

STATE OF OKLAHOMA

1st Session of the 56th Legislature (2017)

HOUSE BILL 1162

By: McDaniel

AS INTRODUCED

An Act relating to the Teachers' Retirement System of Oklahoma; enacting the Pension Protection Act; amending 70 O.S. 2011, Section 17-101, as last amended by Section 1, Chapter 114, O.S.L. 2014 (70 O.S. Supp. 2016, Section 17-101), which relates to definitions; providing for normal retirement age based upon first creditable service; specifying date of service; providing alternative computation for normal retirement; providing for noncodification; and providing an effective date.

BE IT ENACTED BY THE PEOPLE OF THE STATE OF OKLAHOMA:

SECTION 1. NEW LAW A new section of law not to be codified in the Oklahoma Statutes reads as follows:

This act shall be known and may be cited as the "Pension Protection Act".

SECTION 2. AMENDATORY 70 O.S. 2011, Section 17-101, as last amended by Section 1, Chapter 114, O.S.L. 2014 (70 O.S. Supp. 2016, Section 17-101), is amended to read as follows:

1 Section 17-101. The following words and phrases as used in this
2 act, unless a different meaning is clearly required by the context,
3 shall have the following meanings:

4 (1) "Retirement system" shall mean the Teachers' Retirement
5 System of Oklahoma, as defined in Section 17-102 of this title.

6 (2) "Public school" shall mean a school district, a state
7 college or university, the State Board of Education, the State Board
8 of Career and Technology Education and any other state educational
9 entity conducted within the state supported wholly or partly by
10 public funds and operating under the authority and supervision of a
11 legally constituted board or agency having authority and
12 responsibility for any function of public education. "Public
13 school" shall also mean a tuition free, nonprofit alternative school
14 of choice that provides education, therapeutic counseling and
15 outreach programs which is aligned with a school district and which
16 receives grant funds from governmental sources.

17 (3) "Classified personnel" shall mean any teacher, principal,
18 superintendent, supervisor, administrator, librarian, certified or
19 registered nurse, college professor, or college president whose
20 salary is paid wholly or in part from public funds. An employee of
21 any state department, board, board of regents or board of trustees,
22 who is in a supervisory or an administrative position, the function
23 of which is primarily devoted to public education, shall be
24 considered classified personnel under the meaning of this act, at

1 the discretion of the Board of Trustees of the Teachers' Retirement
2 System. The term "teacher" shall also include instructors and
3 counselors employed by the Department of Corrections and holding
4 valid teaching certificates issued by the State Department of
5 Education. Provided, that a person employed by the Department of
6 Corrections as an instructor or counselor shall have been actively
7 engaged in the teaching profession for a period of not less than
8 three (3) years prior to employment to be eligible to participate in
9 the Oklahoma Teachers' Retirement System. The Department of
10 Corrections shall contribute the employer's share to the Oklahoma
11 Teachers' Retirement System.

12 (4) "Nonclassified optional personnel" shall include cooks,
13 janitors, maintenance personnel not in a supervisory capacity, bus
14 drivers, noncertified or nonregistered nurses, noncertified
15 librarians, and clerical employees of the public schools, state
16 colleges, universities or any state department, board, board of
17 regents or board of trustees, the functions of which are primarily
18 devoted to public education and whose salaries are paid wholly or in
19 part from public funds.

20 (5) "Employer" shall mean the state and any of its designated
21 agents or agencies with responsibility and authority for public
22 education, such as boards of education of elementary and independent
23 school districts, boards of regents, boards of control or any other
24 agency of and within the state by which a person may be employed for

1 service in public education. "Employer" shall also mean the board
2 of directors of a tuition free, nonprofit alternative school of
3 choice that provides education, therapeutic counseling and outreach
4 programs which is aligned with a school district and which receives
5 grant funds from governmental sources.

6 (6) "Member" shall mean any teacher or other employee included
7 in the membership of the system as provided in Section 17-103 of
8 this title.

9 (7) "Board of Trustees" shall mean the board provided for in
10 Section 17-106 of this title to administer the retirement system.

11 (8) "Service" shall mean service as a classified or
12 nonclassified optional employee in the public school system, or any
13 other service devoted primarily to public education in the state.

14 (9) "Prior service" shall mean service rendered prior to July
15 1, 1943.

16 (10) "Membership service" shall mean service as a member of the
17 classified or nonclassified personnel as defined in paragraphs (3)
18 and (4) of this section.

19 (11) "Creditable service" shall mean membership service plus
20 any prior service authorized under this title.

21 (12) "Annuitant" shall mean any person in receipt of a
22 retirement allowance as provided in this title.

23 (13) "Accumulated contributions" shall mean the sum of all
24 amounts deducted from the compensation of a member and credited to

1 his individual account in the Teacher Savings Fund, together with
2 interest as of June 30, 1968.

3 (14) "Earnable compensation" shall mean the full rate of the
4 compensation that would be payable to a member if he worked the full
5 normal working time.

6 (15) "Average salary":

7 (a) for those members who joined the System prior to July
8 1, 1992, shall mean the average of the salaries for
9 the three (3) years on which the highest contributions
10 to the Teachers' Retirement System was paid not to
11 exceed the maximum contribution level specified in
12 Section 17-116.2 of this title or the maximum
13 compensation level specified in subsection (28) of
14 this section. Provided, no member shall retire with
15 an average salary in excess of Twenty-five Thousand
16 Dollars (\$25,000.00) unless the member has made the
17 required election and paid the required contributions
18 on such salary in excess of Twenty-five Thousand
19 Dollars (\$25,000.00), or unless an eligible member
20 fulfills the requirements of Section 17-116.2C of this
21 title in order to have pre-cap removal service
22 included in the retirement benefit computation of the
23 member using the regular annual compensation of the
24 member for any pre-cap removal year of service so

1 included subject to the maximum average salary amount,
2 and

3 (b) for those members who join the System after June 30,
4 1992, shall mean the average of the salaries for five
5 (5) consecutive years on which the highest
6 contribution to the Teachers' Retirement System was
7 paid. Only salary on which required contributions
8 have been made may be used in computing average
9 salary.

10 (16) "Annuity" shall mean payments for life derived from the
11 "accumulated contributions" of a member. All annuities shall be
12 payable in equal monthly installments.

13 (17) "Pension" shall mean payments for life derived from money
14 provided by the employer. All pensions shall be payable in equal
15 monthly installments.

16 (18) "Monthly retirement allowance" is one-twelfth (1/12) of
17 the annual retirement allowance which shall be payable monthly.

18 (19) "Retirement Benefit Fund" shall mean the fund from which
19 all retirement benefits shall be paid based on such mortality tables
20 as shall be adopted by the Board of Trustees.

21 (20) "Actuary" shall mean a person especially skilled through
22 training and experience in financial calculation respecting the
23 expectancy and duration of life.

1 (21) "Actuarial equivalent" shall mean a benefit of equal value
2 when computed upon the basis of such mortality and other tables as
3 shall be adopted by the Board of Trustees.

4 (22) The masculine pronoun, whenever used, shall include the
5 feminine.

6 (23) "Actuarially determined cost" shall mean the single sum
7 which is actuarially equivalent in value to a specified pension
8 amount as determined on the basis of mortality and interest
9 assumptions adopted by the Board of Trustees.

10 (24) "Normal retirement age" means the earliest date upon
11 which:

12 (a) a member reaches the age sixty-two (62) with respect
13 to a member whose first creditable service occurs
14 prior to November 1, 2011, unless the member reaches a
15 normal retirement date pursuant to subparagraph (c) or
16 subparagraph (d) of this paragraph, or

17 (b) a member reaches the age of sixty-five (65) with
18 respect to a member whose first creditable service
19 occurs on or after November 1, 2011, or with respect
20 to a member whose first creditable service occurs on
21 or after November 1, 2011, reaches a normal retirement
22 date pursuant to subparagraph (d) of this paragraph
23 having attained a minimum age of sixty (60) years, or
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1 (c) the age at which the sum of a member's age and number
2 of years of creditable service total eighty (80), with
3 respect to a member whose first creditable service
4 occurred prior to July 1, 1992, and who does not reach
5 a normal retirement age pursuant to subparagraph (a)
6 of this paragraph, ~~or~~

7 (d) the age at which the sum of a member's age and number
8 of years of creditable service total ninety (90), with
9 respect to a member whose first creditable service
10 occurred on or after July 1, 1992, but prior to
11 November 1, 2011, if the member does not reach a
12 normal retirement age pursuant to subparagraph (a) of
13 this paragraph, or

14 (e) a member reaches the age of sixty-seven (67) with
15 respect to a member whose first creditable service
16 occurs on or after November 1, 2017, or with respect
17 to a member whose first creditable service occurs on
18 or after November 1, 2017, reaches a normal retirement
19 date pursuant to subparagraph (d) of this paragraph
20 having attained a minimum age of sixty-two (62) years.

21 (25) "Regular annual compensation" means salary plus fringe
22 benefits, excluding the flexible benefit allowance pursuant to
23 Section 26-105 of this title and for purposes pursuant to Section
24

1 17-101 et seq. of this title. For purposes of this definition,
2 regular annual compensation shall include:

3 (a) salary which accrues on a regular basis in proportion
4 to the service performed, including payments for staff
5 development,

6 (b) amounts that would otherwise qualify as salary under
7 ~~paragraph~~ subparagraph (a) of this ~~subsection~~
8 paragraph but are not received directly by the member
9 pursuant to a good faith, voluntary written salary
10 reduction agreement in order to finance payments to a
11 deferred compensation or tax-sheltered annuity program
12 or to finance benefit options under a cafeteria plan
13 qualifying under the United States Internal Revenue
14 Code, 26 U.S.C., Section 101 et seq.,

15 (c) group health and disability insurance, group term life
16 insurance, annuities and pension plans, provided on a
17 periodic basis to all qualified employees of the
18 employer, which qualify as fringe benefits under the
19 United States Internal Revenue Code, and

20 (d) excluded from regular annual compensation are:
21 1. expense reimbursement payments,
22 2. office, vehicle, housing or other maintenance
23 allowances,

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- 1 3. the flexible benefit allowance provided pursuant
- 2 to Section 26-105 of this title,
- 3 4. payment for unused vacation and sick leave,
- 4 5. any payment made for reason of termination or
- 5 retirement not specifically provided for in
- 6 subparagraphs (a) through (c) of this ~~subsection~~
- 7 paragraph,
- 8 6. maintenance or other nonmonetary compensation,
- 9 7. payment received as an independent contractor or
- 10 consultant, pursuant to a lawful contract which
- 11 complies with the requirements of subsection B of
- 12 Section 6-101.2 of this title,
- 13 8. any benefit payments not made pursuant to a valid
- 14 employment agreement,
- 15 9. compensation for clinical related activity
- 16 performed in the University of Oklahoma Health
- 17 Sciences Center (OUHSC) Professional Practice
- 18 Plan or Oklahoma State University Center for
- 19 Health Sciences (OSU-CHS) Professional Practice
- 20 Plan,
- 21 10. any other compensation not described in
- 22 subparagraphs (a) through (c) of this ~~subsection~~
- 23 paragraph.
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1 (26) "Teacher" means classified personnel and nonclassified
2 optional personnel.

3 (27) "Active classroom teacher" means a person employed by a
4 school district to teach students specifically identified classes
5 for specifically identified subjects during the course of a
6 semester, and who holds a valid certificate or license issued by and
7 in accordance with the rules and regulations of the State Board of
8 Education.

9 (28) "Maximum compensation level" shall, except as otherwise
10 authorized pursuant to the provisions of Section 17-116.2C of this
11 title, mean:

12 (a) Twenty-five Thousand Dollars (\$25,000.00) for
13 creditable service authorized and performed prior to
14 July 1, 1995, for members not electing a higher
15 maximum compensation level,

16 (b) Forty Thousand Dollars (\$40,000.00) for creditable
17 service authorized and performed prior to July 1,
18 1995, for members electing a maximum compensation
19 level in excess of Twenty-five Thousand Dollars
20 (\$25,000.00),

21 (c) Twenty-seven Thousand Five Hundred Dollars
22 (\$27,500.00) for members who, as of June 30, 1995, had
23 elected to have a maximum compensation level not in
24 excess of Twenty-five Thousand Dollars (\$25,000.00),

1 and who were employed by an entity or institution
2 within The Oklahoma State System of Higher Education
3 for creditable service authorized and performed on or
4 after July 1, 1995, but not later than June 30, 1996,
5 if such member does not elect a higher maximum
6 compensation level for this period as authorized by
7 Section 17-116.2A of this title,

8 (d) Thirty-two Thousand Five Hundred Dollars (\$32,500.00)
9 for members employed by a comprehensive university if
10 the member meets the requirements imposed by Section
11 17-116.2A of this title and the member elects to
12 impose a higher maximum compensation level for service
13 performed on or after July 1, 1995, but not later than
14 June 30, 1996,

15 (e) Forty-four Thousand Dollars (\$44,000.00) for members
16 who, as of June 30, 1995, had elected to have a
17 maximum compensation level in excess of Twenty-five
18 Thousand Dollars (\$25,000.00), and who were employed
19 by an entity or institution within The Oklahoma State
20 System of Higher Education for creditable service
21 authorized and performed on or after July 1, 1995, but
22 not later than June 30, 1996, if such member does not
23 elect a higher maximum compensation level for this
24

1 period as authorized by Section 17-116.2A of this
2 title,

3 (f) Forty-nine Thousand Dollars (\$49,000.00) for members
4 employed by a comprehensive university if the member
5 meets the requirements imposed by Section 17-116.2A of
6 this title and the member elects to impose a higher
7 maximum compensation level for service performed on or
8 after July 1, 1995, but not later than June 30, 1996,

9 (g) the following amounts for creditable service
10 authorized and performed by members employed by a
11 comprehensive university, based upon the election of
12 the member in effect as of June 30, 1995:

13 1. for members who elected a maximum compensation
14 level not in excess of Twenty-five Thousand
15 Dollars (\$25,000.00):

16 (i) Thirty-two Thousand Five Hundred Dollars
17 (\$32,500.00) for service authorized and
18 performed on or after July 1, 1996, but not
19 later than June 30, 1997,

20 (ii) Thirty-seven Thousand Five Hundred Dollars
21 (\$37,500.00) for service authorized and
22 performed on or after July 1, 1997, but not
23 later than June 30, 1998,

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- 1 (iii) Forty-two Thousand Five Hundred Dollars
2 (\$42,500.00) for service authorized and
3 performed on or after July 1, 1998, but not
4 later than June 30, 2000,
- 5 (iv) Forty-seven Thousand Five Hundred Dollars
6 (\$47,500.00) for service authorized and
7 performed on or after July 1, 2000, but not
8 later than June 30, 2001,
- 9 (v) Fifty-two Thousand Five Hundred Dollars
10 (\$52,500.00) for service authorized and
11 performed on or after July 1, 2001, but not
12 later than June 30, 2002,
- 13 (vi) Fifty-seven Thousand Five Hundred Dollars
14 (\$57,500.00) for service authorized and
15 performed on or after July 1, 2002, but not
16 later than June 30, 2003,
- 17 (vii) Sixty-two Thousand Five Hundred Dollars
18 (\$62,500.00) for service authorized and
19 performed on or after July 1, 2003, but not
20 later than June 30, 2004,
- 21 (viii) Sixty-seven Thousand Five Hundred Dollars
22 (\$67,500.00) for service authorized and
23 performed on or after July 1, 2004, but not
24 later than June 30, 2005,

1 (ix) Seventy-two Thousand Five Hundred Dollars
2 (\$72,500.00) for service authorized and
3 performed on or after July 1, 2005, but not
4 later than June 30, 2006,

5 (x) Seventy-seven Thousand Five Hundred Dollars
6 (\$77,500.00) for service authorized and
7 performed on or after July 1, 2006, but not
8 later than June 30, 2007,

9 (xi) the full amount of regular annual
10 compensation for service authorized and
11 performed on or after July 1, 2007, and

12 2. for members who elected a maximum compensation
13 level in excess of Twenty-five Thousand Dollars
14 (\$25,000.00):

15 (i) Forty-nine Thousand Dollars (\$49,000.00) for
16 service authorized and performed on or after
17 July 1, 1996, but not later than June 30,
18 1997,

19 (ii) Fifty-four Thousand Dollars (\$54,000.00) for
20 service authorized and performed on or after
21 July 1, 1997, but not later than June 30,
22 1998,

23 (iii) Fifty-nine Thousand Dollars (\$59,000.00) for
24 service authorized and performed on or after

1 July 1, 1998, but not later than June 30,
2 2000,

3 (iv) Sixty-four Thousand Dollars (\$64,000.00) for
4 service authorized and performed on or after
5 July 1, 2000, but not later than June 30,
6 2001,

7 (v) Sixty-nine Thousand Dollars (\$69,000.00) for
8 service authorized and performed on or after
9 July 1, 2001, but not later than June 30,
10 2002,

11 (vi) Seventy-four Thousand Dollars (\$74,000.00)
12 for service authorized and performed on or
13 after July 1, 2002, but not later than June
14 30, 2003,

15 (vii) Seventy-nine Thousand Dollars (\$79,000.00)
16 for service authorized and performed on or
17 after July 1, 2003, but not later than June
18 30, 2004,

19 (viii) Eighty-four Thousand Dollars (\$84,000.00)
20 for service authorized and performed on or
21 after July 1, 2004, but not later than June
22 30, 2005,

23 (ix) Eighty-nine Thousand Dollars (\$89,000.00)
24 for service authorized and performed on or

1 after July 1, 2005, but not later than June
2 30, 2006,

3 (x) Ninety-four Thousand Dollars (\$94,000.00)
4 for service authorized and performed on or
5 after July 1, 2006, but not later than June
6 30, 2007,

7 (xi) the full amount of regular annual
8 compensation for service authorized and
9 performed on or after July 1, 2007,

10 (h) the full amount of regular annual compensation of:

- 11 1. a member of the retirement system not employed by
12 an entity or institution within The Oklahoma
13 State System of Higher Education for all
14 creditable service authorized and performed on or
15 after July 1, 1995,
- 16 2. a member of the retirement system first employed
17 on or after July 1, 1995, by an entity or
18 institution within The Oklahoma State System of
19 Higher Education for all creditable service
20 authorized and performed on or after July 1,
21 1995, but not later than June 30, 1996,
- 22 3. a member of the retirement system employed by an
23 entity or institution within The Oklahoma State
24 System of Higher Education, other than a

1 comprehensive university, if the member elects to
2 impose a higher maximum compensation level for
3 service performed on or after July 1, 1995, but
4 not later than June 30, 1996, pursuant to
5 subsection B of Section 17-116.2A of this title,

6 4. a member of the retirement system who is first
7 employed on or after July 1, 1996, by any entity
8 or institution within The Oklahoma State System
9 of Higher Education, including a comprehensive
10 university, for creditable service authorized and
11 performed on or after July 1, 1996,

12 5. a member of the retirement system who, as of July
13 1, 1996, is subject to a maximum compensation
14 level pursuant to paragraph (g) of this
15 subsection if the member terminates service with
16 a comprehensive university and is subsequently
17 reemployed by a comprehensive university,

18 6. a member of the retirement system employed by a
19 comprehensive university for all service
20 performed on and after July 1, 2007, or

21 7. an eligible member of the retirement system who
22 fulfills the requirements of Section ~~2~~ 17-116.2C
23 of this ~~act~~ title with respect to pre-cap removal
24 service included in the retirement benefit

1 computation of the member at the average salary
2 of the member subject to the maximum average
3 salary amount.

4 (29) "Comprehensive university" shall mean:

5 (a) the University of Oklahoma and all of its constituent
6 agencies, including the University of Oklahoma Health
7 Sciences Center, the University of Oklahoma Law Center
8 and the Geological Survey, and

9 (b) Oklahoma State University and all of its constituent
10 agencies, including the Oklahoma State University
11 Agricultural Experiment Station, the Oklahoma State
12 University Agricultural Extension Division, the
13 Oklahoma State University College of Veterinary
14 Medicine, the Oklahoma State University Center for
15 Health Sciences, the Technical Branch at Oklahoma
16 City, the Oklahoma State University Institute of
17 Technology-Okmulgee and Oklahoma State University-
18 Tulsa.

19 (30) "Retirement contract" means the document prepared by the
20 Teachers' Retirement System upon member request, which incorporates
21 member's selected retirement option, and which must be executed and
22 submitted to the Teachers' Retirement System no less than thirty
23 (30) days prior to the projected retirement date.

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SECTION 3. This act shall become effective November 1, 2017.

56-1-5127 MAH 01/17/17

THOMAS E. CUMMINS CONSULTING ACTUARY, INC.

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January 17, 2017

Representative Randy McDaniel
Room 438

Re: RBH No. 5127

RBH No. 5127 sets a minimum retirement age of 67 or 62 after meeting the rule of 90 for participants who become participants of the Oklahoma Teacher Retirement System on or after 11/01/2017.

RBH No. 5127 is a non fiscal bill as defined by the Oklahoma Pension Legislation Analysis Act because the amendment does not contain a benefit increase nor create liability.

I am a member of the American Academy of Actuaries and meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion herein.

Thomas E. Cummins

Thomas E. Cummins, MAAA