

STATE OF OKLAHOMA

2nd Session of the 54th Legislature (2014)

COMMITTEE SUBSTITUTE
FOR ENGROSSED
SENATE BILL NO. 2120

By: Brinkley, Mazzei and
Bingman of the Senate

and

McDaniel (Randy) of the
House

COMMITTEE SUBSTITUTE

An Act relating to the Teachers' Retirement System of Oklahoma; amending 70 O.S. 2011, Section 17-101, as amended by Section 1, Chapter 101, O.S.L. 2013 (70 O.S. Supp. 2013, Section 17-101), which relates to definitions; modifying definition of regular annual compensation; excluding certain compensation; and providing an effective date.

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

SECTION 1. AMENDATORY 70 O.S. 2011, Section 17-101, as amended by Section 1, Chapter 101, O.S.L. 2013 (70 O.S. Supp. 2013, 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 (1) "Retirement system" shall mean the Teachers' Retirement
2 System of Oklahoma, as defined in Section 17-102 of this title.

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

14 (3) "Classified personnel" shall mean any teacher, principal,
15 superintendent, supervisor, administrator, librarian, certified or
16 registered nurse, college professor, or college president whose
17 salary is paid wholly or in part from public funds. An employee of
18 any state department, board, board of regents or board of trustees,
19 who is in a supervisory or an administrative position, the function
20 of which is primarily devoted to public education, shall be
21 considered classified personnel under the meaning of this act, at
22 the discretion of the Board of Trustees of the Teachers' Retirement
23 System. The term "teacher" shall also include instructors and
24 counselors employed by the Department of Corrections and holding

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

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

17 (5) "Employer" shall mean the state and any of its designated
18 agents or agencies with responsibility and authority for public
19 education, such as boards of education of elementary and independent
20 school districts, boards of regents, boards of control or any other
21 agency of and within the state by which a person may be employed for
22 service in public education. "Employer" shall also mean the board
23 of directors of a tuition free, nonprofit alternative school of
24 choice that provides education, therapeutic counseling and outreach

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

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

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

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

11 (9) "Prior service" shall mean service rendered prior to July
12 1, 1943.

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

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

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

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

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

4 (15) "Average salary":

5 (a) for those members who joined the System prior to July
6 1, 1992, shall mean the average of the salaries for
7 the three (3) years on which the highest contributions
8 to the Teachers' Retirement System was paid not to
9 exceed the maximum contribution level specified in
10 Section 17-116.2 of this title or the maximum
11 compensation level specified in ~~subsection~~ paragraph
12 (28) of this section. Provided, no member shall
13 retire with an average salary in excess of Twenty-five
14 Thousand Dollars (\$25,000.00) unless the member has
15 made the required election and paid the required
16 contributions on such salary in excess of Twenty-five
17 Thousand Dollars (\$25,000.00), or unless an eligible
18 member fulfills the requirements of Section 17-116.2C
19 of this title in order to have pre-cap removal service
20 included in the retirement benefit computation of the
21 member using the regular annual compensation of the
22 member for any pre-cap removal year of service so
23 included subject to the maximum average salary amount,
24 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.

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

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

7 (24) "Normal retirement age" means the earliest date upon
8 which:

- 9 (a) a member reaches the age sixty-two (62) with respect
10 to a member whose first creditable service occurs
11 prior to November 1, 2011, unless the member reaches a
12 normal retirement date pursuant to subparagraph (c) or
13 subparagraph (d) of this paragraph, or
- 14 (b) a member reaches the age of sixty-five (65) with
15 respect to a member whose first creditable service
16 occurs on or after November 1, 2011, or with respect
17 to a member whose first creditable service occurs on
18 or after November 1, 2011, reaches a normal retirement
19 date pursuant to subparagraph (d) of this paragraph
20 having attained a minimum age of sixty (60) years, or
- 21 (c) the age at which the sum of a member's age and number
22 of years of creditable service total eighty (80), with
23 respect to a member whose first creditable service
24 occurred prior to July 1, 1992, and who does not reach

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

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

10 (25) "Regular annual compensation" means salary plus fringe
11 benefits, excluding the flexible benefit allowance pursuant to
12 Section 26-105 of this title and for purposes pursuant to Section
13 17-101 et seq. of this title. For purposes of this definition,
14 regular annual compensation shall include:

15 (a) salary which accrues on a regular basis in proportion
16 to the service performed, including payments for staff
17 development,

18 (b) amounts that would otherwise qualify as salary under
19 ~~paragraph~~ subparagraph (a) of this ~~subsection~~
20 paragraph but are not received directly by the member
21 pursuant to a good faith, voluntary written salary
22 reduction agreement in order to finance payments to a
23 deferred compensation or tax-sheltered annuity program
24 or to finance benefit options under a cafeteria plan

1 qualifying under the United States Internal Revenue
2 Code, 26 U.S.C., Section 101 et seq.,

3 (c) group health and disability insurance, group term life
4 insurance, annuities and pension plans, provided on a
5 periodic basis to all qualified employees of the
6 employer, which qualify as fringe benefits under the
7 United States Internal Revenue Code, and

8 (d) excluded from regular annual compensation are:

- 9 1. expense reimbursement payments,
- 10 2. office, vehicle, housing or other maintenance
11 allowances,
- 12 3. the flexible benefit allowance provided pursuant
13 to Section 26-105 of this title,
- 14 4. payment for unused vacation and sick leave,
- 15 5. any payment made for reason of termination or
16 retirement not specifically provided for in
17 subparagraphs (a) through (c) of this ~~subsection~~
18 paragraph,
- 19 6. maintenance or other nonmonetary compensation,
- 20 7. payment received as an independent contractor or
21 consultant, pursuant to a lawful contract which
22 complies with the requirements of subsection B of
23 Section 6-101.2 of this title,

- 1 8. any benefit payments not made pursuant to a valid
2 employment agreement,
3 9. compensation for clinical related activity
4 performed in the University of Oklahoma Health
5 Sciences Center (OUHSC) or Oklahoma State
6 University Center for Health Sciences (OSU-CHS)
7 Professional Practice ~~Plan~~ Plans, and
8 10. any other compensation not described in
9 subparagraphs (a) through (c) of this ~~subsection~~
10 paragraph.

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

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

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

- 22 (a) Twenty-five Thousand Dollars (\$25,000.00) for
23 creditable service authorized and performed prior to
24

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

3 (b) Forty Thousand Dollars (\$40,000.00) for creditable
4 service authorized and performed prior to July 1,
5 1995, for members electing a maximum compensation
6 level in excess of Twenty-five Thousand Dollars
7 (\$25,000.00),

8 (c) Twenty-seven Thousand Five Hundred Dollars
9 (\$27,500.00) for members who, as of June 30, 1995, had
10 elected to have a maximum compensation level not in
11 excess of Twenty-five Thousand Dollars (\$25,000.00),
12 and who were employed by an entity or institution
13 within The Oklahoma State System of Higher Education
14 for creditable service authorized and performed on or
15 after July 1, 1995, but not later than June 30, 1996,
16 if such member does not elect a higher maximum
17 compensation level for this period as authorized by
18 Section 17-116.2A of this title,

19 (d) Thirty-two Thousand Five Hundred Dollars (\$32,500.00)
20 for members employed by a comprehensive university if
21 the member meets the requirements imposed by Section
22 17-116.2A of this title and the member elects to
23 impose a higher maximum compensation level for service
24

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

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

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

20 (g) the following amounts for creditable service
21 authorized and performed by members employed by a
22 comprehensive university, based upon the election of
23 the member in effect as of June 30, 1995:
24

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,

1 (vi) Fifty-seven Thousand Five Hundred Dollars
2 (\$57,500.00) for service authorized and
3 performed on or after July 1, 2002, but not
4 later than June 30, 2003,

5 (vii) Sixty-two Thousand Five Hundred Dollars
6 (\$62,500.00) for service authorized and
7 performed on or after July 1, 2003, but not
8 later than June 30, 2004,

9 (viii) Sixty-seven Thousand Five Hundred Dollars
10 (\$67,500.00) for service authorized and
11 performed on or after July 1, 2004, but not
12 later than June 30, 2005,

13 (ix) Seventy-two Thousand Five Hundred Dollars
14 (\$72,500.00) for service authorized and
15 performed on or after July 1, 2005, but not
16 later than June 30, 2006,

17 (x) Seventy-seven Thousand Five Hundred Dollars
18 (\$77,500.00) for service authorized and
19 performed on or after July 1, 2006, but not
20 later than June 30, 2007,

21 (xi) the full amount of regular annual
22 compensation for service authorized and
23 performed on or after July 1, 2007, and
24

1 2. for members who elected a maximum compensation
2 level in excess of Twenty-five Thousand Dollars
3 (\$25,000.00):

4 (i) Forty-nine Thousand Dollars (\$49,000.00) for
5 service authorized and performed on or after
6 July 1, 1996, but not later than June 30,
7 1997,

8 (ii) Fifty-four Thousand Dollars (\$54,000.00) for
9 service authorized and performed on or after
10 July 1, 1997, but not later than June 30,
11 1998,

12 (iii) Fifty-nine Thousand Dollars (\$59,000.00) for
13 service authorized and performed on or after
14 July 1, 1998, but not later than June 30,
15 2000,

16 (iv) Sixty-four Thousand Dollars (\$64,000.00) for
17 service authorized and performed on or after
18 July 1, 2000, but not later than June 30,
19 2001,

20 (v) Sixty-nine Thousand Dollars (\$69,000.00) for
21 service authorized and performed on or after
22 July 1, 2001, but not later than June 30,
23 2002,

24

(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

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

3 5. a member of the retirement system who, as of July
4 1, 1996, is subject to a maximum compensation
5 level pursuant to ~~paragraph~~ subparagraph (g) of
6 this ~~subsection~~ paragraph if the member
7 terminates service with a comprehensive
8 university and is subsequently reemployed by a
9 comprehensive university,

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

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

20 (29) "Comprehensive university" shall mean:

21 (a) the University of Oklahoma and all of its constituent
22 agencies, including the University of Oklahoma Health
23 Sciences Center, the University of Oklahoma Law Center
24 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.

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

SECTION 2. This act shall become effective November 1, 2014.

54-2-10887 MAH 04/10/14