STATE OF OKLAHOMA

1st Session of the 53rd Legislature (2011)

SENATE BILL 787 By: Mazzei

AS INTRODUCED

An Act relating to retirement plans for education employees; 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, 17-108.1, as last amended by Section 1, Chapter 366, O.S.L. 2007, and 17-116.2, as last amended by Section 122, Chapter 1, O.S.L. 2005 (70 O.S. Supp. 2010, Sections 17-101, 17-105, 17-108.1 and 17-116.2), which relate to the Teachers' Retirement System of Oklahoma; modifying definition; specifying retirement date for certain persons; authorizing Board of Trustees to determine certain contribution rate; making certain service credit provisions not applicable to certain members; creating the Teachers' Defined Contribution Retirement Plan Act; providing short title; requiring certain plan to be implemented by certain date; making provisions of the Teachers' Defined Contribution Retirement Plan Act applicable to certain members; defining terms; requiring the Teachers' Retirement System of Oklahoma to administer certain plan; requiring the System to determine the provisions and procedures of certain plan; authorizing the System to employ or contract for certain personnel or services; providing for certain hearing; requiring certain participants to direct the investment of certain contributions and earnings; specifying payment of certain expenses; specifying contribution rates; authorizing additional contributions; allowing certain employees to make contributions upon determination of the Executive Director of the System; allowing the employer to make additional matching contributions; specifying vesting requirements; allowing the nomination of a refund beneficiary; specifying when distribution of account

balance may be made; specifying methods of the distribution of the accumulated balance; exemption certain distributions from tax; authorizing the System to recover certain amounts; requiring the System to correct certain errors; providing for codification; providing an effective date; and declaring an emergency.

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:

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

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

(2) "Public school" shall mean a school district, a state college or university, the State Board of Education, the State Board of Career and Technology Education and any other state educational entity conducted within the state supported wholly or partly by public funds and operating under the authority and supervision of a legally constituted board or agency having authority and responsibility for any function of public education. "Public school" shall also mean a tuition free, nonprofit alternative school of choice that provides education, therapeutic counseling and

outreach programs which is aligned with a school district and which receives grant funds from governmental sources.

(3) "Classified personnel" shall mean any teacher, principal, superintendent, supervisor, administrator, librarian, certified or registered nurse, college professor, or college president whose salary is paid wholly or in part from public funds. An employee of any state department, board, board of regents or board of trustees, who is in a supervisory or an administrative position, the function of which is primarily devoted to public education, shall be considered classified personnel under the meaning of this act, at the discretion of the Board of Trustees of the Teachers' Retirement System. The term "teacher" shall also include instructors and counselors employed by the Department of Corrections and holding valid teaching certificates issued by the State Department of Education. Provided, that a person employed by the Department of Corrections as an instructor or counselor shall have been actively engaged in the teaching profession for a period of not less than three (3) years prior to employment to be eligible to participate in the Oklahoma Teachers' Retirement System. The Department of Corrections shall contribute the employer's share to the Oklahoma Teachers' Retirement System.

(4) "Nonclassified optional personnel" shall include cooks, janitors, maintenance personnel not in a supervisory capacity, bus drivers, noncertified or nonregistered nurses, noncertified

librarians, and clerical employees of the public schools, state colleges, universities or any state department, board, board of regents or board of trustees, the functions of which are primarily devoted to public education and whose salaries are paid wholly or in part from public funds.

(5) "Employer" shall mean the state and any of its designated agents or agencies with responsibility and authority for public education, such as boards of education of elementary and independent school districts, boards of regents, boards of control or any other agency of and within the state by which a person may be employed for service in public education. "Employer" shall also mean the board of directors of a tuition free, nonprofit alternative school of choice that provides education, therapeutic counseling and outreach programs which is aligned with a school district and which receives grant funds from governmental sources.

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

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

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

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

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

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

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

(13) "Accumulated contributions" shall mean the sum of all amounts deducted from the compensation of a member and credited to his individual account in the Teacher Savings Fund, together with interest as of June 30, 1968.

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

(15) "Average salary":

(a) for those members who joined the System prior to July 1, 1992, shall mean the average of the salaries for the three (3) years on which the highest contributions to the Teachers' Retirement System was paid not to exceed the maximum contribution level specified in Section 17-116.2 of this title or the maximum compensation level specified in subsection (28) of

this section. Provided, no member shall retire with an average salary in excess of Twenty-five Thousand Dollars ($25,000.00) unless the member has made the required election and paid the required contributions on such salary in excess of Twenty-five Thousand Dollars ($25,000.00), or unless an eligible member fulfills the requirements of Section 17-116.2C of this title in order to have pre-cap removal service included in the retirement benefit computation of the member using the regular annual compensation of the member for any pre-cap removal year of service so included subject to the maximum average salary amount, and

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

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

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

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

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

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

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

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

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

(24) "Normal retirement age" means:

(a) age sixty-two (62) or the age at which the sum of a member's age and number of years of creditable service total eighty (80) or ninety (90), for those who became

a member after June 30, 1992, pursuant to Section 17-105 of this title, whichever occurs first, or

(b) for those who became a member after June 30, 2011, age sixty (60) with ten (10) years of service.

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

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

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

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

(a) Twenty-five Thousand Dollars ($25,000.00) for creditable service authorized and performed prior to

July 1, 1995, for members not electing a higher maximum compensation level,

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

(c) Twenty-seven Thousand Five Hundred Dollars ($27,500.00) for members who, as of June 30, 1995, had elected to have a maximum compensation level not in excess of Twenty-five Thousand Dollars ($25,000.00), and who were employed by an entity or institution within The Oklahoma State System of Higher Education for creditable service authorized and performed on or after July 1, 1995, but not later than June 30, 1996, if such member does not elect a higher maximum compensation level for this period as authorized by Section 17-116.2A of this title,

(d) Thirty-two Thousand Five Hundred Dollars ($32,500.00) for members employed by a comprehensive university if the member meets the requirements imposed by Section 17-116.2A of this title and the member elects to impose a higher maximum compensation level for service

performed on or after July 1, 1995, but not later than June 30, 1996,

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

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

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

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

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

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

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

(iv) Forty-seven Thousand Five Hundred Dollars ($47,500.00) for service authorized and performed on or after July 1, 2000, but not later than June 30, 2001,

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

1. a member of the retirement system not employed by an entity or institution within The Oklahoma State System of Higher Education for all creditable service authorized and performed on or after July 1, 1995,
2. a member of the retirement system first employed on or after July 1, 1995, by an entity or institution within The Oklahoma State System of Higher Education for all creditable service authorized and performed on or after July 1, 1995, but not later than June 30, 1996,
3. a member of the retirement system employed by an entity or institution within The Oklahoma State System of Higher Education, other than a comprehensive university, if the member elects to impose a higher maximum compensation level for service performed on or after July 1, 1995, but not later than June 30, 1996, pursuant to subsection B of Section 17-116.2A of this title,
4. a member of the retirement system who is first employed on or after July 1, 1996, by any entity or institution within The Oklahoma State System of Higher Education, including a comprehensive

university, for creditable service authorized and performed on or after July 1, 1996,

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

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

7. an eligible member of the retirement system who fulfills the requirements of Section ~~2~~ 17-116.2C of this ~~act~~ title with respect to pre-cap removal service included in the retirement benefit computation of the member at the average salary of the member subject to the maximum average salary amount.

(29) "Comprehensive university" shall mean:

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

(b) Oklahoma State University and all of its constituent agencies, including the Oklahoma State University Agricultural Experiment Station, the Oklahoma State University Agricultural Extension Division, the Oklahoma State University College of Veterinary Medicine, the Oklahoma State University Center for Health Sciences, the Technical Branch at Oklahoma City, the Oklahoma State University Institute of Technology-Okmulgee and Oklahoma State University-Tulsa.

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

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

June 30, 1992, whose age and number of years of creditable service total ninety (90) may be retired upon filing a written application for such retirement. Any person who became a member after June 30, 2011, who is age sixty (60) and has ten (10) years of service may be retired upon filing a written application for such retirement. The application shall be filed on the form provided by the Board of Trustees for this purpose, not less than thirty (30) days nor more than ninety (90) days before the date of retirement.

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

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

(2) An unclassified optional member who has retired or who retires at sixty-two (62) years of age or older or whose retirement is because of disability shall have his or her minimum retirement

benefits calculated on an average salary of Five Thousand Three Hundred Fifty Dollars ($5,350.00) or, if a larger monthly allowance would result, an amount arrived at pursuant to application of the formula prescribed herein.

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

Any individual regardless of residence, who has a minimum of ten (10) years of teaching in Oklahoma schools prior to July 1, 1943, or who taught in Oklahoma schools prior to 1934 and thereafter taught a minimum of ten (10) years and who does not qualify under the present retirement System, or who has a minimum of thirty (30) years of teaching in Oklahoma schools and has reached seventy (70) years of age prior to July 1, 1984, and is not otherwise eligible to receive any benefits from the retirement system shall receive a minimum of One Hundred Fifty Dollars ($150.00) per month in retirement benefits from the Teachers' Retirement System of Oklahoma plus any general increase in benefits for annuitants as may be provided hereafter by the Legislature. Each individual must apply to the Teachers' Retirement System for such benefit and provide evidence to the

Teachers' Retirement System that the service was actually rendered. The surviving spouse of any person who made application for the benefit provided for by this paragraph during his or her lifetime but did not receive said benefit may submit an application to the System for payment of said benefit for those months during the lifetime of the deceased person that he or she was eligible for but did not receive the benefit. Upon approval of the application by the Board of Trustees, the benefit shall be paid to the surviving spouse in one lump sum.

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

(5) Upon application of a member who is actively engaged in teaching in Oklahoma or his or her employer, any member who has been a contributing member for ten (10) years may be retired by the Board of Trustees not less than thirty (30) days nor more than ninety (90) days subsequent to the execution and filing thereof, on a disability retirement allowance, provided that it is found by the Board of Trustees after medical examination of such member by a duly qualified physician that such member is mentally or physically incapacitated for further performance of duty, that such incapacity is likely to be permanent, and that such member should be retired. The Board of Trustees shall give due consideration to the conclusions and recommendations in the certified written report of

the Medical Board of the Teachers' Retirement System regarding the disability application of such member. If a member is determined to be eligible for disability benefits pursuant to the Social Security System, then such determination shall entitle the member to the authorized disability retirement allowance provided by law. For members who are not eligible for disability benefits pursuant to the Social Security System, the Board of Trustees shall apply the same standard for which provision is made in the first two sentences of this subsection for determining the eligibility of a person for such disability benefits in making a determination of eligibility for disability benefits as authorized by this subsection.

(6) (a) A member who at the time of retirement has been found to be permanently physically or mentally incapacitated to teach school shall receive a minimum monthly retirement payment for life or until such time as the member may be found to be recovered to the point where he or she may return to teaching. Any member retired before July 1, 1992 shall be eligible to receive the monthly retirement allowance herein provided, but such payment shall not begin until the first payment due him or her after July 1, 1992, and shall not be retroactive. The Board of Trustees is empowered to make such rules and regulations as it considers proper to preserve equity in retirements under this provision, which shall include a provision to protect the rights of the member's spouse.

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

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

physicians designated by the Board of Trustees his or her allowance may be discontinued until he or she submits to such examination.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

2. An affidavit or affidavits of heirship which must state:

a. the names and signatures of all claiming heirs to the deceased member's estate including the claiming heirs' names, relationship to the deceased, current addresses and current telephone numbers,

b. a statement or statements by the claiming heirs that no application or petition for the appointment of a personal representative is pending or has been granted in any jurisdiction,

c. a statement that the value of the deceased member's entire estate is subject to probate, and that the estate wherever located, less liens and encumbrances, does not exceed Five Thousand Dollars ($5,000.00), including the payment of benefits or unpaid contributions from the System as authorized by this subsection,

d. a description of the personal property claimed, (i.e., death benefit or unpaid contributions or both) together with a statement that such personal property is subject to probate,

e. a statement by each individual claiming heir identifying the amount of personal property that

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

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

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

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

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

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

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

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

SECTION 3. AMENDATORY 70 O.S. 2001, Section 17-108.1, as last amended by Section 1, Chapter 366, O.S.L. 2007 (70 O.S. Supp. 2010, Section 17-108.1), is amended to read as follows:

Section 17-108.1. A. 1. Except as provided in ~~paragraph~~ <u>paragraphs</u> 2 <u>and 3</u> of this subsection, the employer of any member of the Teachers' Retirement System of Oklahoma shall make the following contributions to the System:

a. beginning July 1, 1998, through June 30, 1999, eleven and one-half percent (11 1/2%) of the regular annual

compensation of the member not in excess of any applicable maximum compensation level of the member,

b. beginning July 1, 1999, through June 30, 2000, four and eight-tenths percent (4.8%) of the regular annual compensation of the member not in excess of any applicable maximum compensation level of the member,

c. beginning July 1, 2000, through June 30, 2001, five and eight-tenths percent (5.8%) of the regular annual compensation of the member not in excess of any applicable maximum compensation level of the member,

d. beginning July 1, 2001, through June 30, 2002, six and eight-tenths percent (6.8%) of the regular annual compensation of the member not in excess of any applicable maximum compensation level of the member,

e. beginning July 1, 2002, through December 31, 2006, seven and five-hundredths percent (7.05%) of the regular annual compensation of the member not in excess of any applicable maximum compensation level of the member,

f. beginning January 1, 2007, through June 30, 2007, seven and six-tenths percent (7.6%) of the regular annual compensation of the member not in excess of any applicable maximum compensation level of the member,

g. beginning July 1, 2007, through December 31, 2007, seven and eighty-five hundredths percent (7.85%) of the regular annual compensation of the member not in excess of any applicable maximum compensation level of the member,

h. beginning January 1, 2008, through June 30, 2008, eight and thirty-five hundredths percent (8.35%) of the regular annual compensation of the member not in excess of any applicable maximum compensation level of the member,

i. beginning July 1, 2008, through December 31, 2008, eight and five-tenths percent (8.5%) of the regular annual compensation of the member not in excess of any applicable maximum compensation level of the member,

j. beginning January 1, 2009, through December 31, 2009, nine percent (9%) of the regular annual compensation of the member not in excess of any applicable maximum compensation level of the member,

k. beginning January 1, 2010, through June 30, 2010, nine and five-tenths percent (9.5%) of the regular annual compensation of the member not in excess of any applicable maximum compensation level of the member, and

l. beginning July 1, 2010, through June 30, 2011, and for each fiscal year thereafter, nine and five-tenths percent (9.5%) of the regular annual compensation of the member not in excess of any applicable maximum compensation level of the member.

The employer contribution rate increase that would otherwise be effective, as provided by subparagraphs f, g, h, i, j, k and l of this paragraph, shall not become effective as law unless funding levels to each of the affected participating employers within the System are increased so that the additional employer contribution obligation is funded through an appropriation or transfer of monies instead of requiring the additional employer contribution to be paid for from existing budgetary resources of such participating employers. The participating employers shall use any monies specifically made available for purposes of making employer contributions for such purpose and to the extent of the funds made available for that purpose.

2. a. Beginning January 1, 2007, through December 31, 2007, a participating employer that employs an employee of a comprehensive university or a regional institution offering a four-year degree program as designated or authorized by the Oklahoma State Regents for Higher Education shall make contributions to the System with respect to such employees at the rate of seven and

five-hundredths percent (7.05%) of the regular annual compensation of the member not in excess of any applicable maximum compensation level.

b. Beginning January 1, 2008, through December 31, 2008, a participating employer that employs an employee of a comprehensive university or a regional institution offering a four-year degree program as designated or authorized by the Oklahoma State Regents for Higher Education shall make contributions to the System with respect to such employees at the rate of seven and fifty-five hundredths percent (7.55%) of the regular annual compensation of the member not in excess of any applicable maximum compensation level of the member.

c. Beginning January 1, 2009, through December 31, 2009, a participating employer that employs an employee of a comprehensive university or a regional institution offering a four-year degree program as designated or authorized by the Oklahoma State Regents for Higher Education shall make contributions to the System with respect to such employees at the rate of eight and five hundredths percent (8.05%) of the regular annual compensation of the member not in excess of any applicable maximum compensation level of the member.

d. Beginning January 1, 2010, through June 30, 2010, a participating employer that employs an employee of a comprehensive university or a regional institution offering a four-year degree program as designated or authorized by the Oklahoma State Regents for Higher Education shall make contributions to the System with respect to such employees at the rate of eight and fifty-five hundredths percent (8.55%) of the regular annual compensation of the member not in excess of any applicable maximum compensation level of the member.

e. Beginning July 1, 2010, through June 30, 2011, and for each fiscal year thereafter, a participating employer that employs an employee of a comprehensive university or a regional institution offering a four-year degree program as designated or authorized by the Oklahoma State Regents for Higher Education shall make contributions to the System with respect to such employees at the rate of eight and fifty-five hundredths percent (8.55%) of the regular annual compensation of the member not in excess of any applicable maximum compensation level of the member.

The employer contribution rate increase that would otherwise be effective as provided by subparagraphs b, c, d and e of this paragraph shall not become effective as law unless funding levels

are increased so that the additional employer contribution obligation is funded through such an appropriation or transfer of monies instead of requiring the additional employer contribution to be paid for from existing budgetary resources of such participating employers. The participating employers shall use any monies specifically made available for purposes of making employer contributions for such purpose and to the extent of the funds made available for that purpose.

3. Beginning July 1, 2011, the Board of Trustees may determine a separate employer contribution rate for members who first became a member after June 30, 2011.

4. Any employer contribution paid to the System pursuant to this subsection shall not be considered as salary, fringe benefit, or total compensation due to members for the purpose of meeting any legislative or contractual obligation of the employer.

B. For entities or institutions within The Oklahoma State System of Higher Education, the contributions to the System shall be made on regular annual compensation of a member who is an employee of such entity or institution not to exceed the maximum compensation level in effect for the member as prescribed by law.

C. Employers paying contributions to the System pursuant to subsection A or B of this section shall receive credit for that portion of the gross production tax on natural gas and/or casinghead gas apportioned to the System pursuant to subsection 2 of Section

1004 of Title 68 of the Oklahoma Statutes in meeting the total required employer contribution. On an annual basis, the Board of Trustees of the Teachers' Retirement System of Oklahoma shall estimate the net additional cost required to be paid by the contributing employers in order to meet the total employer contribution as provided in subsection A or B of this section. The Board of Trustees shall approve the amount of the additional contribution required to be paid by contributing employers as a percentage of total member salaries and fringe benefits for each fiscal year ending June 30, no later than April 1 of the previous fiscal year. In no event shall the additional contribution required to be paid by the contributing employer under this subsection be less than the contribution required under this subsection in the prior year. In the event actual contributions do not equal the required total contribution as provided in subsection A or B of this section, the net difference between the actual contributions and the required total contributions shall be determined and shall be included in the amount of the additional contribution required to be paid by contributing employers for the next fiscal year. All contributing employers shall pay the same percentage of total member salaries and fringe benefits during each fiscal year. The provisions of this subsection shall terminate June 30, 1999.

D. Any school district, state college or university, State Board of Education, State Board of Career and Technology Education,

or other state agency may, for and on behalf of any member of the System, pay all or any portion of the contribution required by Section 17-108 of this title. Provided, the contribution so paid by any school district, state college or university, State Board of Education, State Board of Career and Technology Education, or other state agency shall be and remain subject to the withdrawal provisions set forth under the System. Wherever the term "contribution" is used, it shall be deemed to include contributions paid for and on behalf of a member by a school district, state college or university, State Board of Education, State Board of Career and Technology Education, or other state agency.

E. All participating employers shall provide a complete record of the total compensation paid to each employee, including any person who is a retired member of the System, whether or not employer and employee contributions are made with respect to such compensation. The employer shall provide the report required by this subsection on a monthly basis on a form or using such method as the Teachers' Retirement System of Oklahoma may require.

SECTION 4. AMENDATORY 70 O.S. 2001, Section 17-116.2, as last amended by Section 122, Chapter 1, O.S.L. 2005 (70 O.S. Supp. 2010, Section 17-116.2), is amended to read as follows:

Section 17-116.2. A. 1. Beginning July 1, 1987, and prior to July 1, 1995, a member who retires on or after the member's normal retirement age or whose retirement is because of disability shall

receive an annual allowance for life, payable monthly, in an amount equal to two percent (2%) of the member's highest three-year average salary upon which member contributions were made, multiplied by the number of the member's years of creditable service.

A classified member who retired prior to July 1, 1986, shall have his retirement allowance calculated on a minimum average salary of Eleven Thousand Five Hundred Dollars ($11,500.00) or on his current minimum average salary plus Two Thousand Dollars ($2,000.00), whichever is greater. Beginning July 1, 1994, a classified member who retired prior to July 1, 1993, shall have the member's retirement allowance calculated on the member's current minimum average salary plus Five Hundred Fifty Dollars ($550.00). An unclassified member who retired prior to July 1, 1986, shall have his retirement allowance calculated on a minimum average salary of Nine Thousand Five Hundred Dollars ($9,500.00) or on his current minimum average salary plus One Thousand Dollars ($1,000.00), whichever is greater. Beginning July 1, 1994, an unclassified member who retired prior to July 1, 1993, shall have the member's retirement allowance calculated on the member's current minimum average salary plus Two Hundred Seventy-five Dollars ($275.00). Those individuals receiving benefits pursuant to subsection (3) of Section 17-105 of this title whose benefits commenced prior to July 1, 1993, shall receive an increase in benefits of two and one-half

percent (2 1/2%). No retirement benefit payments shall be made retroactively.

Except for those members retiring because of a disability, the retirement allowance shall be subject to adjustment for those members retiring before normal retirement age in accordance with the actuarial equivalent factors adopted by the Board of Trustees.

2. Beginning July 1, 1995, a member, who has no service performed on or after July 1, 1995, for an entity or institution within The Oklahoma State System of Higher Education, who retires on or after the member's normal retirement age or whose retirement is because of disability shall receive an annual allowance for life, payable monthly as follows:

a. if the member becomes a member after June 30, 1995, and was not eligible to become a member prior to July 1, 1995, in an amount equal to two percent (2%) of the member's average salary upon which member contributions were made, multiplied by the number of the member's years of creditable service, or

b. if the member became a member or is eligible to become a member prior to July 1, 1995, and elected to have a maximum compensation level in excess of Twenty-five Thousand Dollars ($25,000.00) pursuant to paragraph 1 of subsection C of this section or pursuant to subsection E of this section, or if the member's

salary has never exceeded Twenty-five Thousand Dollars ($25,000.00) prior to July 1, 1995, in an amount equal to:

(1) two percent (2%) of the member's average salary upon which member contributions were made not to exceed Forty Thousand Dollars ($40,000.00), multiplied by the number of the member's years of credited service authorized and performed prior to July 1, 1995, plus any years of prior service authorized under this title, plus

(2) two percent (2%) of the member's average salary upon which member contributions were made, multiplied by the number of the member's years of credited service authorized and performed after June 30, 1995, or

c. if the member became a member or is eligible to become a member prior to July 1, 1995, and was eligible to elect to have a maximum compensation level in excess of Twenty-five Thousand Dollars ($25,000.00) and did not elect or elected not to have a maximum compensation level of Forty Thousand Dollars ($40,000.00) pursuant to paragraph 1 of subsection C of this section or pursuant to subsection E of this section, in an amount equal to:

(1) two percent (2%) of the member's average salary upon which member contributions were made not to exceed Twenty-five Thousand Dollars ($25,000.00), multiplied by the number of the member's years of credited service authorized and performed prior to July 1, 1995, plus any years of prior service authorized under this title, plus

(2) two percent (2%) of the member's average salary upon which member contributions were made, multiplied by the number of the member's years of credited service authorized and performed after June 30, 1995.

B. Except as otherwise provided for in this section, the amount contributed by each member to the retirement system shall be:

1. Beginning July 1, 1992, through June 30, 1996, six percent (6%) of the regular annual compensation of such member not in excess of Twenty-five Thousand Dollars ($25,000.00) and beginning July 1, 1995, through June 30, 1996, six percent (6%) of the maximum compensation level; and

2. Beginning July 1, 1996, through June 30, 1997, six and one-half percent (6 1/2%) of the regular annual compensation of members, who are not employed by an entity or institution within The Oklahoma State System of Higher Education not in excess of Twenty-five Thousand Dollars ($25,000.00) and beginning July 1, 1996, through

June 30, 1997, six and one-half percent (6 1/2%) of the regular annual compensation of members, who are employed by an entity or institution within The Oklahoma State System of Higher Education, not in excess of Twenty-five Thousand Dollars ($25,000.00);

3. Beginning July 1, 1997, seven percent (7%) of the regular annual compensation of the member not in excess of any applicable maximum compensation level of the member; and

4. All public schools in this state shall treat the employee contributions as being picked-up under the provisions of Section 414 (h) (2) of the Internal Revenue Code of 1986 in determining tax treatment.

C. 1. Prior to July 1, 1995, an active member of the System may elect to have a maximum compensation level of Forty Thousand Dollars ($40,000.00). Such an election shall be made in writing and filed with the System. Members whose salaries are in excess of Twenty-five Thousand Dollars ($25,000.00) on the effective date of this act shall file the election with the System prior to January 1, 1988. Members whose salaries exceed Twenty-five Thousand Dollars ($25,000.00) after the effective date of this act shall file the election when the salary exceeds Twenty-five Thousand Dollars ($25,000.00). If a member makes such an election, the member shall contribute the following amounts:

a. beginning July 1, 1992, through June 30, 1993, eleven percent (11%) of the regular annual compensation of

such member that is in excess of Twenty-five Thousand Dollars ($25,000.00) and is not in excess of Forty Thousand Dollars ($40,000.00),

b. beginning July 1, 1993, through June 30, 1994, nine percent (9%) of the regular annual compensation of such member that is in excess of Twenty-five Thousand Dollars ($25,000.00) and is not in excess of Forty Thousand Dollars ($40,000.00), and

c. beginning July 1, 1994, through June 30, 1995, eight percent (8%) of the regular annual compensation of such member that is in excess of Twenty-five Thousand Dollars ($25,000.00) and is not in excess of Forty Thousand Dollars ($40,000.00). Except as provided in subsection E of this section, any such election shall be irrevocable.

2. After June 30, 1995, in addition to the amount contributed by each member to the retirement system pursuant to subsection B of this section, the total amount contributed by each member to the retirement system shall include, beginning July 1, 1995, through June 30, 1997, seven percent (7%) of the regular annual compensation of each member, who is not employed by an entity or institution within The Oklahoma State System of Higher Education, that is in excess of Twenty-five Thousand Dollars ($25,000.00) and beginning July 1, 1996, through June 30, 1997, seven percent (7%) of the

regular annual compensation of each member who is employed by an entity or institution within The Oklahoma State System of Higher Education in excess of Twenty-five Thousand Dollars ($25,000.00), but not in excess of any applicable maximum compensation level of the member.

D. For purposes of Section 17-101 et seq. of this title, regular annual compensation shall include:

1. Salary which accrues on a regular basis in proportion to the service performed, including payments for staff development;

2. Amounts that would otherwise qualify as salary under paragraph 1 of this subsection but are not received directly by the member pursuant to a good faith, voluntary written salary reduction agreement in order to finance payments to a deferred compensation or tax-sheltered annuity program or to finance benefit options under a cafeteria plan qualifying under the United States Internal Revenue Code, 26 U.S.C., Section 101 et seq.; and

3. Group health and disability insurance, group term life insurance, annuities and pension plans, provided on a periodic basis to all qualified employees of the employer, which qualify as fringe benefits under the United States Internal Revenue Code.

4. Excluded from regular annual compensation are expense reimbursement payments, office, vehicle, housing or other maintenance allowances, the flexible benefit allowance provided pursuant to Section 26-105 of this title, payment for unused

vacation and sick leave, any payment made for reason of termination or retirement not specifically provided for in paragraphs 1 through 3 of this subsection, maintenance or other nonmonetary compensation, payment received as an independent contractor or consultant, pursuant to a lawful contract which complies with the requirements of subsection B of Section 6-101.2 of this title, any benefit payments not made pursuant to a valid employment agreement, or any compensation not described in paragraphs 1 through 3 of this subsection.

E. 1. Any member who was a contributing member of the Retirement System between July 1, 1987, and June 30, 1995, who at the time the member was eligible to make an election to increase the maximum compensation level of the member, failed to make an election or chose not to increase the maximum compensation level of the member to Forty Thousand Dollars ($40,000.00), may elect to make back contributions to the Retirement System. The member shall complete a new election form and file with the Board of Trustees, the form and a payment equaling the difference between the amount contributed at the twenty-five-thousand-dollar level and the appropriate contribution on compensation in excess of Twenty-five Thousand Dollars ($25,000.00) up to a maximum of Forty Thousand Dollars ($40,000.00) shall be made prior to the official retirement date of the member. The required payment shall include any contribution required by the employing school district, and shall

include interest compounded annually at ten percent (10%) per annum of both employer and employee contributions.

2. Any changes made pursuant to this subsection shall be irrevocable.

F. 1. An individual who withdrew from the Teachers' Retirement System and whose salary was in excess of Seven Thousand Eight Hundred Dollars ($7,800.00) and had elected to contribute only on Seven Thousand Eight Hundred Dollars ($7,800.00) before his or her withdrawal shall contribute on the earning ceiling as provided for in this section on his or her reentry into membership in the Teachers' Retirement System.

2. An individual who elected to contribute on a maximum of Seven Thousand Eight Hundred Dollars ($7,800.00) per annum shall, beginning July 1, 1979, contribute on his or her earning ceiling as provided for in this section.

3. Any member who elected to contribute on Seven Thousand Eight Hundred Dollars ($7,800.00) prior to January 1, 1978, and whose salary was more than Seven Thousand Eight Hundred Dollars ($7,800.00) during the school years 1974-75 through 1978-79 may elect to make back contributions to the retirement system by paying the five percent (5%) contributions on the difference between Seven Thousand Eight Hundred Dollars ($7,800.00) and the actual salary of the member, not to exceed Ten Thousand Dollars ($10,000.00) for each applicable school year, plus interest compounded annually at ten

percent (10%) per annum. Such payment shall be made prior to the official retirement date of the member.

G. Each employer shall cause to be deducted from the salary of each member on each and every payroll of such employer for each and every payroll period, the proper percentage of his or her earnable compensation as provided for in subsection B or subsection C of this section.

1. Deductions shall begin with the first payroll period of the school year. In determining the amount earnable by a member in a payroll period, the Board of Trustees shall consider the rate of annual compensation payable to such member on the first day of the payroll period as continuing throughout such payroll period, and it may omit deductions from compensation for any period less than a full period, and to facilitate the making of deductions, it may modify the deduction required of any member by such an amount as shall not exceed one-tenth of one percent (1/10 of 1%) of the annual compensation upon the basis of which such deduction is to be made. Prior to January 1, 1991, any active contributing member who joined the System subsequent to July 1, 1943, may pay the normal cost, which shall mean the single sum which would have been paid under existing statutes at the time the service was performed, plus interest, for years of teaching service in Oklahoma from the date of establishment of the System in 1943 to date of membership, in a lump sum, or in installments equal to establishing one (1) year of

creditable service. Effective January 1, 1991, any active contributing member who joined the System subsequent to July 1, 1943, may pay the amount determined by the Board of Trustees pursuant to Section 17-116.8 of this title for years of teaching service in Oklahoma from the date of establishment of the System in 1943 to date of membership, in a lump sum, or in installments equal to establishing one (1) year of creditable service. For purposes of this option, teaching service in Oklahoma shall include the teaching of vocational agricultural courses within Oklahoma for the federal government. Years for which contributions are paid shall count as membership service under this plan. A member may receive credit for not more than five (5) years of teaching service rendered while in the Peace Corps or in the public schools of a territory of the United States or the public schools, American Military Dependent Schools or state colleges or state universities outside this state by paying his or her contributions, plus interest, and membership fees to the retirement system, subject to the regulations of the Board of Trustees, providing he or she is not receiving and is not eligible to receive retirement credit or benefits from said service in any other public retirement system of this state, or any other state or territory of the United States subject to the following provisions:

a. the member is required to have two (2) years of employed service teaching earned in Oklahoma for each

year of Peace Corps, territorial, out-of-state, noncovered in-state or military membership credit granted.

b. prior to January 1, 1991, the out-of-state or noncovered in-state payment shall be the normal cost, which means the single sum which would have been paid under existing law at the time the service was performed, plus interest, on the basis of what his or her annual salary would have been in Oklahoma or out of state, whichever is greater, had he or she been employed as a teacher. Effective January 1, 1991, the Peace Corps, territorial, out-of-state or noncovered in-state payment shall be the amount determined by the Board of Trustees pursuant to Section 17-116.8 of this title.

2. In addition to the deductions hereinabove provided for, any member who becomes a member of the Armed Forces of the United States of America during any period of national emergency, including World War II, the Korean conflict, the Vietnam conflict or others as may be determined by the Board of Trustees, or whose entrance into or training for the teaching profession was interrupted by his or her entrance into the Armed Forces, and who was or shall have become a member of the Teachers' Retirement System shall be granted the privilege of making up his or her five percent (5%) contributions as

provided for in this section until January 1, 1991, for not to exceed five (5) years of service in the Armed Forces by electing to pay said contributions on the basis of the rate of pay in his or her contract as a teacher at the time his or her service in the Armed Forces commenced or in the case of a teacher who was not teaching prior to entering the Armed Forces, on the basis of the salary of the first year of teaching after being honorably discharged from the Armed Forces. Effective January 1, 1991, the member will receive such service upon payment of the amount determined by the Board of Trustees pursuant to Section 17-116.8 of this title. Such contributions shall be credited in the regular manner, and the period for which said contributions were paid shall be counted as creditable years of service and allocated to the period during which the military service was rendered, except that the period for which contributions were paid must have been continuous and shall be credited in the aggregate, regardless of fiscal year limitations. Notwithstanding any provision herein to the contrary, contributions, benefits and service credit with respect to qualified military service as defined by Section 414(u) of the Internal Revenue Code of 1986, shall be provided in accordance with Section 414(u) of the Internal Revenue Code.

3. Retirement benefits for all service credits purchased pursuant to this subsection shall be determined in accordance with the provisions of paragraph 2 of this subsection.

H. Effective July 1, 2004, the total creditable service of a member who retires or terminates employment and elects a vested benefit shall include not to exceed one hundred twenty (120) days of unused sick leave accumulated subsequent to August 1, 1959. Twenty (20) days of unused sick leave shall equal one (1) month for purposes of creditable service credit. If the member becomes a member or was eligible to become a member prior to July 1, 1995, the year of credit received in this section shall be treated as service earned prior to July 1, 1995. This subsection shall apply to members retiring or vesting on or after the effective date of this act and shall not be retroactive.

I. Any member who:

1. Shall be absent from the teaching service because of election to the State Legislature or appointment to the executive branch in an education-related capacity shall be allowed thirty (30) days from the date as of which the person is officially elected or appointed to file an election with the Teachers' Retirement System to retain his or her membership in the Teachers' Retirement System upon payment of the contribution required of other members and employers of said members as provided for in this section and his or her service credits shall continue to be accumulated during such absence, provided he or she is not receiving retirement credits or benefits from said service beginning after July 1, 1992, in other public retirement systems; or

2. Became an employee of the Oklahoma Commission for Teacher Preparation on or subsequent to June 1, 2001, but prior to July 1, 2002, who was previously employed by a participating employer within the Teachers' Retirement System of Oklahoma, may elect to cancel any accumulated service credit accrued within the Oklahoma Public Employees Retirement System on or after June 1, 2001, but prior to July 1, 2002, by filing an election with the Oklahoma Public Employees Retirement System for the cancellation of such service credit. The election shall be irrevocable and shall require the Oklahoma Public Employees Retirement System to transfer all accumulated employer and employee contributions made on behalf of or by the person making such election to the Teachers' Retirement System for such period of time. The Teachers' Retirement System shall compute the employee contributions that would have been made to the System by such employee if the contributions had been computed pursuant to this section. In order to receive the full amount of creditable service for the period of time on or after June 1, 2001, but not later than June 30, 2002, the employee shall be required to pay any difference between the transferred employee contributions and the amount computed by the Teachers' Retirement System. The employee may make payment of any required amount in the manner provided by and subject to the requirements of Section 17-116.8 of this title. After payment of all required employee contributions, the Teachers' Retirement System shall credit the

period of time represented by the transferred employee contributions as creditable service within the meaning of Section 17-101 of this title. After the transfer of the employee contributions, the Oklahoma Public Employees Retirement System shall cancel any service credit previously accumulated for the period of time represented by such transferred employee contributions. Any person who makes the election provided for by this paragraph, and who continues employment with the Oklahoma Commission for Teacher Preparation on or after July 1, 2002, shall continue to accrue service credit in the Teachers' Retirement System of Oklahoma. The employer shall make employer contributions according to the requirements of Section 17-108.1 of this title and shall provide for the deduction of employee contributions as required by this section.

J. Any member who shall be absent from the teaching service because of election or appointment as a local, state or national education association officer shall be allowed to retain his or her membership in the Teachers' Retirement System upon payment of the contribution required of other members and employers of said members as provided for in this section and his or her service credits shall continue to be accumulated during such absence. Provided, however, any one such absence shall not exceed eight (8) continuous years. No member who has less than ten (10) years of contributory service on July 1, 1994, may make this election after June 30, 1994. Members contributing to the System on July 1, 1994, may continue to

contribute under this subsection until they have completed eight (8) years allowed by this subsection. The member may file for retirement when otherwise eligible for retirement as provided by Section 17-105 of this title. Conditioned upon receiving a favorable determination letter or private letter ruling from the Internal Revenue Service, the eligible absence and participation continuation in the Teachers' Retirement System of Oklahoma pursuant to this subsection shall be increased to twelve (12) years. The Teachers' Retirement System of Oklahoma shall make any necessary efforts in obtaining an Internal Revenue Service determination letter or private letter ruling concerning such increase.

K. A member may receive credit for those years of service accumulated by the member while employed by an entity which is a participating employer in the Oklahoma Firefighters Pension and Retirement System, the Oklahoma Police Pension and Retirement System, the Uniform Retirement System for Justices and Judges, the Oklahoma Law Enforcement Retirement System, or the Oklahoma Public Employees Retirement System, if the member is not receiving or eligible to receive retirement credit or benefits from said service in any other public retirement system. A member also may receive credit for those years of service with the Department of Wildlife Conservation or with an employer that is a participating employer within one of the state retirement systems specifically referred to in this section when at the time of such service by the member the

employer was not such a participating employer, if the member is not receiving or eligible to receive retirement credit or benefits from said service in any other public retirement system. To receive the service credit provided in this subsection, the member shall pay the amount determined by the Board of Trustees pursuant to Section 17-116.8 of this title. For purposes of this subsection, creditable service transferred from the Oklahoma Public Employees Retirement System shall include service authorized under paragraph (f) of subsection (2) of Section 913 of Title 74 of the Oklahoma Statutes as amended from time to time. Members who retire prior to July 1, 1993, shall have their monthly benefit adjusted to include all services accrued under paragraph (f) of subsection (2) of Section 913 of Title 74 of the Oklahoma Statutes. Provided however, any adjustment of existing retirement benefits caused by reason of inclusion of such service authorized under paragraph (f) of subsection (2) of Section 913 of Title 74 of the Oklahoma Statutes shall not affect any retirement benefit paid prior to July 1, 1993.

L. 1. An active member of the Teachers' Retirement System of Oklahoma may receive credit for those years of service accumulated by the member while a member of the Oklahoma Public Employees Retirement System if:

a. the member is an active member of the Teachers' Retirement System of Oklahoma, and

b. the member provides notice to the Oklahoma Public Employees Retirement System and the Teachers' Retirement System of Oklahoma of the member's election to transfer said service credit. The notice shall include a list of the years to be transferred, and

c. the member is not receiving or eligible to receive retirement credit or benefits from said service in any other public retirement system, notwithstanding the years of service sought to be transferred under this subsection.

Members electing to take advantage of the transfer authorized by this subsection who are receiving or eligible to receive retirement credit or benefits from said service in any other public retirement system shall have all service credit with the Oklahoma Public Employees Retirement System canceled which is not transferred to the Teachers' Retirement System of Oklahoma or used as a cash offset in such a transfer pursuant to subparagraph d of paragraph 2 of this subsection. Service credit transferred to the Teachers' Retirement System of Oklahoma under this subsection shall also be canceled with the Oklahoma Public Employees Retirement System.

2. For purposes of this subsection, the "sending system" shall mean the Oklahoma Public Employees Retirement System. The "receiving system" shall mean the Teachers' Retirement System of Oklahoma.

a. Within thirty (30) days notification of an intent to transfer is received by the sending system, the sending system shall, according to its own rules and regulations:

(1) for members who have accrued at least eight (8) years of credited service with the sending system, determine the present value of the member's earned benefits attributable to the years of service sought to be transferred, discounted according to the member's age at the time of transfer and computed as of the earliest age at which the member would be able to retire. Said computation shall assume an unreduced benefit and be computed using interest and mortality assumptions consistent with the actuarial assumptions adopted by the Board of Trustees for purposes of preparing the annual actuarial evaluation, but shall not make any projections regarding future salary. For employees who have accrued at least eight (8) years of credited service, the sending system shall use the product of this calculation for purposes of determining the transfer fee to be paid by the employee under subparagraph c of this

paragraph so long as it is greater than the product of the calculation in division (2) of this subparagraph, and

(2) determine the sum of the employee and employer contributions applicable to the years of service sought to be transferred plus interest consistent with the actuarial assumptions adopted by the Board of Trustees for purposes of preparing the annual actuarial evaluation. For all non-vested members, and for members who have accrued at least eight (8) years of credited service, if the product of this calculation is greater than the product of the calculation in division (1) of this subparagraph, the sending system shall use the product of this calculation for purposes of determining the amount to be transferred by the sending system under subparagraph c of this paragraph and any transfer fee to be paid by the member under subparagraph d of this paragraph.

b. Within thirty (30) days notification of an intent to transfer is received by the receiving system, the receiving system shall determine, according to the system's own rules and regulations, the present value of the member's incremental projected benefits

discounted according to the member's age at the time of the transfer. Incremental projected benefits shall be the difference between the projected benefit said member would receive without transferring the service credit and the projected benefit after transfer of service credit computed as of the earliest age at which the member would be able to retire. Said computation shall assume an unreduced benefit and be computed using interest, salary projections and mortality assumptions consistent with the actuarial assumptions adopted by the Board of Trustees for purposes of preparing the annual actuarial evaluation.

c. The sending system shall, within sixty (60) days from the date notification of an intent to transfer is received by the sending system, transfer to the receiving system the amount determined in subparagraph a of this paragraph. Except if the cost as calculated under subparagraph a of this paragraph is greater than the actuarial value of the incremental benefit in the receiving system, as established in subparagraph b of this paragraph, the sending system shall send the receiving system an amount equal to the actuarial value of the incremental projected benefit in the receiving system.

d. In order to receive the credit provided for in paragraph 1 of this subsection, if the cost of the actuarial value of the incremental benefit to the receiving system is greater than the cost as calculated under subparagraph a of this paragraph for the same years of service to the sending system as established in subparagraphs a and b of this paragraph, the employee shall elect to:

(1) pay any difference to receive full credit for the years sought to be transferred, or

(2) receive prorated service credit for only the amount received from the Oklahoma Public Employees Retirement System pursuant to this subsection.

Such an election shall be made in writing, filed with the System prior to receiving the credit provided for in paragraph 1 of this subsection, and shall be irrevocable.

3. Within sixty (60) days of successfully completing all of the requirements for transfer under this subsection, the sending system shall pay the receiving system any amount due under this subsection. Within sixty (60) days of successfully completing all of the requirements for transfer under this subsection, the member shall pay the receiving system any amount due under this subsection. In

the event that the member is unable to pay the transfer fee provided for in this subsection by the due date, the Board of Trustees of the receiving system shall permit the member to amortize the transfer fee over a period not to exceed sixty (60) months. Said payments shall be made by payroll deductions unless the Board of Trustees permits an alternate payment source. The amortization shall include interest in an amount not to exceed the actuarially assumed interest rate adopted by the Board of Trustees for investment earnings each year. Any member who ceases to make payment, terminates, retires or dies before completing the payments provided for in this section shall receive prorated service credit for only those payments made, unless the unpaid balance is paid by said member, his or her estate or successor in interest within six (6) months after said member's death, termination of employment or retirement, provided no retirement benefits shall be payable until the unpaid balance is paid, unless said member or beneficiary affirmatively waives the additional six-month period in which to pay the unpaid balance.

4. Years of service transferred pursuant to this subsection shall be used both in determining the member's retirement benefit and in determining the years of service for retirement and/or vesting purposes. Years of service rendered as a member of the Oklahoma Public Employees Retirement System prior to July 1, 1992, if any, shall be deemed to be years of service rendered as a member of the Teachers' Retirement System of Oklahoma prior to July 1,

1992, and shall qualify such person as a member of the Teachers' Retirement System of Oklahoma before July 1, 1992.

5. Notwithstanding the requirements of subsection (5) of Section 917 of Title 74 of the Oklahoma Statutes, members electing to take advantage of the transfer authorized by this subsection who have withdrawn their contributions from the sending system shall remit to the sending system the amount of the accumulated contributions the member has withdrawn plus simple interest of ten percent (10%) per annum prior to making said election or the election shall be deemed invalid and the transfer shall be canceled. If such an election is deemed invalid and the transfer is canceled, the accumulated contribution remitted to the sending system by the member who originally withdrew their contributions shall be returned to the member. The member's rights and obligations regarding any service credit reestablished in the sending system due to a failure to satisfy the requirements of this subsection shall be determined by the sending system in accordance with Section 901 et seq. of Title 74 of the Oklahoma Statutes.

6. If any member fails for any reason to satisfy the requirements of this subsection, the election to transfer service credit shall be void and of no effect, and any service credited as a result of this transfer shall be canceled. If such service is canceled, the years of canceled service credit which were unsuccessfully transferred to the receiving system from the sending

system shall be reestablished in the sending system. The member's rights and obligations regarding any service credit reestablished in the sending system due to a failure to satisfy the requirements of this subsection shall be determined by the sending system in accordance with Section 901 et seq. of Title 74 of the Oklahoma Statutes.

7. The Board of Trustees shall promulgate such rules as are necessary to implement the provisions of this subsection.

M. Any member whose regular annual compensation was not determined as provided for by law may pay the member contribution required pursuant to subsection B of this section on such amount not included in the member's regular annual compensation and receive credit for such amount in the calculation of the member's benefit. The employees must pay the employer contributions required pursuant to Section 17-108.1 of this title. Interest at the rate of ten percent (10%) per annum shall be charged to both employee and employer contributions. Provided that the employing district may pay all or any portion of the contributions and interest the member is required to pay. Any payment by the employing district for a prior year obligation shall be considered a current obligation of the employer.

N. Any active member who elected during the 1978-79 school year to pay the difference between five percent (5%) on actual salary not exceeding Ten Thousand Dollars ($10,000.00) and six percent (6%) on

actual salary not exceeding Fifteen Thousand Dollars ($15,000.00) shall receive credit for one (1) year of credited service upon receipt and approval of a proper request by the Board of Trustees.

O. Effective July 1, 1988, any member who is employed by the Governor, the State Senate, the House of Representatives or the Legislative Service Bureau shall be allowed to elect to retain membership in the Retirement System upon payment of the accrued and current member contributions and employer contributions as provided in subsection B of this section and Section 17-108.1 of this title. Such contributions may be paid on behalf of the member by the employing entity. Upon payment of such contributions, service credits shall continue to be accumulated during such employment. Accrued contributions shall be paid to the Retirement System by August 1, 1989. Current contributions shall be paid to the Retirement System by the tenth of the following month beginning with the month of July 1989.

P. Notwithstanding any requirements of this title to restrict the payment of service purchases, the Board of Trustees shall promulgate such rules as necessary to allow active members of the System to make installment payments for the redeposit of withdrawn accounts or other payments due under the provisions of this title. The rules shall permit the member to amortize the balance due over a period not to exceed sixty (60) months, and shall include interest consistent with the actuarial assumptions adopted by the Board of

Trustees for purposes of preparing the annual actuarial evaluation. Further, the rules shall provide that all payments must be completed prior to the effective retirement date of the member.

Q. 1. A member of the Oklahoma Public Employees Retirement System who becomes a member of the Teachers' Retirement System of Oklahoma because the member has become employed by an entity or institution within The Oklahoma State System of Higher Education, State Board of Education, State Board of Career and Technology Education, Oklahoma Department of Career and Technology Education, Oklahoma School of Science and Mathematics, Oklahoma Center for the Advancement of Science and Technology, State Department of Rehabilitation Services, Oklahoma State Regents for Higher Education, Department of Corrections, State Department of Education, Oklahoma Board of Private Vocational Schools, Board of Regents of Oklahoma Colleges, Oklahoma Student Loan Authority, or the Teachers' Retirement System of Oklahoma, may elect to receive credit in the Teachers' Retirement System of Oklahoma for those years of service accumulated by the member in the Oklahoma Public Employees Retirement System pursuant to this subsection. A member shall be eligible to elect to receive credit for such years of service if:

a. the member is an active member of the Teachers' Retirement System of Oklahoma,

b. the member provides notice to the Teachers' Retirement System of Oklahoma and the Oklahoma Public Employees

Retirement System of the member's election to transfer such retirement credit. The notice shall include a list of the years to be transferred, and

c. the member is not receiving or eligible to receive retirement credit or benefits from such service in any other public retirement system, notwithstanding the years of service sought to be transferred under this subsection.

Members electing to take advantage of the transfer authorized by this subsection shall have all service credit with the Oklahoma Public Employees Retirement System canceled which is transferred to the Teachers' Retirement System of Oklahoma.

2. For purposes of this subsection, the "sending system" shall mean the Oklahoma Public Employees Retirement System. The "receiving system" shall mean the Teachers' Retirement System of Oklahoma. Within thirty (30) days after notification of an intent to transfer is received by the sending system, the sending system shall, according to its own rules, send to the receiving system all employer and employee contributions made on behalf of the member which were made to the sending system plus an additional amount of earnings based on the actuarial assumed rate of the sending system. Upon receipt of these contributions by the receiving system, the receiving system shall give credit to the transferring member in an amount equal to the years of service accrued in the sending system.

3. If the transferring member's normal retirement date calculation is based upon the sum of the member's age and number of years of credited service totaling eighty (80) in the sending system, then the member shall retain such calculation in the receiving system.

4. The Board of Trustees shall promulgate such rules as are necessary to implement the provisions of this subsection.

R. A former member of the Teachers' Retirement System of Oklahoma who withdrew his or her contributions from the System prior to January 1, 1983, and who had at least ten (10) years of service in the System and purchased that service in the Oklahoma Public Employees Retirement System, may elect to revoke that purchase from the Oklahoma Public Employees Retirement System and to repay the withdrawn contributions to the System in order to be eligible, once such member reaches the normal retirement age, to receive a retirement benefit that is based upon years of service and compensation at the time such member terminated employment. In addition, such former member may elect to transfer service credit accrued in the Oklahoma Public Employees Retirement System to the Teachers' Retirement System of Oklahoma pursuant to subsection L of this section. The election, pursuant to this subsection, shall be made prior to September 1, 2000. The election and the repayment shall be made according to rules promulgated by the Board.

S. The provisions of subsections G through R of this section shall not apply to members who first join the System after June 30, 2011.

SECTION 5. NEW LAW A new section of law to be codified in the Oklahoma Statutes as Section 17-301 of Title 70, unless there is created a duplication in numbering, reads as follows:

Sections 5 through 15 of this act shall be known and may be cited as the "Teachers' Defined Contribution Retirement Plan Act".

SECTION 6. NEW LAW A new section of law to be codified in the Oklahoma Statutes as Section 17-302 of Title 70, unless there is created a duplication in numbering, reads as follows:

A. The defined contribution retirement plan created in the Teachers' Defined Contribution Retirement Plan Act shall be implemented by the Board of Trustees of the Teachers' Retirement System of Oklahoma as soon as administratively feasible but not later than January 1, 2012.

B. The provisions of the Teachers' Defined Contribution Retirement Plan Act shall only apply to those who become a member of the System after June 30, 2011.

SECTION 7. NEW LAW A new section of law to be codified in the Oklahoma Statutes as Section 17-303 of Title 70, unless there is created a duplication in numbering, reads as follows:

As used in the Teachers' Defined Contribution Retirement Plan Act:

1. "Accumulated balance" means the total balance in a qualified participant's, former qualified participant's, or refund beneficiary's individual account in the defined contribution retirement plan;

2. "Compensation" means the remuneration paid a participant on account of the participant's services rendered to his or her employer equal to the sum of the following:

a. a participant's W-2 earnings for services performed for the employer, and

b. any amount contributed or deferred at the election of the participant which is excluded from gross income under Section 125, 132(f)(4), 401(k), 403(b), or 457 of the Internal Revenue Code of 1986, as amended;

3. "Employer" means employer as defined in paragraph (5) of Section 17-101 of Title 70 of the Oklahoma Statutes;

4. "Former qualified participant" means an individual who was a qualified participant and who terminates the employment upon which his or her participation is based for any reason;

5. "Plan document" means the document that contains the provisions and procedures of the defined contribution plan in conformity with the Teachers' Defined Contribution Retirement Plan Act and the Internal Revenue Code;

6. "Qualified participant" means an individual who is a participant of the defined contribution plan and who first becomes a

member of the Teachers' Retirement System after June 30, 2011, and who also qualifies to be a member of the retirement plan offered pursuant to the provisions of Section 17-101 et seq. of Title 70 of the Oklahoma Statutes;

7. "Refund beneficiary" means an individual nominated by a qualified participant or a former qualified participant under Section 14 of this act to receive a distribution of the participant's accumulated balance in the manner prescribed in Section 15 of this act; and

8. "System" means the Teachers' Retirement System of Oklahoma.

SECTION 8. NEW LAW A new section of law to be codified in the Oklahoma Statutes as Section 17-304 of Title 70, unless there is created a duplication in numbering, reads as follows:

A. The Teachers' Retirement System of Oklahoma shall administer the defined contribution plan and shall be the fiduciary and trustee of the defined contribution plan. The System may appoint an advisory board to assist the System in carrying out its duties as fiduciary and trustee.

B. The System shall determine the provisions and procedures of the defined contribution plan and the plan document in conformity with the Teachers' Defined Contribution Retirement Plan Act and the Internal Revenue Code.

C. The System has the exclusive authority and responsibility to employ or contract with personnel and for services that the System

determines necessary for the proper administration of and investment of assets of the defined contribution plan, including, but not limited to, managerial, professional, legal, clerical, technical, and administrative personnel or services.

D. Each employer shall be deemed to have adopted and shall comply with the provisions and procedures of the defined contribution plan and the plan document.

SECTION 9. NEW LAW A new section of law to be codified in the Oklahoma Statutes as Section 17-305 of Title 70, unless there is created a duplication in numbering, reads as follows:

A. A qualified participant, former qualified participant, or refund beneficiary may request a hearing on a claim involving his or her rights under the defined contribution plan. Upon written request, the Teachers' Retirement System of Oklahoma shall provide for a hearing that shall be conducted pursuant to the Administrative Procedures Act. An individual may be represented by counsel or other authorized agent at a hearing conducted under this section.

B. Each qualified participant, former qualified participant, and refund beneficiary shall direct the investment of the individual’s accumulated employer and employee contributions and earnings to one or more investment choices within available categories of investment provided by the Teachers’ Retirement System of Oklahoma.

SECTION 10. NEW LAW A new section of law to be codified in the Oklahoma Statutes as Section 17-306 of Title 70, unless there is created a duplication in numbering, reads as follows:

The administrative expenses of the defined contribution plan shall be paid by the qualified participants, former qualified participants, and refund beneficiaries who have not closed their accounts in a manner determined by the Teachers' Retirement System of Oklahoma.

SECTION 11. NEW LAW A new section of law to be codified in the Oklahoma Statutes as Section 17-307 of Title 70, unless there is created a duplication in numbering, reads as follows:

A. This section is subject to the vesting requirements of Section 12 of this act.

B. Unless the qualified participant affirmatively elects not to contribute or elects to contribute a lesser amount, the qualified participant shall contribute two percent (2%) of his or her compensation to his or her defined contribution account. The qualified participant's employer shall make a contribution to the qualified participant's defined contribution account in an amount equal to fifty percent (50%) of the first two percent (2%) of compensation contribution made by the qualified participant under this subsection.

C. A qualified participant may make contributions in addition to contributions made under subsection B of this section to his or

her defined contribution account as permitted by the Teachers' Retirement System of Oklahoma and the Internal Revenue Code.

D. Upon the written determination of the Executive Director of the System, an employee of an employer that is not a qualified participant as described in Section 7 of this act may elect to make contributions to a defined contribution account as permitted by the System and the Internal Revenue Code. An employee as described in this subsection shall be treated as a qualified participant under the Teachers' Defined Contribution Retirement Plan Act for the limited purposes of his or her defined contribution account.

E. Upon the written determination of the Executive Director, an employer may annually elect to make additional matching contributions, including those in addition to matching contributions made under subsection B of this section, to an employee's defined contribution account as permitted by the plan document and the Internal Revenue Code. Matching contributions under this subsection shall be made in amounts equal to fifty percent (50%) of the contributions made by the employee not to exceed the first four percent (4%) of contributions made in whole percentages only, for any employee in addition to amounts that are already matched under this section, if any.

SECTION 12. NEW LAW A new section of law to be codified in the Oklahoma Statutes as Section 17-308 of Title 70, unless there is created a duplication in numbering, reads as follows:

A qualified participant is immediately one hundred percent (100%) vested in his or her contributions made to the participant's defined contribution account. A qualified participant shall vest in the employer contributions made on his or her behalf to the participant's defined contribution account according to the following schedule:

1. Upon completion of two (2) years of service, fifty percent (50%);

2. Upon completion of three (3) years of service, seventy-five percent (75%); and

3. Upon completion of four (4) years of service, one hundred percent (100%).

SECTION 13. NEW LAW A new section of law to be codified in the Oklahoma Statutes as Section 17-309 of Title 70, unless there is created a duplication in numbering, reads as follows:

A qualified participant or former qualified participant may nominate one or more individuals as a refund beneficiary by filing written notice of nomination with the Teachers' Retirement System of Oklahoma. If the qualified participant or former qualified participant is married at the time of the nomination and the participant's spouse is not the refund beneficiary for one hundred percent (100%) of the account, the nomination is not effective unless the nomination is signed by the participant's spouse if the signature of the participant's spouse is required by the plan

document. The System may waive this requirement if the spouse's signature cannot be obtained because of extenuating circumstances.

SECTION 14. NEW LAW A new section of law to be codified in the Oklahoma Statutes as Section 17-310 of Title 70, unless there is created a duplication in numbering, reads as follows:

A. A qualified participant is eligible to receive distribution of his or her accumulated balance in the participant's defined contribution account upon becoming a former qualified participant.

B. Upon the death of a qualified participant or former qualified participant, the accumulated balance of that deceased participant is considered to belong to the refund beneficiary, if any, of that deceased participant. If a valid nomination of refund beneficiary is not on file with the Teachers' Retirement System of Oklahoma, the System, in a lump sum distribution, shall distribute the accumulated balance in accordance with the plan document.

C. A former qualified participant or refund beneficiary may elect one or a combination of several of the following methods of distribution of the accumulated balance:

1. A lump sum distribution to the recipient;

2. A lump sum direct rollover to another qualified plan, to the extent allowed by federal law;

3. Periodic distributions, as authorized by the System; or

4. No current distribution, in which case the accumulated balance shall remain in the defined contribution account until the

former qualified participant or refund beneficiary elects a method or methods of distribution under paragraph 1, 2 or 3 of this subsection, to the extent allowed by federal law.

SECTION 15. NEW LAW A new section of law to be codified in the Oklahoma Statutes as Section 17-311 of Title 70, unless there is created a duplication in numbering, reads as follows:

A. Distributions from employer contributions made pursuant to subsection B of Section 11 of this act and earnings on those employer contributions, and distributions from employee contributions made pursuant to subsection B of Section 11 of this act and earnings on those employee contributions, are exempt from any state, county, municipal, or other local tax.

B. The Teachers' Retirement System of Oklahoma has the right of setoff to recover overpayments made under the Teachers' Defined Contribution Retirement Plan Act and to satisfy any claims arising from embezzlement or fraud committed by a qualified participant, former qualified participant, refund beneficiary, or other person who has a claim to a distribution or any other benefit from the defined contribution account.

C. The System shall correct errors in the records and actions in a defined contribution account under the Teachers' Defined Contribution Retirement Plan Act, and shall seek to recover overpayments and shall make up underpayments.

SECTION 16. This act shall become effective July 1, 2011.

SECTION 17. It being immediately necessary for the preservation of the public peace, health and safety, an emergency is hereby declared to exist, by reason whereof this act shall take effect and be in full force from and after its passage and approval.

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