

STATE OF OKLAHOMA

1st Session of the 53rd Legislature (2011)

COMMITTEE SUBSTITUTE
FOR ENGROSSED

SENATE BILL NO. 377

By: Mazzei of the Senate

and

McDaniel (Randy) of the
House

COMMITTEE SUBSTITUTE

An Act relating to public retirement systems;
amending 70 O.S. 2001, Sections 17-101, as last
amended by Section 2, Chapter 270, O.S.L. 2008, 17-
105, as last amended by Section 2, Chapter 357,
O.S.L. 2010 and 17-106.1, as last amended by Section
31, Chapter 46, 2nd Extraordinary Session, O.S.L.
2006 (70 O.S. Supp. 2010, Sections 17-101, 17-105 and
17-106.1), which relate to the Teachers' Retirement
System of Oklahoma; modifying definitions; modifying
definition of normal retirement age for certain
members; requiring the Board of Trustees to establish
certain committee; and providing an effective date.

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

SECTION 1. AMENDATORY 70 O.S. 2001, Section 17-101, as
last amended by Section 2, Chapter 270, O.S.L. 2008 (70 O.S. Supp.
2010, 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

20 (c) the age at which the sum of a member's age and number
21 of years of creditable service total eighty (80), with
22 respect to a member whose first creditable service
23 occurred prior to July 1, 1992, and who does not reach
24

1 a normal retirement age pursuant to subparagraph a of
2 this paragraph, or

3 (d) the age at which the sum of a member's age and number
4 of years of creditable service total ninety (90), for
5 ~~those who became a member after June 30, 1992,~~
6 ~~pursuant to Section 17-105 of this title, whichever~~
7 ~~occurs first~~ with respect to a member whose first
8 creditable service occurred on or after July 1, 1992,
9 but prior to November 1, 2011, if the member does not
10 reach a normal retirement age pursuant to subparagraph
11 a of this paragraph.

12 (25) "Regular annual compensation" means salary plus fringe
13 benefits, excluding the flexible benefit allowance pursuant to
14 Section 26-105 of this title and for purposes pursuant to Section
15 17-101 et seq. of this title. For purposes of this definition,
16 regular annual compensation shall include all payments as provided
17 in subsection D of Section 17-116.2 of this title.

18 (26) "Teacher" means classified personnel and nonclassified
19 optional personnel.

20 (27) "Active classroom teacher" means a person employed by a
21 school district to teach students specifically identified classes
22 for specifically identified subjects during the course of a
23 semester, and who holds a valid certificate or license issued by and
24

1 in accordance with the rules and regulations of the State Board of
2 Education.

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

6 (a) Twenty-five Thousand Dollars (\$25,000.00) for
7 creditable service authorized and performed prior to
8 July 1, 1995, for members not electing a higher
9 maximum compensation level,

10 (b) Forty Thousand Dollars (\$40,000.00) for creditable
11 service authorized and performed prior to July 1,
12 1995, for members electing a maximum compensation
13 level in excess of Twenty-five Thousand Dollars
14 (\$25,000.00),

15 (c) Twenty-seven Thousand Five Hundred Dollars
16 (\$27,500.00) for members who, as of June 30, 1995, had
17 elected to have a maximum compensation level not in
18 excess of Twenty-five Thousand Dollars (\$25,000.00),
19 and who were employed by an entity or institution
20 within The Oklahoma State System of Higher Education
21 for creditable service authorized and performed on or
22 after July 1, 1995, but not later than June 30, 1996,
23 if such member does not elect a higher maximum
24

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

3 (d) Thirty-two Thousand Five Hundred Dollars (\$32,500.00)
4 for members employed by a comprehensive university if
5 the member meets the requirements imposed by Section
6 17-116.2A of this title and the member elects to
7 impose a higher maximum compensation level for service
8 performed on or after July 1, 1995, but not later than
9 June 30, 1996,

10 (e) Forty-four Thousand Dollars (\$44,000.00) for members
11 who, as of June 30, 1995, had elected to have a
12 maximum compensation level in excess of Twenty-five
13 Thousand Dollars (\$25,000.00), and who were employed
14 by an entity or institution within The Oklahoma State
15 System of Higher Education for creditable service
16 authorized and performed on or after July 1, 1995, but
17 not later than June 30, 1996, if such member does not
18 elect a higher maximum compensation level for this
19 period as authorized by Section 17-116.2A of this
20 title,

21 (f) Forty-nine Thousand Dollars (\$49,000.00) for members
22 employed by a comprehensive university if the member
23 meets the requirements imposed by Section 17-116.2A of
24 this title and the member elects to impose a higher

1 maximum compensation level for service performed on or
2 after July 1, 1995, but not later than June 30, 1996,

3 (g) the following amounts for creditable service
4 authorized and performed by members employed by a
5 comprehensive university, based upon the election of
6 the member in effect as of June 30, 1995:

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

10 (i) Thirty-two Thousand Five Hundred Dollars
11 (\$32,500.00) for service authorized and
12 performed on or after July 1, 1996, but not
13 later than June 30, 1997,

14 (ii) Thirty-seven Thousand Five Hundred Dollars
15 (\$37,500.00) for service authorized and
16 performed on or after July 1, 1997, but not
17 later than June 30, 1998,

18 (iii) Forty-two Thousand Five Hundred Dollars
19 (\$42,500.00) for service authorized and
20 performed on or after July 1, 1998, but not
21 later than June 30, 2000,

22 (iv) Forty-seven Thousand Five Hundred Dollars
23 (\$47,500.00) for service authorized and
24

1 performed on or after July 1, 2000, but not
2 later than June 30, 2001,

3 (v) Fifty-two Thousand Five Hundred Dollars
4 (\$52,500.00) for service authorized and
5 performed on or after July 1, 2001, but not
6 later than June 30, 2002,

7 (vi) Fifty-seven Thousand Five Hundred Dollars
8 (\$57,500.00) for service authorized and
9 performed on or after July 1, 2002, but not
10 later than June 30, 2003,

11 (vii) Sixty-two Thousand Five Hundred Dollars
12 (\$62,500.00) for service authorized and
13 performed on or after July 1, 2003, but not
14 later than June 30, 2004,

15 (viii) Sixty-seven Thousand Five Hundred Dollars
16 (\$67,500.00) for service authorized and
17 performed on or after July 1, 2004, but not
18 later than June 30, 2005,

19 (ix) Seventy-two Thousand Five Hundred Dollars
20 (\$72,500.00) for service authorized and
21 performed on or after July 1, 2005, but not
22 later than June 30, 2006,

23 (x) Seventy-seven Thousand Five Hundred Dollars
24 (\$77,500.00) for service authorized and

1 performed on or after July 1, 2006, but not
 2 later than June 30, 2007,

3 (xi) the full amount of regular annual
 4 compensation for service authorized and
 5 performed on or after July 1, 2007, and

6 2. for members who elected a maximum compensation
 7 level in excess of Twenty-five Thousand Dollars
 8 (\$25,000.00):

9 (i) Forty-nine Thousand Dollars (\$49,000.00) for
 10 service authorized and performed on or after
 11 July 1, 1996, but not later than June 30,
 12 1997,

13 (ii) Fifty-four Thousand Dollars (\$54,000.00) for
 14 service authorized and performed on or after
 15 July 1, 1997, but not later than June 30,
 16 1998,

17 (iii) Fifty-nine Thousand Dollars (\$59,000.00) for
 18 service authorized and performed on or after
 19 July 1, 1998, but not later than June 30,
 20 2000,

21 (iv) Sixty-four Thousand Dollars (\$64,000.00) for
 22 service authorized and performed on or after
 23 July 1, 2000, but not later than June 30,
 24 2001,

1 (v) Sixty-nine Thousand Dollars (\$69,000.00) for
2 service authorized and performed on or after
3 July 1, 2001, but not later than June 30,
4 2002,

5 (vi) Seventy-four Thousand Dollars (\$74,000.00)
6 for service authorized and performed on or
7 after July 1, 2002, but not later than June
8 30, 2003,

9 (vii) Seventy-nine Thousand Dollars (\$79,000.00)
10 for service authorized and performed on or
11 after July 1, 2003, but not later than June
12 30, 2004,

13 (viii) Eighty-four Thousand Dollars (\$84,000.00)
14 for service authorized and performed on or
15 after July 1, 2004, but not later than June
16 30, 2005,

17 (ix) Eighty-nine Thousand Dollars (\$89,000.00)
18 for service authorized and performed on or
19 after July 1, 2005, but not later than June
20 30, 2006,

21 (x) Ninety-four Thousand Dollars (\$94,000.00)
22 for service authorized and performed on or
23 after July 1, 2006, but not later than June
24 30, 2007,

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

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

- 5 1. a member of the retirement system not employed by
6 an entity or institution within The Oklahoma
7 State System of Higher Education for all
8 creditable service authorized and performed on or
9 after July 1, 1995,
- 10 2. a member of the retirement system first employed
11 on or after July 1, 1995, by an entity or
12 institution within The Oklahoma State System of
13 Higher Education for all creditable service
14 authorized and performed on or after July 1,
15 1995, but not later than June 30, 1996,
- 16 3. a member of the retirement system employed by an
17 entity or institution within The Oklahoma State
18 System of Higher Education, other than a
19 comprehensive university, if the member elects to
20 impose a higher maximum compensation level for
21 service performed on or after July 1, 1995, but
22 not later than June 30, 1996, pursuant to
23 subsection B of Section 17-116.2A of this title,
24

- 1 4. a member of the retirement system who is first
2 employed on or after July 1, 1996, by any entity
3 or institution within The Oklahoma State System
4 of Higher Education, including a comprehensive
5 university, for creditable service authorized and
6 performed on or after July 1, 1996,
- 7 5. a member of the retirement system who, as of July
8 1, 1996, is subject to a maximum compensation
9 level pursuant to paragraph (g) of this
10 subsection if the member terminates service with
11 a comprehensive university and is subsequently
12 reemployed by a comprehensive university,
- 13 6. a member of the retirement system employed by a
14 comprehensive university for all service
15 performed on and after July 1, 2007, or
- 16 7. an eligible member of the retirement system who
17 fulfills the requirements of Section 2 of this
18 act with respect to pre-cap removal service
19 included in the retirement benefit computation of
20 the member at the average salary of the member
21 subject to the maximum average salary amount.

22 (29) "Comprehensive university" shall mean:

- 23 (a) the University of Oklahoma and all of its constituent
24 agencies, including the University of Oklahoma Health

1 Sciences Center, the University of Oklahoma Law Center
2 and the Geological Survey, and

3 (b) Oklahoma State University and all of its constituent
4 agencies, including the Oklahoma State University
5 Agricultural Experiment Station, the Oklahoma State
6 University Agricultural Extension Division, the
7 Oklahoma State University College of Veterinary
8 Medicine, the Oklahoma State University Center for
9 Health Sciences, the Technical Branch at Oklahoma
10 City, the Oklahoma State University Institute of
11 Technology-Okmulgee and Oklahoma State University-
12 Tulsa.

13 SECTION 2. AMENDATORY 70 O.S. 2001, Section 17-105, as
14 last amended by Section 2, Chapter 357, O.S.L. 2010 (70 O.S. Supp.
15 2010, Section 17-105), is amended to read as follows:

16 Section 17-105. (1) (a) Any member who has attained age
17 fifty-five (55) or who has completed thirty (30) years of creditable
18 service, as defined in Section 17-101 of this title, or for any
19 person who initially became a member prior to July 1, 1992,
20 regardless of whether there were breaks in service after July 1,
21 1992, whose age and number of years of creditable service total
22 eighty (80) may be retired upon filing a written application for
23 such retirement. Such a retirement date will also apply to any
24 person who became a member of the sending system as defined in this

1 act, prior to July 1, 1992, regardless of whether there were breaks
2 in service after July 1, 1992. Any person who became a member after
3 June 30, 1992, but prior to November 1, 2011, whose age and number
4 of years of creditable service total ninety (90) may be retired upon
5 filing a written application for such retirement. Any person who
6 becomes a member on or after November 1, 2011, who attains the age
7 of sixty-five (65) years may be retired upon filing a written
8 application for such retirement. The application shall be filed on
9 the form provided by the Board of Trustees for this purpose, not
10 less than thirty (30) days nor more than ninety (90) days before the
11 date of retirement.

12 (b) An individual who becomes a member of the Teachers'
13 Retirement System after July 1, 1967, shall be employed by the
14 public schools, state colleges or universities of Oklahoma for a
15 minimum of five (5) years and be a contributing member of the
16 Teachers' Retirement System of Oklahoma for a minimum of five (5)
17 years to qualify for monthly retirement benefits from the Teachers'
18 Retirement System of Oklahoma.

19 (c) Any member with five (5) or more years of Oklahoma teaching
20 service and whose accumulated contributions during such period have
21 not been withdrawn shall be given an indefinite extension of
22 membership beginning with the sixth year following his or her last
23 contributing membership and shall become eligible to apply for
24 retirement and be retired upon attaining age fifty-five (55).

1 (2) An unclassified optional member who has retired or who
2 retires at sixty-two (62) years of age or older or whose retirement
3 is because of disability shall have his or her minimum retirement
4 benefits calculated on an average salary of Five Thousand Three
5 Hundred Fifty Dollars (\$5,350.00) or, if a larger monthly allowance
6 would result, an amount arrived at pursuant to application of the
7 formula prescribed herein.

8 (3) No member shall receive a lesser retirement benefit than he
9 or she would have received under the law in effect at the time he or
10 she retired. Any individual under the Teachers' Retirement System,
11 who through error in stating the title of the position which he or
12 she held, may, at the discretion of the Board of Trustees, be
13 changed from the nonclassified optional group to the classified
14 group for the purpose of calculating retirement benefits.

15 Any individual regardless of residence, who has a minimum of ten
16 (10) years of teaching in Oklahoma schools prior to July 1, 1943, or
17 who taught in Oklahoma schools prior to 1934 and thereafter taught a
18 minimum of ten (10) years and who does not qualify under the present
19 retirement System, or who has a minimum of thirty (30) years of
20 teaching in Oklahoma schools and has reached seventy (70) years of
21 age prior to July 1, 1984, and is not otherwise eligible to receive
22 any benefits from the retirement system shall receive a minimum of
23 One Hundred Fifty Dollars (\$150.00) per month in retirement benefits
24 from the Teachers' Retirement System of Oklahoma plus any general

1 increase in benefits for annuitants as may be provided hereafter by
2 the Legislature. Each individual must apply to the Teachers'
3 Retirement System for such benefit and provide evidence to the
4 Teachers' Retirement System that the service was actually rendered.
5 The surviving spouse of any person who made application for the
6 benefit provided for by this paragraph during his or her lifetime
7 but did not receive said benefit may submit an application to the
8 System for payment of said benefit for those months during the
9 lifetime of the deceased person that he or she was eligible for but
10 did not receive the benefit. Upon approval of the application by
11 the Board of Trustees, the benefit shall be paid to the surviving
12 spouse in one lump sum.

13 (4) The value of each year of prior service is the total
14 monthly retirement benefit divided by the number of years of
15 creditable service.

16 (5) Upon application of a member who is actively engaged in
17 teaching in Oklahoma or his or her employer, any member who has been
18 a contributing member for ten (10) years may be retired by the Board
19 of Trustees not less than thirty (30) days nor more than ninety (90)
20 days subsequent to the execution and filing thereof, on a disability
21 retirement allowance, provided that it is found by the Board of
22 Trustees after medical examination of such member by a duly
23 qualified physician that such member is mentally or physically
24 incapacitated for further performance of duty, that such incapacity

1 is likely to be permanent, and that such member should be retired.
2 The Board of Trustees shall give due consideration to the
3 conclusions and recommendations in the certified written report of
4 the Medical Board of the Teachers' Retirement System regarding the
5 disability application of such member. If a member is determined to
6 be eligible for disability benefits pursuant to the Social Security
7 System, then such determination shall entitle the member to the
8 authorized disability retirement allowance provided by law. For
9 members who are not eligible for disability benefits pursuant to the
10 Social Security System, the Board of Trustees shall apply the same
11 standard for which provision is made in the first two sentences of
12 this subsection for determining the eligibility of a person for such
13 disability benefits in making a determination of eligibility for
14 disability benefits as authorized by this subsection.

15 (6) (a) A member who at the time of retirement has been found
16 to be permanently physically or mentally incapacitated to teach
17 school shall receive a minimum monthly retirement payment for life
18 or until such time as the member may be found to be recovered to the
19 point where he or she may return to teaching. Any member retired
20 before July 1, 1992 shall be eligible to receive the monthly
21 retirement allowance herein provided, but such payment shall not
22 begin until the first payment due him or her after July 1, 1992, and
23 shall not be retroactive. The Board of Trustees is empowered to
24 make such rules and regulations as it considers proper to preserve

1 equity in retirements under this provision, which shall include a
2 provision to protect the rights of the member's spouse.

3 (b) A member who has qualified for retirement benefits under
4 disability retirement shall have the total monthly payment deducted
5 from his or her accumulated contributions plus interest earned and
6 any money remaining in the member's account after the above
7 deductions at the death of the member shall be paid in a lump sum to
8 the beneficiary or to the estate of the member. Provided, if the
9 deceased disabled member had thirty (30) years or more of creditable
10 service and the death occurred after June 30, 1981, and death
11 occurred prior to the disabled member receiving twelve monthly
12 retirement payments, a surviving spouse may elect to receive the
13 retirement benefit to which the deceased member would have been
14 entitled at the time of death under the Option 2 Plan of Retirement
15 provided for in subsection (8) of this section in lieu of the death
16 benefit provided for in this subsection and in subsection (12) of
17 this section.

18 (c) Once each year the Board of Trustees may require any
19 disabled annuitant who has not yet attained the age of sixty (60)
20 years to undergo a medical examination, such examination to be made
21 at the place of residence for said disabled annuitant or other place
22 mutually agreed upon by a physician or physicians designated by the
23 Board of Trustees. Should any disabled annuitant who has not yet
24 attained the age of sixty (60) years refuse to submit to at least

1 one medical examination in any such year by a physician or
2 physicians designated by the Board of Trustees his or her allowance
3 may be discontinued until he or she submits to such examination.

4 (d) Should the Medical Board report and certify to the Board of
5 Trustees that such disabled annuitant is engaged in or is able to
6 engage in a gainful occupation paying more than the difference
7 between his or her retirement allowance and the average final
8 compensation, and should the Board of Trustees concur in such report
9 then the amount of his or her pension shall be reduced to an amount
10 which, together with his or her retirement allowance and that amount
11 earnable by him or her, shall equal the amount of his or her average
12 final compensation. Should his or her earning capacity be later
13 increased, the amount of his or her pension may be further modified,
14 provided the new pension shall not exceed that amount of the pension
15 originally granted nor an amount, which when added to the amount
16 earnable by the member, together with his or her annuity, equals the
17 amount of his or her average final compensation.

18 (e) Should a disabled annuitant be restored to active service,
19 his or her disability retirement allowance shall cease and he or she
20 shall again become a member of the Teachers' Retirement System and
21 shall make regular contributions as required under this article.
22 The unused portion of his or her accumulated contributions shall be
23 reestablished to his or her credit in the Teachers' Savings Fund.
24 Any such prior service certificates on the basis of which his or her

1 service was computed at the time of his or her retirement shall be
2 restored to full force and effect.

3 (7) Should a member before retirement under Section 1-101 et
4 seq. of this title make application for withdrawal duly filed with
5 the Board of Trustees and approved by it, not earlier than four (4)
6 months after the date of termination of such service as a teacher,
7 the contribution standing to the credit of his or her individual
8 account in the Teachers' Savings Fund shall be paid to him or her
9 or, in the event of his or her death before retirement, shall be
10 paid to such person or persons as he or she shall have nominated by
11 written designation, duly executed and filed with the Board of
12 Trustees; provided, however, if there be no designated beneficiary
13 surviving upon such death, such contributions shall be paid to his
14 or her administrators, executors, or assigns, together with interest
15 as hereinafter provided. In lieu of a lump-sum settlement at the
16 death of the member, the amount of money the member has on deposit
17 in the Teachers' Savings Fund and the money the member has on
18 deposit in the Teachers' Deposit Fund may be paid in monthly
19 payments to a designated beneficiary, who must be the spouse, under
20 the Maximum or Option 1 Plan of Retirement providing the monthly
21 payment shall be not less than Twenty-five Dollars (\$25.00) per
22 month. The monthly payment shall be the actuarial equivalent of the
23 amount becoming due at the member's death based on the sex of the
24 spouse and the age the spouse has attained at the last birthday

1 prior to the member's death. Provided further, if there be no
2 designated beneficiary surviving upon such death, and the
3 contributions standing to the credit of such member do not exceed
4 Two Hundred Dollars (\$200.00), no part of such contributions shall
5 be subject to the payment of any expense of the last illness or
6 funeral of the deceased member or any expense of administration of
7 the estate of such deceased and the Board of Trustees, upon
8 satisfactory proof of the death of such member and of the name or
9 names of the person or persons who would be entitled to receive such
10 contributions under the laws of descent and distribution of the
11 state, may authorize the payment of accumulated contributions to
12 such person or persons. A member terminating his or her membership
13 by withdrawal after June 30, 2003, shall have the interest computed
14 at a rate of interest determined by the Board of Trustees and paid
15 to him or her subject to the following schedule:

16 (a) If termination occurs within sixteen (16) years from the
17 date membership began, fifty percent (50%) of such interest
18 accumulations shall be paid.

19 (b) With at least sixteen (16) but less than twenty-one (21)
20 years of membership, sixty percent (60%) of such interest
21 accumulations shall be paid.

22 (c) With at least twenty-one (21) but less than twenty-six (26)
23 years of membership, seventy-five percent (75%) of such interest
24 accumulations shall be paid.

1 (d) With at least twenty-six (26) years of membership, ninety
2 percent (90%) of such interest accumulations shall be paid.

3 In case of death of an active member, the interest shall be
4 calculated and restored to the member's account and paid to his or
5 her beneficiary.

6 (8) (a) In lieu of his or her retirement allowance payable
7 throughout life for such an amount as determined under this section,
8 the member may select a retirement allowance for a reduced amount
9 payable under any of the following options the present value of
10 which is the actuarial equivalent thereof.

11 (b) A member may select the option under which he or she
12 desires to retire at the end of the school year in which he or she
13 attains age seventy (70) and said option shall be binding and cannot
14 be changed. Provided further that if a member retires before age
15 seventy (70), no election of an option shall be effective in case an
16 annuitant dies before the first payment due under such option has
17 been received.

18 (c) The first payment of any benefit selected shall be made on
19 the first day of the month following approval of the retirement by
20 the Board of Trustees. If the named designated beneficiary under
21 Option 2 or 3 dies at any time after the member's retirement date,
22 but before the death of the member, the member shall return to the
23 retirement benefit, including any post retirement benefit increases
24 the member would have received had the member not selected Option 2

1 or 3 of this subsection. The benefit shall be determined at the
2 date of death of the designated beneficiary or July 1, 1994,
3 whichever is later. This increase shall become effective the first
4 day of the month following the date of death of the designated
5 beneficiary or July 1, 1994, whichever is later, and shall be
6 payable for the member's remaining lifetime. The member shall
7 notify the Teachers' Retirement System of Oklahoma of the death of
8 the designated beneficiary in writing. In the absence of said
9 written notice being filed by the member notifying the Teachers'
10 Retirement System of Oklahoma of the death of the designated
11 beneficiary within six (6) months of the date of death, nothing in
12 this subsection shall require the Teachers' Retirement System of
13 Oklahoma to pay more than six (6) months of retrospective benefits
14 increase.

15 Option 1. If he or she dies before he or she has received in
16 annuity payments the present value of his or her annuity as it was
17 at the time of his or her retirement, the balance shall be paid to
18 his or her legal representatives or to such person as he or she
19 shall nominate by written designation duly acknowledged and filed
20 with the Board of Trustees at the time of his or her retirement; or

21 Option 2. A member takes a reduced retirement allowance for
22 life. Upon the death of the member the payments shall continue to
23 the member's designated beneficiary for the life of the beneficiary.
24 The written designation of the beneficiary must be duly acknowledged

1 and filed with the Board of Trustees at the time of the member's
2 retirement and, except as provided in paragraph (e) of this
3 subsection, cannot be changed after the effective date of the
4 member's retirement; or

5 Option 3. A member receives a reduced retirement allowance for
6 life. Upon the death of the member one-half (1/2) of the retirement
7 allowance paid the member shall be continued throughout the life of
8 the designated beneficiary. A written designation of a beneficiary
9 must be duly acknowledged and filed with the Board of Trustees at
10 the time of the member's retirement and, except as provided in
11 paragraph (e) of this subsection, cannot be changed after the
12 effective date of the member's retirement; or

13 Option 4. Some other benefit or benefits shall be paid either
14 to the member or to such person or persons as he or she shall
15 nominate, provided such other benefit or benefits, together with the
16 reduced retirement allowance, shall be certified by the actuary to
17 be of equivalent actuarial value to his or her retirement allowance
18 and shall be approved by the Board of Trustees.

19 (d) Provided that Option 2 and Option 3 shall not be available
20 if the member's expected benefit is less than fifty percent (50%) of
21 the lump-sum actuarial equivalent and the designated beneficiary is
22 not the spouse of the member.

23 (e) A member who chose the maximum retirement benefit plan at
24 the time of retirement may make a one-time election to choose either

1 Option 2 or 3 and name the member's spouse as designated beneficiary
2 if the member marries after making the initial election. Such an
3 election shall be made by July 1, 2011, or within one (1) year of
4 the date of marriage, whichever is later. The member shall provide
5 proof of a member's good health before the Board of Trustees will
6 permit a change to either Option 2 or 3 and the naming of a
7 designated beneficiary. A medical examination conducted by a
8 licensed physician is required for purposes of determining good
9 health. Such examination must be approved by the Medical Board.
10 The member shall be required to provide proof of age for the new
11 beneficiary. The Board of Trustees shall adjust the monthly benefit
12 to the actuarially equivalent amount based on the new designated
13 beneficiary's age. The Board of Trustees shall promulgate rules to
14 implement the provisions of this subsection.

15 (f) A member who retires after the effective date of this act
16 and has selected a retirement allowance for a reduced amount payable
17 under one of the options provided for in this subsection may make a
18 one-time irrevocable election to select a different option within
19 sixty (60) days of the member's retirement date. The beneficiary
20 designated by the member at the time of retirement shall not be
21 changed if the member makes the election provided for in this
22 paragraph.

23 (9) The governing board of any "public school", as that term is
24 defined in Section 17-101 of this title, is hereby authorized and

1 empowered to pay additional retirement allowances or compensation to
2 any person who was in the employ of such public school for not less
3 than seven (7) school years preceding the date of his or her
4 retirement. Payments so made shall be a proper charge against the
5 current appropriation or appropriations of any such public school
6 for salaries for the fiscal year in which such payments are made.
7 Such payments shall be made in regular monthly installments in such
8 amounts as the governing board of any such public school, in its
9 judgment, shall determine to be reasonable and appropriate in view
10 of the length and type of service rendered by any such person to
11 such public school by which such person was employed at the time of
12 retirement. All such additional payments shall be uniform, based
13 upon the length of service and the type of services performed, to
14 persons formerly employed by such public school who have retired or
15 been retired in accordance with the provisions of Section 1-101 et
16 seq. of this title.

17 The governing board of any such public school may adopt rules
18 and regulations of general application outlining the terms and
19 conditions under which such additional retirement benefits shall be
20 paid, and all decisions of such board shall be final.

21 (10) In addition to the teachers' retirement herein provided,
22 teachers may voluntarily avail themselves of the Federal Social
23 Security Program upon a district basis.

24

1 (11) Upon the death of an in-service member, the System shall
2 pay to the designated beneficiary of the member or, if there is no
3 designated beneficiary or if the designated beneficiary predeceases
4 the member, to the estate of the member, the sum of Eighteen
5 Thousand Dollars (\$18,000.00) as a death benefit. Provided, if the
6 deceased member had ten (10) years or more of creditable service and
7 the death occurred after February 1, 1985, the member's designated
8 beneficiary may elect to receive the retirement benefit to which the
9 deceased member would have been entitled at the time of death under
10 the Option 2 plan of retirement in lieu of the death benefit
11 provided for in this subsection. Provided further, the option
12 provided in this subsection is only available when the member has
13 designated one individual as the designated beneficiary. Death
14 benefits in the amount not to exceed Eighteen Thousand Dollars
15 (\$18,000.00), but exclusive of any retirement benefit received by an
16 electing beneficiary based upon creditable service performed by the
17 deceased member, which are provided pursuant to this subsection may
18 be assigned by the beneficiary to a person licensed as a funeral
19 director or to a lawfully recognized business entity licensed as
20 required by law to provide funeral services for the deceased member.

21 (12) Upon the death of an annuitant who has contributed to the
22 System, the retirement system shall pay to the designated
23 beneficiary of the annuitant or, if there is no designated
24 beneficiary or if the designated beneficiary predeceases the

1 annuitant, to the estate of the annuitant, the sum of Five Thousand
2 Dollars (\$5,000.00) as a death benefit. Death benefits provided
3 pursuant to this subsection may be assigned by the beneficiary to a
4 person licensed as a funeral director or to a lawfully recognized
5 business entity licensed as required by law to provide funeral
6 services for the deceased member. The benefit payable pursuant to
7 this subsection shall be deemed, for purposes of federal income
8 taxation, as life insurance proceeds and not as a death benefit if
9 the Internal Revenue Service approves this provision pursuant to a
10 private letter ruling request which shall be submitted by the board
11 of trustees of the System for that purpose.

12 (13) Upon the death of a member who dies leaving no living
13 beneficiary or having designated his or her estate as beneficiary,
14 the System may pay any applicable death benefit, unpaid
15 contributions, or unpaid benefit which may be subject to probate, in
16 an amount of Five Thousand Dollars (\$5,000.00) or less, without the
17 intervention of the probate court or probate procedure pursuant to
18 Section 1 et seq. of Title 58 of the Oklahoma Statutes.

19 (a) Before any applicable probate procedure may be waived, the
20 System must be in receipt of the member's proof of death and the
21 following documents from those persons claiming to be the legal
22 heirs of the deceased member:

23 1. The member's valid last will and testament;

24

- 1 2. An affidavit or affidavits of heirship which must
2 state:
- 3 a. the names and signatures of all claiming heirs to
4 the deceased member's estate including the
5 claiming heirs' names, relationship to the
6 deceased, current addresses and current telephone
7 numbers,
- 8 b. a statement or statements by the claiming heirs
9 that no application or petition for the
10 appointment of a personal representative is
11 pending or has been granted in any jurisdiction,
- 12 c. a statement that the value of the deceased
13 member's entire estate is subject to probate, and
14 that the estate wherever located, less liens and
15 encumbrances, does not exceed Five Thousand
16 Dollars (\$5,000.00), including the payment of
17 benefits or unpaid contributions from the System
18 as authorized by this subsection,
- 19 d. a description of the personal property claimed,
20 (i.e., death benefit or unpaid contributions or
21 both) together with a statement that such
22 personal property is subject to probate,
- 23 e. a statement by each individual claiming heir
24 identifying the amount of personal property that

1 the heir is claiming from the System, and that
2 the heir has been notified of, is aware of and
3 consents to the identified claims of all the
4 other claiming heirs of the deceased member
5 pending with the System;

6 3. A written agreement or agreements signed by all
7 claiming heirs of the deceased member which provides
8 that the claiming heirs release, discharge and hold
9 harmless the System from any and all liability,
10 obligations and costs which it may incur as a result
11 of making a payment to any of the deceased member's
12 heirs;

13 4. A corroborating affidavit from an individual other
14 than a claiming heir, who was familiar with the
15 affairs of the deceased member;

16 5. Proof that all debts of the deceased member, including
17 payment of last sickness, hospital, medical, death,
18 funeral and burial expenses have been paid or provided
19 for.

20 (b) The Executive Director of the System shall retain complete
21 discretion in determining which requests for probate waiver may be
22 granted or denied, for any reason. Should the System have any
23 question as to the validity of any document presented by the
24 claiming heirs, or as to any statement or assertion contained

1 therein, the probate requirement provided for in Section 1 et seq.
2 of Title 58 of the Oklahoma Statutes, shall not be waived.

3 (c) After paying any death benefits or unpaid contributions to
4 any claiming heirs as provided pursuant to this subsection, the
5 System is discharged and released from any and all liability,
6 obligation and costs to the same extent as if the System had dealt
7 with a personal representative of the deceased member. The System
8 is not required to inquire into the truth of any matter specified in
9 this subsection or into the payment of any estate tax liability.

10 (14) Upon the death of a retired member, the benefit payment
11 for the month in which the retired member died, if not previously
12 paid, shall be made to the beneficiary of the member or to the
13 member's estate if there is no beneficiary. Such benefit payment
14 shall be made in an amount equal to a full monthly benefit payment
15 regardless of the day of the month in which the retired member died.

16 SECTION 3. AMENDATORY 70 O.S. 2001, Section 17-106.1, as
17 last amended by Section 31, Chapter 46, 2nd Extraordinary Session,
18 O.S.L. 2006 (70 O.S. Supp. 2010, Section 17-106.1), is amended to
19 read as follows:

20 Section 17-106.1 A. The Board of Trustees of the Teachers'
21 Retirement System of Oklahoma shall discharge their duties with
22 respect to the System solely in the interest of the participants and
23 beneficiaries and:

24 1. For the exclusive purpose of:

- 1 a. providing benefits to participants and their
- 2 beneficiaries, and
- 3 b. defraying reasonable expenses of administering the
- 4 System;

5 2. With the care, skill, prudence, and diligence under the
6 circumstances then prevailing that a prudent person acting in a like
7 capacity and familiar with such matters would use in the conduct of
8 an enterprise of a like character and with like aims;

9 3. By diversifying the investments of the System so as to
10 minimize the risk of large losses, unless under the circumstances it
11 is clearly prudent not to do so; and

12 4. In accordance with the laws, documents and instruments
13 governing the System.

14 B. The Board of Trustees may procure insurance indemnifying the
15 members of the Board of Trustees from personal loss or
16 accountability from liability resulting from a member's action or
17 inaction as a member of the Board.

18 C. The Board of Trustees ~~may~~ shall establish an investment
19 committee. The investment committee shall be composed of not more
20 than five (5) members of the Board of Trustees appointed by the
21 chairman of the Board of Trustees. The committee shall make
22 recommendations to the full Board of Trustees on all matters related
23 to the choice of custodians and managers of the assets of the
24 System, on the establishment of investment and fund management

1 guidelines, and in planning future investment policy. The committee
2 shall have no authority to act on behalf of the Board of Trustees in
3 any circumstances whatsoever. No recommendation of the committee
4 shall have effect as an action of the Board of Trustees nor take
5 effect without the approval of the Board of Trustees as provided by
6 law.

7 D. The Board of Trustees may retain qualified investment
8 managers to provide for the investment of the monies of the System.
9 The investment managers shall be chosen by a solicitation of
10 proposals on a competitive bid basis pursuant to standards set by
11 the Board of Trustees. Subject to the overall investment guidelines
12 set by the Board of Trustees, the investment managers shall have
13 full discretion in the management of those monies of the System
14 allocated to the investment managers. The Board of Trustees shall
15 manage those monies not specifically allocated to the investment
16 managers. The monies of the System allocated to the investment
17 managers shall be actively managed by the investment managers, which
18 may include selling investments and realizing losses if such action
19 is considered advantageous to longer term return maximization.
20 Because of the total return objective, no distinction shall be made
21 for management and performance evaluation purposes between realized
22 and unrealized capital gains and losses.

23 E. Funds and revenues for investment by the investment managers
24 or the Board of Trustees shall be placed with a custodian selected

1 by the Board of Trustees. The custodian shall be a bank or trust
2 company offering pension fund master trustee and master custodial
3 services. The custodian shall be chosen by a solicitation of
4 proposals on a competitive bid basis pursuant to standards set by
5 the Board of Trustees. In compliance with the investment policy
6 guidelines of the Board of Trustees, the custodian bank or trust
7 company shall be contractually responsible for ensuring that all
8 monies of the System are invested in income-producing investment
9 vehicles at all times. If a custodian bank or trust company has not
10 received direction from the investment managers of the System as to
11 the investment of the monies of the System in specific investment
12 vehicles, the custodian bank or trust company shall be contractually
13 responsible to the Board of Trustees for investing the monies in
14 appropriately collateralized short-term interest-bearing investment
15 vehicles.

16 F. By November 1, 1988, and prior to August 1 of each year
17 thereafter, the Board of Trustees shall develop a written investment
18 plan for the System.

19 G. The Board of Trustees shall compile a quarterly financial
20 report of all the funds of the System on a fiscal year basis. The
21 report shall be compiled pursuant to uniform reporting standards
22 prescribed by the Oklahoma State Pension Commission for all state
23 retirement systems. The report shall include several relevant
24 measures of investment value, including acquisition cost and current

1 fair market value with appropriate summaries of total holdings and
2 returns. The report shall contain combined and individual rate of
3 returns of the investment managers by category of investment, over
4 periods of time. The Board of Trustees shall include in the
5 quarterly reports all commissions, fees or payments for investment
6 services performed on behalf of the Board. The report shall be
7 distributed to the Governor, the Oklahoma State Pension Commission,
8 the Legislative Service Bureau, the Speaker of the House of
9 Representatives and the President Pro Tempore of the Senate.

10 H. After July 1 and before December 1 of each year, the Board
11 of Trustees shall publish widely an annual report presented in
12 simple and easily understood language pursuant to uniform reporting
13 standards prescribed by the Oklahoma State Pension Commission for
14 all state retirement systems. The report shall be submitted to the
15 Governor, the Speaker of the House of Representatives, the President
16 Pro Tempore of the Senate, the Oklahoma State Pension Commission and
17 the members of the System. The annual report shall cover the
18 operation of the System during the past fiscal year, including
19 income, disbursements, and the financial condition of the System at
20 the end of the fiscal year. The annual report shall also contain
21 the information issued in the quarterly reports required pursuant to
22 subsection G of this section as well as a summary of the results of
23 the most recent actuarial valuation to include total assets, total
24 liabilities, unfunded liability or over funded status, contributions

1 and any other information deemed relevant by the Board of Trustees.
2 The annual report shall be written in such a manner as to permit a
3 readily understandable means for analyzing the financial condition
4 and performance of the System for the fiscal year. In order to
5 standardize the information and analysis of the financial condition
6 of the System, the Board shall provide information regarding the
7 financial and actuarial condition of the System using assumptions or
8 requirements as hereinafter required for the report stating the
9 condition of the System as of July 1, 2002, and for each subsequent
10 reporting date, which information shall be contained in an appendix
11 or addendum to the annual report. For purposes other than the
12 reporting requirements contained in the appendix or addendum, all
13 actuarial and economic assumptions shall be those assumptions
14 adopted by the System in its annual actuarial valuation. The
15 appendix or addendum shall contain a statement of the financial
16 condition of the System:

17 1. Using an assumed rate of return of seven and one-half
18 percent (7.5%), net of investment expenses, per annum, compounded
19 annually;

20 2. Using an actuarial assumption regarding cost-of-living
21 adjustments for the System of two percent (2%) annually;

22 3. That relies upon the use of appropriate preretirement,
23 postretirement and disability retirement information using
24

1 generational projections taken from the RP-2000 Mortality Tables,
2 published by the Society of Actuaries;

3 4. Which accurately and completely summarizes all sources of
4 system assets, other than employee contributions, which shall
5 include, but not be limited to, the total of all employer
6 contributions, any dedicated tax or fee revenue of whatever kind or
7 however denominated, and the total amount of any other source of
8 revenue which accrues to the System, other than return on
9 investments, such as federal monies used for the purpose of making
10 employer contributions; and

11 5. Using an assumption that the unfunded actuarial accrued
12 liabilities of the System are amortized over a period of thirty (30)
13 years, in a manner consistent with the Governmental Accounting
14 Standards Board Statement Number 25.

15 I. The Board of Trustees shall adopt a cost of living
16 adjustment actuarial assumption in its annual actuarial valuation
17 report.

18 SECTION 4. This act shall become effective November 1, 2011.

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20 53-1-7376 MAH 03/31/11

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