TRS Trends

July 1, 1943

July 1, 2003

Volume 23, No 1. The Newsletter of the Teachers' Retirement System of Oklahoma July 2003

Emergency rules await Governor's approval

The TRS Board of Trustees has adopted two new emergency rules and amendments to 11 rules, as a result of laws enacted by the 2003 Legislature. The rules have been sent to Gov. Brad Henry for his approval.

Proposed New Rules (as provided by House Bill 1440)

715:10-15-10.2: Provides for partial lump-sum payments to a retiring TRS member with at least 30 years of service credit, in exchange for a reduced lifetime monthly retirement benefit, as provided by House Bill 1440.

715:10-15-10.3: Lists factors to be used in calculating the partial lump-sum payment.

Proposed Amendments (mandated by HBs 1362 and 1440 and SB 663)

715:10-1-4: Adds to definition of optional TRS members those individuals who are at least 45 years old and not already TRS members when they are hired by the University of Oklahoma or Oklahoma State University, or an entity of either school, for jobs that would otherwise make them classified members. Membership is still required for all others employed in positions listed as classified in state statutes.

715:10-7-1: Reduces TRS membership vesting period from 10 years to five years for members whose accounts were not closed before July 1, 2003.

715:10-7-3: Reduces from 10 years to five years the time required for an individual to be a TRS member to prevent his or her account from closing after five consecutive school years of inactive membership.

715:10-7-4: Reduces from 10 years to five years the amount of creditable Oklahoma service a TRS member must have to continue TRS membership by returning to full-time employment for one school year after an absence from service for fewer than five of six years..

715:10-11-1: Allows interest to be paid on all withdrawn accounts. This rule previously required at least seven years of membership for any interest to be paid.

715:10-15-15: Lets a married Teachers' Retirement System member taking disability retirement after June 30, 2003, choose an actuarially reduced 100% joint survivor retirement benefit that would provide the member's surviving spouse a lifetime monthly benefit after the disability retiree's death. If the spouse predeceases the disability retiree, the member's benefit will "pop-up" to the maximum disability benefit available to him or her.

715:10-17-6: Extends to non-classified support personnel the post-retirement earnings limit changes enacted last year for classified members.

(See "Rules pending" on page 3)

New benefit option

Retiring members with at least 30 years of credited service have a new benefit option.

Effective July 1, 2003, they may choose to retire under the Partial Lump Sum Option (PLSO), which was a provision of House Bill 1440, enacted by the 2003 Legislature.

Retiring members electing the PLSO will receive a portion of their monthly benefits in a one-time, lump-sum payment equaling 12, 24, or 36 months of expected retirement benefits, and then will receive reduced monthly retirement checks for life.

The reduction in monthly benefits is the actuarial equivalent of the amount the member would receive had he or she had not chosen the lump sum option. Generally, a retiree electing the 12-month payment will receive a 10% reduction in monthly benefits. A 24-month payment will reduce monthly benefits by 20%. A 36-month payment will reduce monthly benefits by 30%.

The new option is copied from similar programs available to retiring teachers in Texas, Louisiana, Mississippi and Kansas.

The lump-sum payment is taxable unless it is rolled over to an IRA or some other qualified tax-deferred plan.

TRS will provide information to retirees with at least 30 years of service when retirement estimates are requested.

Each retiring member must be very careful in choosing retirement options, since the choices made at retirement cannot be changed. The decisions made at retirement will last a lifetime.

(See PLSO on page2)

PLSO *(continued from page 1)*

In addition to the tax consequences that must be considered in choosing a PLSO, retirees must remember that post-retirement increases are based on the retiree's annuity at the time of retirement. This means any future increase that may be approved would be smaller than it otherwise would have been, since the retiree elected to start with a smaller monthly benefit. *Given the longer life span of retirees today, this factor should be considered when deciding whether to participate in the PLSO program.*

Vesting now 5 years

Vesting TRS membership now takes half as long as it used to, thanks to a new law enacted by the 2003 Oklahoma Legislature.

TRS retirement accounts now vest in five years. The previous vesting period was 10 years. This means members can now qualify for retirement with five years of Oklahoma service.

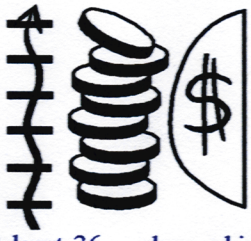
However, to actually retire, members must still be at least 55 or meet the combination of age plus service under the Rule of 80 or Rule of 90.

Although retirement accounts now vest in five years, members still must have at least 10 years of Oklahoma contributory service to qualify for disability benefits or the monthly health insurance supplement the retirement system pays for retired members enrolled in the Oklahoma State and Education Employees Group Insurance Program or who continue coverage under the insurance program offered by their school districts.

After 36 months of retirement...

Post-retirement earnings limit raised for non-classified members

Retired members employed by Oklahoma public schools in non-classified support positions and who have been retired for at least 36 months can now earn up to $30,000 per calendar year without losing retirement benefits.



The earnings limit for classified members retired at least 36 months and working for Oklahoma public schools was raised last year to $30,000.

The post-retirement earnings limit for public school employment for members under age 62 who have been retired fewer than 36 months is the lesser of one-half their final average salary or $15,000.

Retirees who are 62 or older but have been retired for fewer than 36 months may earn up to $30,000 or one-half their final average salary, whichever is less.

If you return to employment in an Oklahoma public school after retirement, you should contact TRS for the exact amount you may earn without affecting your retirement benefits.

Classified or non-classified: Which are you?

Confusion often arises about the terms "classified" and "non-classified."

Most colleges and universities refer to non-teaching staff as "classified," and a "classified" state employee is an employee covered by the state Merit System. But, for TRS purposes, the terms are applied based upon statutes governing the Retirement System's operations.

Oklahoma Title 70, Section 17-101(3) lists as "classified" the following public education jobs: teachers, principals, superintendents, supervisors, administrators, librarians, certified or registered nurses, college professors and college presidents.

The section also says that an employee of any state department, board, board of regents or board of trustees who is in a supervisory or an administrative position "primarily devoted to public education," is a classified TRS member.

Section 17-101(4) lists as "non-classified" the following public education jobs: cooks, janitors, maintenance personnel other than supervisors, bus drivers, noncertified or nonregistered nurses, noncertified librarians, and clerical employees.

Retirement eligibility is determined the same way for classified and non-classified retirees. They also choose from among the same retirement plans, and the same formula is used to calculate retirement benefits for both types of members.

June big month for retirements

June is always the biggest month for retirement, as members say goodbye to working after the close of the school year.

In June 2003, a total of 1,161 TRS members made their retirement decisions. That brought the total retirements for the year ending June 30 to 2,647.

This year's numbers are the second highest. The record was set in June 1986, when 1,978 retired, bringing the total for the school year 1985-86 to 3,569.

Retirements	June	Year Ending June 30
1999	855	2,048
2000	820	2,134
2001	904	2,117
2002	1,023	2,371
2003	1,161	2,647
Total	**4,763**	**11,317**

Recapping the 2003 Legislature

Among changes: Vesting time, new retirement options

HB 1160 Allocates funds for Teacher Retirement Credit.

HB 1278 Lottery Bill; establishes lottery to fund education; 5% of the proceeds would go to the Teachers' Retirement System Dedicated Revenue Revolving Fund.

HB 1362 Changes vesting from 10 to 5 years; provides a small interest payment to members if a member terminates with fewer than 7 years of membership & withdraws contributions; makes TRS membership optional for OU & OSU employees who are age 45 & older when they are first employed at those universities and/or their constituent agencies (membership is still required for all other individuals employed in jobs that state statutes list as "classified"); allows TRS Board of Trustees to establish a disability option similar to the 100% joint survivor benefit, which would let a disabled member choose a reduced benefit to protect his or her spouse.

HB 1440 Partial Lump Sum Option (PLSO) plan; lets retiring members with at least 30 years of service choose an up-front lump sum payment equal to 12, 24, or 36 months of retirement benefits & then receive a reduced monthly check for life.

SB 4 Requires TRS to provide members with applications to join retired teacher organizations with at least 1,000 members; organizations to provide applications to TRS.

(See Legislation on page 4)

***Rules pending** (from page 1)*

715:10-17-13: Provides that subsequent retirement benefits for a TRS retiree who elects a partial lump-sum payment and then is re-employed and returns to membership contributing status will be calculated taking into consideration that a partial lump-sum payment has been received.

715:10-23-1: Provides that members are eligible to enroll in the state insurance plan if they retire or terminate employment with at least 10 years of Oklahoma service credits and meet State and Education Employees Group Insurance Board requirements.

715:10-23-2: Requires a retired member enrolled in the health insurance plan provided by the State and Education Employees Group Health and Dental Insurance plan or in an insurance program provided by a participating education employer who provides health insurance coverage to former employees to have at least 10 years of Oklahoma service prior to retirement in order for TRS to pay a monthly health insurance premium supplement for that retired member.

715:10-23-3: Requires a retired member to have at least 10 years of Oklahoma service before retirement for TRS to pay a monthly health insurance premium supplement for that retired member if he or she worked for a participating education employer not enrolled in the State and Education Employees Group Insurance Plan.

What is an emergency rule?

The Teachers' Retirement System is governed by state statutes and administrative rules, which are published each year in the TRS Rules and Laws and on the TRS website (www.trs.state.ok.us).

Emergency rules are adopted to meet an immediate agency need and usually are promulgated to comply with new laws enacted during the preceding legislative session. They go into effect after the Governor approves them and expire at a certain time. Usually they are replaced by permanent rules during the next legislative session.

Teachers' Retirement System of Oklahoma
2500 N. Lincoln Blvd., 5th Floor
Oklahoma City, Oklahoma 73105
Mailing Address:
P.O. Box 53524
Oklahoma City, OK 73152-3524
http://www.trs.state.ok.us
1-877-738-6365 (toll-free)
(405) 521-2387

***E*xecutive Secretary**
Tommy C. Beavers
Assistant Executive Secretary
Sue Callahan
Chief Investment Officer
Bill Puckett
Secretary-Treasurer
Joe Ezzell
Trends Editor
Jacqueline Scott

***Trends** is issued by the Teachers' Retirement System of Oklahoma, as authorized by Executive Secretary Tommy C. Beavers. 137,000 copies have been printed by the Department of Central Services, Central Printing Division, at a cost of $7,972. Copies have been deposited with the Publications Clearinghouse of the Oklahoma Department of Libraries.*

***Legislation** (continued from page 3)*

SB0 216 Allows school districts to share personnel, with each district paying a pro rata share of TRS contribution.

SB 409 Requires feasibility study by TRS & other retirement systems concerning payment of retiree healthcare costs; study report due by November 1, 2003.

SB 414 TRS retirees cannot enroll in the state health insurance plan if they did not participate in the plan while employed or if the school did not participate.

SB 643 *If the Internal Revenue Service approves*, this measure would increase to 12 years (from 8) the maximum time TRS members absent from teaching because they are education association officers can retain their TRS memberships & earn service credits for those years, if employee & employer contributions are paid during that time. *This measure will not become effective until Teachers' Retirement receives a private letter ruling from the Internal Revenue Service authorizing it.*

SB 663 Includes nonclassified TRS members retired for at least 36 months in provision allowing post-retirement salary up to $30,000.

Show your support for public education: Buy an Education Tag.

PRSRT.STD.
U.S. POSTAGE
PAID
OKLA.CITY,OK
PERMIT NO. 61

Teachers' Retirement System of Oklahoma
Post Office Box 53524
Oklahoma City, OK 73152-3524