refund of a redeposit of contributions as provided in subsection ~~(g)(2)~~g.(2) herein.

~~(i)~~i. Payroll reductions and installment agreements hereunder shall last no longer than sixty (60) months.

SUBCHAPTER 13. CONTRIBUTIONS FOR MEMBERSHIP SERVICE

715:10-13-3.1. Employer contribution rates

~~(a)~~a. Beginning July 1, 1998, through June 30, 2000, the local employer shall pay four and eight-tenths percent (4.8%) of the regular annual compensation of the member, up to the member's applicable maximum compensation level.

~~(b)~~b. Beginning July 1, 2000, through June 30, 2001, the employer shall pay five and eight-tenths percent (5.8%) of the regular annual compensation of the member up to the member's applicable maximum compensation level

~~(c)~~ c. Beginning July 1, 2001, through June 30, 2002, the employer shall pay six and eight-tenths percent (6.8%) of the regular annual compensation of the member up to the member's applicable maximum compensation level.

~~(d)~~d. Beginning July 1, 2002, the employer shall pay seven and five-hundredths percent (7.05%) of the regular annual compensation of the member up to the member's applicable maximum compensation level. In addition to the contribution rate of 7.05% on each active

member's applicable regular annual compensation, the employer shall pay seven and five-hundredths percent (7.05%) of the regular annual compensation of any retired member as defined in OAC 715:10-17-1 and 715:10-17-5.

e. Beginning January 1, 2007, through June 30, 2007, all remitting entities other than comprehensive and four-year regional universities, shall pay seven and six-tenths percent (7.6%) of the regular annual compensation of the member not in excess of any applicable maximum compensation level of the member.

f. Beginning July 1, 2007, through June 30, 2008, all remitting entities other than comprehensive and four-year regional universities, shall pay seven and eighty-five hundreds percent (7.85%) of the regular annual compensation of the member not in excess of any applicable maximum compensation level of the member.

g. Beginning July 1, 2008, though June 30, 2009, and for each fiscal year thereafter, all remitting entities other than comprehensive and four-year regional universities, shall pay eight percent (8%) of the regular annual compensation of the member not in excess of any applicable maximum compensation level of the member.

h. The employer contribution rate increase provided in subsections e, f and g of this section shall not become effective unless appropriation levels to each of the affected remitting entities are increased so that the additional employer contribution obligation is funded.

SUBCHAPTER 15. SERVICE RETIREMENT

715:10-15-7.2. Retirement formula for members retiring under provisions of the Education Employees Service Incentive Plan ("EESIP")

a. Legislation enacted during the Special Session of the 2006 Legislature modified the standard retirement formula for TRS members employed by remitting entities other than comprehensive and regional four-year universities. A member must have been employed by a participating remitting entity for at least one full school year (twelve months) immediately prior to termination of employment or retirement to qualify for this section.

b. A TRS member who was employed prior to July 1, 1995, may have service credits performed prior to July 1, 1995, calculated in the member's retirement formula used for service performed after July 1, 1995, when the member's average salary at retirement is greater than $40,000, and the member works beyond the year in which he or she reaches normal retirement age. (The terms "average salary" and "normal retirement age" are defined in 70 O. S. § 17-101.)

c. A retiring member who works one year beyond the school year in which he or she reaches normal retirement age may move two (2) years of service performed prior to July 1, 1995, to the retirement formula used to calculate service performed after July 1, 1995. For each additional year the member works beyond normal retirement age, he or she may move two (2) additional years of service credit performed prior to July 1, 1995.

d. For members who retire on or after July 1, 2006, and before June 30, 2007, the maximum average salary that can be used to calculate the benefit for service credits that qualify to be moved under this section is $60,000. During this one-year period, a member whose average salary at retirement is greater than $60,000 shall have benefits calculated in three steps: 2% x $40,000 for service performed prior to July 1, 1995, that does not qualify as moved service; 2% x $60,000 for service performed prior to July 1, 1995, that qualifies as moved service; and 2% x the member's average salary for service performed on or after July 1, 1995. (Note: The

retirement date for each retiring member is always the first day of the month. [See OAC 715:10-15-4.])

e. For members who retire on or after July 1, 2007, and before June 30, 2008, the maximum average salary that can be used to calculate the benefit for service credits that qualify to be moved under this section is $80,000. During this one-year period, a member whose average salary at retirement is greater than $80,000 shall have benefits calculated in three steps: 2% x $40,000 for service performed prior to July 1, 1995, that does not qualify as moved service; 2% x $80,000 for service performed prior to July 1, 1995, that qualifies as moved service; and 2% x the member's average salary for service performed on or after July 1, 1995. (Note: The retirement date for each retiring member is always the first day of the month. [See OAC 715:10-15-4.])

f. For members who retire on or after July 1, 2008, the average salary used to calculate the benefit for service credits that qualify to be moved under this section is the member's average salary at retirement. The member's retirement benefit will be calculated as follows: 2% x $40,000 for service performed prior to July 1, 1995, that does not qualify as moved service; and 2% x the member's average salary for service performed prior to July 1, 1995, that qualifies as moved service and for service performed on or after July 1, 1995. (Note: The retirement date for each retiring member is always the first day of the month. [See OAC 715:10-15-4.])

g. A member whose Regular Annual Compensation was greater than $40,000 during the school years 1987-88 through 1994-95 must make an additional contribution to qualify for movement of service provided for in this section. [See OAC 715:10-5-4.1. Payment of contribution deficit for Education Employees Service Incentive Plan]

h. A member reaches Normal Retirement Age during the school year he or she reaches age 62, or when the member's age and total service equal 80 or more for those members those official TRS membership date is prior to July 1, 1992, and when the member's age and total service equal 90 or more for those members whose official TRS membership date is on or after July 1, 1992.

i. For this section, credit a member may receive for having 120 or more days of unused sick leave at retirement will be used in determining the school year in which a member reaches Normal Retirement Age.

j. For this section, a member who reaches Normal Retirement Age by the tenth of July of any school year will be considered to have reached Normal Retirement Age at the beginning of that school year. A member who reaches Normal Retirement Age after the tenth of July of any school year will be considered to have reached Normal Retirement Age at the beginning of the next school year in which the member is employed.

k. To qualify for a year of service beyond Normal Retirement Age, OAC 715:10-3-2 and OAC 715:10-3-3 will be used to determine credited service. However, a fractional year of service performed after reaching Normal Retirement Age cannot be combined with a fractional year of service performed prior to reaching Normal Retirement Age to qualify for a year of service credit under this section.

l. The provisions of subsections e and f of this section become effective only if additional employer contributions are funded as required by Enrolled House Bill 1179xx.