OKLAHOMA TEACHERS RETIREMENT SYSTEM

CLIENT HANDBOOK

Describing Plan Provisions as of

July 1, 2013

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ABOUT THE
OKLAHOMA TEACHERS RETIREMENT SYSTEM

How do I contact the Oklahoma Teachers Retirement System?

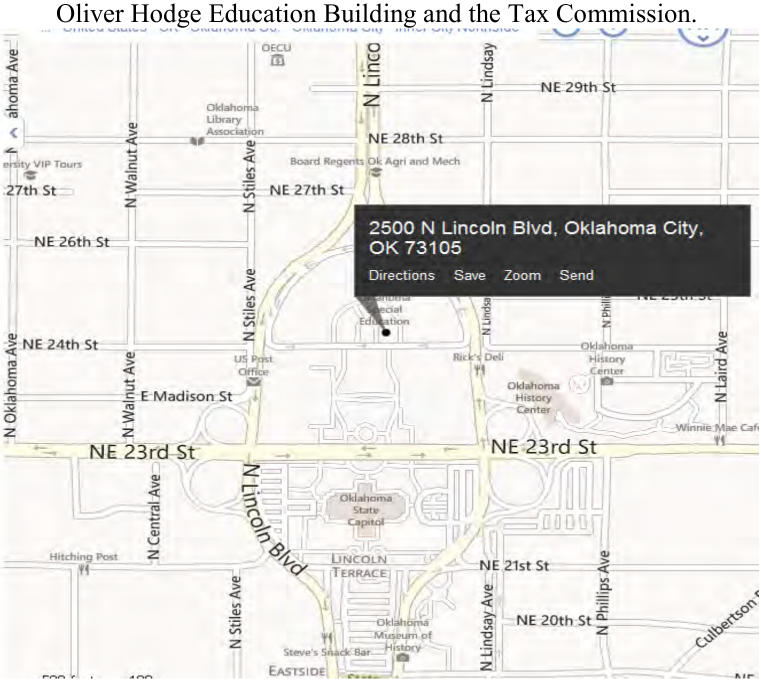
<u>Business Hours:</u> 8:00 am – 5:00 pm; Monday – Friday
<u>Phone:</u> (405) 521-2387 or toll-free at (877) 738-6365
<u>Website:</u> www.ok.gov/trs
<u>E-mail:</u> mail@trs.ok.gov
<u>Mailing Address:</u>

Oklahoma Teachers Retirement System
P.O. Box 53524
Oklahoma City, OK 73152-3524

<u>Building Location:</u>

Oliver Hodge Education Building
2500 North Lincoln Blvd., 5th floor
Oklahoma City, OK 73105

Visitor parking is located on north side of the Capitol Complex between the Oliver Hodge Education Building and the Tax Commission.



Who’s Who at the Oklahoma Teachers Retirement System?

Board of Trustees:
James Dickson, Chairman, Oklahoma City
William L. “Bill” Peacher, Vice Chairman, Tulsa
Elizabeth H. Kerr, Secretary*,* Edmond
Sherrie L. Barnes, Sand Springs
Vernon Florence, Stillwater
Roger Gaddis, CPA/CFP®, Ada
Jill Geiger, Oklahoma City
Stewart Meyers, Jr., Oklahoma City
Jonathan Small, Edmond
Billie Stephenson, Marlow
Gary Trennepohl, Ph.D., Tulsa
Greg Winters, *Ph.D*., El Reno

Administration
James R. Wilbanks, Ph.D., Executive Director
Joe Ezzell, CPA, Assistant Executive Director

Client Services
Dixie L. Moody, Director of Client Services

Information Technology
Rocky Cooper, Director of Information Technology

What is the purpose of the System?
The Oklahoma Teachers Retirement System (the System) is a state agency that administers retirement assets and provides income security through a monthly retirement benefit payable throughout the lifetime of each of our clients. Our clients are the educators and employees working in Oklahoma public education institutions and agencies. The System is committed to fulfilling the mission statement as set forth by the Board of Trustees:

MISSION STATEMENT

We collect, protect and grow contributions to provide a secure retirement income for public education employees.

What is the purpose of the Client Handbook?
This handbook is an important part of our commitment to provide our clients with valuable information about their benefits and retirement. Do not rely solely upon this handbook to make any decision regarding your retirement. Please contact the Oklahoma Teachers Retirement System directly with any questions you may have about your benefits and retirement. This publication was printed by OU Printing and issued by the Oklahoma Teachers Retirement System.

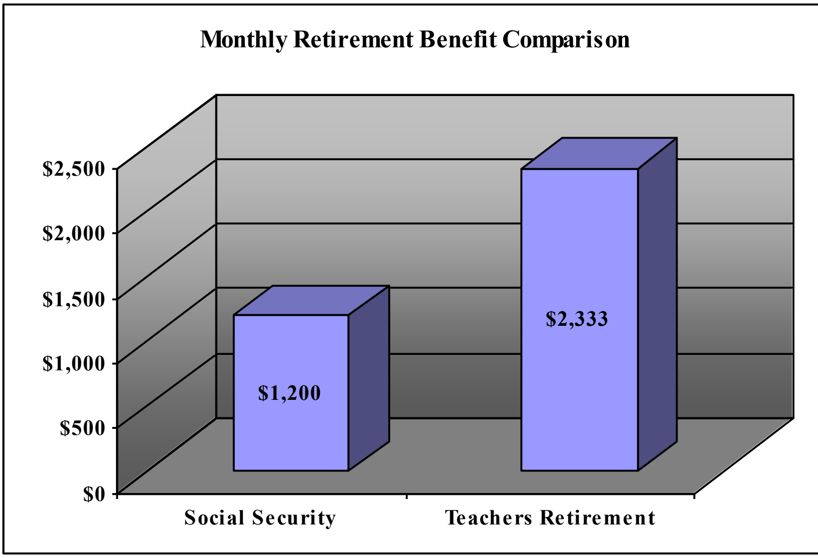
What retirement plans are managed by the System?
Defined Benefit Plan: The System manages the defined benefit retirement plan. This plan is qualified under Section 401(a) of the Internal Revenue Code. Eligible retirees of the System's 401(a) plan receive a monthly benefit throughout their lifetime through a formula based on the client's years of service and final average salary. The formula gives retirees a percentage of their salary as a retirement benefit. The more years of service the client accumulates, the greater the percentage of salary the client will receive at retirement. This handbook will explain the various aspects of the System's 401(a) defined benefit plan.

Defined Contribution Plan: The System also offers a 403(b) tax-sheltered annuity savings plan. Clients may participate in this plan *in addition to* the 401(a) defined benefit plan if approved by their district. The 403(b) plan is administered by professionals through ING Life Insurance and Annuity Company. Because Oklahoma Teachers Retirement is one of ING's largest clients, participants may enjoy greater benefits, options, and flexibility than ING could offer to an individual client. Customer Service representatives are available to assist you Monday-Friday from 8:00 am to 5:00 pm by calling 866-795-4746. To learn more, please visit www.OTRS403b.com.

What is the three-legged stool of retirement planning?
The concept of retirement income from three sources is often referred to as "the three-legged" stool. It is comprised of the lifetime monthly retirement benefit from the System's 401(a) plan, Social Security benefits, and income from a defined contribution plan, such as the 403(b) plan. The components of the three-legged stool may provide retirees with a steady stream of income to replace the income earned before retirement.

How does the Oklahoma Teachers Retirement System defined benefit amount compare to other retirement benefits?
The System's 401(a) defined benefit is almost twice as much when compared to the Social Security benefit. The example

below illustrates the retirement benefits for a teacher that retires July 1, 2013 at age 62 with 35 years of service and a final average salary at retirement of $40,000.



If this teacher were to purchase a retirement annuity at age 62 from an insurance company that provided the same Teachers Retirement monthly benefit of $2,333 per month for life, it could cost over $450,000.

MEMBERSHIP PROVISIONS

Who is eligible to participate in the 401(a) plan?
Except as provided in the Alternate Retirement Plan for Comprehensive Universities Act, all classified employees are required to be members of the System. Clients who participate in another public or alternative retirement plan which will provide benefits may not receive service credit in the System for that same employment service.

How do I enroll in the 401(a) plan?
Contact your payroll officer at the school or agency and complete all necessary paperwork to ensure contributions are remitted on your behalf to the Oklahoma Teachers Retirement System.

How are contributions remitted to the System?
Contributions are remitted through public education employers. If the employer does not pay the retirement contributions as a fringe benefit, then the client may request the employer submit the remittances for employee's share through payroll deduction. The employee's contribution rate is 7% of *regular annual compensation.* Contributions must be remitted on the full salary earned each fiscal or contract year to receive service credit for that year. Employer must also remit employer's share of contributions (fee paid to the general fund) for all active, contributing employees and all retirees (retired under this system) that return to employment.

What is Regular Annual Compensation?
Regular annual compensation is the salary used for calculating the retirement benefit. Regular annual compensation is defined as wages plus employer-paid fringe benefits (not flexible benefit allowance paid by other sources). Contributions must be remitted on all regular annual compensation, including additional duties and secondary employment. Contributions may not be paid on more than what is actually earned. The following shall not be included as regular annual compensation: reimbursements for

travel, housing or other expense; stipends for national certification or academic achievement; and payment for unused vacation, or sick leave, or payment made for reason of termination or retirement.

May I terminate contributions without terminating employment?

If you are a client whose membership in the System is optional, and you discontinue your contributions during eligible employment, your membership will be terminated as an optional withdrawal. Service associated with an optional withdrawal may not be reinstated at a later date, even if the client later rejoins the System at the beginning of a new school year. Only new service years will count toward vesting. You may request a refund of pre-tax contributions after you terminate employment or turn age 62, whichever comes first.

How do I request to withdraw my account?

Upon termination of employment, a client may withdraw the accumulated contributions remitted to their account. A client may request a withdrawal packet by phone or via the internet. Completed forms will not be accepted before client's last day on the job. The earliest one can receive payment is the 20th day of the 4th month after the last day on the job as verified by their former employer(s). Pre-tax funds may be rolled over to another tax-deferred account. The creditable service associated with the withdrawal may be reinstated at a later date if the client resumes public education employment and has established twelve calendar months of creditable Oklahoma service. A redeposit of all withdrawn contributions must include all applicable interest.

RETIREMENT ELIGIBILITY

How do I become vested in the System?
Clients who have accumulated a minimum of five years of eligible service in the public schools of Oklahoma shall be vested in the System and considered eligible to receive a monthly retirement benefit at some future date. Contributory service, including redeposit of previously withdrawn service and service transferred from other Oklahoma public retirement systems, may count towards the five year minimum used to vest an account. Purchased service, unless it is adjunct service, may not count as vested service.

When will I be eligible to retire?
A client may be eligible for retirement in one of three different ways: A client may choose to take an early, reduced retirement benefit, qualify for disability retirement, or stay to qualify for a regular, unreduced retirement benefit. A client is eligible for an unreduced benefit when one of the following requirements is met:

<u>*Age 62* ***or*** *Combination 80*</u>. Those who joined the System prior to 7/1/92 may retire at age 62 ***or*** when the client's age and years of creditable service total 80 points (i.e., age 60 + 20 service years = 80 points). Those who joined in the 1991-92 school year were required to remit contributions on the full 1991-92 salary prior to end of school year to qualify for the Combination 80. The highest three salaries are used in the calculation of the benefit (within salary cap elections, see page 12).

<u>*Age 62* **or** *Combination 90*</u>. Those who joined the System after 7/1/92 and before 11/1/11 may retire at age 62 or when the client's age and years of creditable service total 90 points (i.e., age 55 + 35 service years = 90 points). Those who qualify under Combination 90 use the highest consecutive five contributory salaries to calculate their benefit in the retirement formula (limited to pre 7/1/95 salary cap elections, see page 12).

<u>*Age 65* **or** *Combination 90 at Age 60*</u>. Those who joined the System on or after 11/1/11 may retire at age 65 or when the client's age is

at least 60 and years of creditable service total at least 90 points (i.e., age 60 + 30 service years = 90 points). Those who qualify under this rule use the highest consecutive five contributory salaries to calculate their benefit in the retirement formula.

When will I be eligible for early retirement?

Reduced benefits are available for clients who have not reached full retirement eligibility under regular retirement. Reduction factors vary depending on age and date of membership when joining the System.

Age Factor Prior to 11/01/11	Age Factor after 10/31/11
62 -- 1.000000	65 -- 1.00
61 -- 0.907808	64 -- 0.93
60 -- 0.825271	63 -- 0.86
59 -- 0.751219	62 -- 0.80
58 -- 0.684644	61 -- 0.73
57 -- 0.624673	60 -- 0.65
56 -- 0.570554	
55 -- 0.521634	

NOTE: If a client terminates employment before reaching regular retirement age, the client may wait (without working) for additional birthdays to reach age of regular retirement and avoid the reduction factors used in calculating the early, reduced retirement benefit.

What if I become disabled before normal retirement age?

Any client who is actively employed in the public schools of Oklahoma and is regularly contributing to the System may retire due to a medical disability which renders the client unable to perform regular employment duties provided such client:

- has at least ten (10) years of Oklahoma Contributory Service
- is not eligible for regular, unreduced retirement
- submits an application for disability retirement
- receives a Social Security Administration disability award, or is found by the System's Medical Board to be medically unable to continue regular duties.

A client who has terminated employment for reason of the disability, or is on leave-without-pay status shall be eligible for disability retirement, providing the disability existed at the time the leave-without-pay status commenced or the termination of employment from the public schools of Oklahoma occurred, and the disability was the reason for the leave status or termination of employment. If a disability retirement is approved, the monthly maximum benefit is calculated the same as regular retirement. Client may also elect to take a reduced benefit under Option 2 for their spouse to receive the 100% joint survivor benefit upon death of client. Benefit payment begins the month after the Board of Trustees approve client's petition without retro-active payments.

RETIREMENT BENEFITS

How will my monthly benefit be computed at retirement?
Benefits are calculated using a defined retirement formula**:**
2% x (service years) x (final average salary) ÷ 12 = monthly benefit
The 2% factor is fixed; however, benefits will vary depending on the number of service years and the final average salary.

How are service years credited to my account?
<u>Contributory Service</u> is obtained by contributing the statutory percentage of regular annual compensation while employed. This service is used to vest an account for retirement. The client is ultimately responsible for the accuracy and completeness of the contributions submitted to OTRS.
<u>Creditable Service</u> is all service that is credited to your account, including purchased service, and sick leave credit.
<u>Full-Time Service</u> For service performed prior to July 1, 2013, a client employed at least 30 hours per week who earns at least $4000/year shall receive one year of service for each year worked (120 work days minimum). For service performed on or after July 1, 2013, full-time employment will be determined based upon the information provided by each employer certifying full-time equivalency for each position, subject to approval by TRS.
<u>Half-time Service</u> – For service performed prior to July 1, 2013, a client employed at one-half the workload of other persons in similar positions or a client working at least 20 hours but less

than 30 hours per week and earns at least $3001/year. Half-time service shall receive one-half (1/2) year of service credit for each year worked. For service performed on or after July 1, 2013, half-time service will be determined based upon the information provided by each employer certifying half-time employment for each position, subject to the approval of TRS.

Combined Service – For service performed prior to July 1, 2013, fractions of school terms performed as an active, contributing client in different school years, may be combined to make a total of 6 full months to receive one year of creditable service. However, service in one school year may not be divided up into different service years. A partial year of service may also be combined with unused sick leave credit until the combined total is 120 days for another year of credit. For service performed on or after July 1, 2013, fractional service credit will be added together and the resulting sum value shall be included in the retirement formula calculations.

Sick Leave Credit is service credit for documented unused sick leave accrued while working in Oklahoma public education. A total of 120 days of unused sick leave may count as one year of service credit. As of August 1, 2012, if client has less than 120 days, additional service credit for sick leave days shall be equal to the number of unused sick leave days divided by one hundred twenty (120) days. Such service shall be added to other service credit earned while employed by the public schools of Oklahoma. Sick leave in excess of 120 days will not be recognized. The following restrictions apply on sick leave for service credit: Donated leave, sick leave that accrued during non-creditable service, or sick leave accrual in excess of 15 days per year will not count toward sick leave credit. Sick leave must be verified by employer at retirement or termination of employment. When sick leave cannot be verified, 10-year averaging (of sick leave usage during the last 10 years of employment) may be used to determine sick leave credit for early undocumented employment.

Purchased Service is subject to verification and documentation before a billing statement is prepared, including:

- *Substitute service* (120 day minimum in same school year)
- *Adjunct service* (18 or more credit hours in same school year)
- *Military service* (180 day minimum in same fiscal year)
- *Out-of-state service* (120 day minimum in same school year)
- *Prior Oklahoma service* (non-contributory service).
- *Service accrual during leave*--various time limits may apply in which to notify Teachers Retirement of intent to purchase and make payment to receive proper credit for leave taken under Workers' Compensation guidelines, when called into active, military duty (under USERRA), due to family leave (during child's first year of life), or due to official sabbatical from an Oklahoma school (requires employer to remit contributions for full-time pay, commensurate with prior year, while client receives one-half pay during leave).

How is my Final Average Salary (FAS) Calculated?

<u>Regular Annual Compensation</u>**.** Regular annual compensation is the salary used for calculating the retirement benefit. Review pages 6-7 of this handbook for more details about the salary used in the calculation of the retirement benefit and what is not.

<u>Membership Date</u>**:** Combination 80 clients (joined prior to 7/1/92) use their highest three salaries in the average salary calculation. Combination 90 and Combination 90/Minimum Age 60 clients use their highest consecutive five salaries in the average salary calculation.

<u>Employer</u>**:** Salaries for employees in elementary & secondary schools, career technology centers, two-year colleges, and state education agencies may be calculated in a different way than the salaries of employees who work at regional (4-year) or comprehensive universities (OU/OSU) due to application of salary caps and/or ability to participate in the Education Employees Service Incentive Program (EESIP).

<u>Salary Cap Elections</u>: Salaries are calculated based on the highest salaries; however, if the highest salaries exceed the salary cap elections or limits in place prior to 7/01/1995, then a multi-tiered calculation will result.

How are salary caps applied in the benefit calculation?
Prior to July 1, 1995, all contributions were limited to salary caps. Options were given to remit on low base or high base:

- $7,800 low base vs. $10,000 high base (pre- 7/79),
- $25,000 low base vs.$40,000 high base (7/87 – 6/95),
- Salaries after 7/1/95 are uncapped for all clients, except OU & OSU employees who may have a cap until 7/1/07.

The following examples illustrate the difference that the salary cap makes in the retirement benefit calculation for a client that joined the system on 7/01/1974. Both examples also assume:

Retirement Date**: 7/01/04 (**with 30 years of service)
Employer –K-12 School or Technology Center
High 3 Salary Average – $65,000

Example 1: Low-Base Final Average Salary Calculation
Contributions stopped at a low-based salary cap prior to 7/1/95, salary caps remain when the FAS is calculated at retirement.

Service	# Yrs	x	2%	x	Salary	÷ 12	=	Monthly Benefit
7/74-6/79	5	x	2%	x	$ 7,800	÷ 12	=	$ 65.00
7/79-6/95	16	x	2%	x	$25,000	÷ 12	=	$ 666.67
7/95-6/04	9	x	2%	x	$65,000	÷ 12	=	$ 975.00
TOTALS	30	x	2%	x	$34,133	÷ 12	=	$1,706.65

Example 2: High-Base Final Average Salary Calculation
Client paid on their full salary (up to maximum cap limit), so benefits are based on the highest cap for years prior to 7/1/95.

Service	# Yrs	x	2%	x	Salary	÷ 12	=	Monthly Benefit
7/74-6/95	21	x	2%	x	$40,000	÷ 12	=	$1,400.00
7/95-6/04	9	x	2%	x	$65,000	÷ 12	=	$ 975.00
TOTALS	30	x	2%	x	$47,500	÷ 12	=	$2,375.00

How does EESIP remove the salary caps?
The Education Employees Service Incentive Plan (EESIP) provides an incentive to continue service beyond regular retirement eligibility. To participate in the EESIP plan, client must be on the high base cap at $40,000. EESIP provides an opportunity to wear away the salary cap by moving two years of

service from the $40,000 salary cap tier to the uncapped salary cap tier for each year worked beyond July 1st of the school year that regular retirement eligibility is met. Years moved on the 2-for-1 EESIP plan increases the number of uncapped years used in the calculation of the Final Average Salary.

Example 3: Same client in Example 2, but this time client worked five years beyond combination 80.

Service	# Yrs	x	2%	x	Salary	÷ 12	=	Monthly Benefit
7/74-6/95	11	x	2%	x	$40,000	÷ 12	=	$ 733.33
EESIP	*10*	*x*	*2%*	*x*	*$65,000*	*÷ 12*	=	*$1,083.33*
7/95-6/09	14	x	2%	x	$65,000	÷ 12	=	$1,516.67
TOTALS	35	x	2%	x	$57,143	÷ 12	=	$3,333.33

Qualifiers for EESIP include:

- Actively contributing under a participating employer (elementary and secondary schools, career tech centers, two-year colleges, and state education agencies).
- Client must work at least one year past the year regular retirement eligibility is reached.
- Client's uncapped average salary tier exceeds $40,000.
- Client's contributions prior to 7/1/1995 were remitted on maximum compensation level (full salary up to $40,000).
- Client pays the contribution deficit on years between 1987-88 and 1994-95 where the salary exceeded $40,000 (high base cap). No balance is due on service years where the salary was less than $40,000 or if the years (beginning with FY95 and move backward) are not counted in the uncapped range.

Why would I receive a billing statement?

Client may request a billing statement to increase either years of service or the final average salary used in retirement. Clients may request a retirement allowance estimate with and without payment of the billing statement to determine if the increase in retirement benefit would make the payment worthwhile. Billing statements are based on the due date of the bill. Delayed payment may result in a higher cost if paid at a later date.

What methods are used to pay billing statements?
Billing statements to purchase service must be paid as an active, contributing member or within sixty (60) days of termination of employment. Billing statements for increasing salary do not have to be paid as an active contributing member. However, it is encouraged that all billing statements be paid ninety (90) days prior to filing for retirement. Credit for service or salary is adjusted when final payment is received. Payments may be paid with a personal check, a cashiers' check, rollover payment from another qualified retirement plan, and/or paid in installment payments through your employer. Contact us for proper forms to submit with payment.

RETIREMENT PLAN OPTIONS

What are the five basic retirement plans?
All retirement plan options with the 401(a) plan provide a lifetime benefit to client in addition to a $5,000 death benefit paid to the surviving beneficiary(ies). Clients with 30 years of service may also elect to receive a Partial Lump Sum Option (PLSO).

<u>Maximum Option</u>
- Largest retirement benefit. 100% of the retirement formula.
- Client Account balance is depleted by lump sum amount if PLSO elected, then monthly by the gross retirement benefit.
- Without PLSO, the client account balance may last 2-3 years.
- The monthly retirement benefit will cease at death, and any remaining account balance will be paid to the beneficiary(ies).

<u>Option 1</u>
- Monthly benefit is slightly less than maximum option.
- Client account balance is depleted by lump sum amount if PLSO is elected, and then depleted more slowly by an annuity amount.
- Without PLSO or EESIP, the account may last 11+ years.
- The monthly retirement benefit will cease at death, and the remaining balance will be paid to the beneficiary(ies).

Option 2 (100% joint survivorship for sole annuitant)

- The least monthly benefit for the client and greatest benefit to the joint annuitant (the younger the annuitant, the lesser the monthly retirement benefit).
- Joint annuitant may be the client's spouse or someone else not more than 10 years younger than client. (Reduction based on annuitant's age in relation to client's age).
- Joint annuitant will continue to receive the same lifetime monthly benefit (100% joint survivorship) upon death of client.
- Joint annuitant is designated at retirement and is not eligible to change, but a different person may be named to receive the $5000 survivor benefit. However, if the annuitant predeceases the client, the client's retirement benefit will "pop up" (increase) to the maximum option. A new beneficiary (but not a new annuitant) may be named to receive the balance of client's account and survivor benefit.

Option 3 (50% joint survivorship for sole annuitant)

- Monthly benefit is not reduced as much as it is for Option 2.
- Joint annuitant does not have to be client's spouse or within 10 years of the client's age; however, the younger the annuitant, the lesser the client's monthly benefit.
- Joint annuitant will continue to receive one half (50%) of the monthly retirement benefit for the rest of joint annuitant's life upon death of the client.
- Joint annuitant is designated at retirement and is not eligible to change, but a different person may be named to receive the $5000 survivor benefit. However, if the annuitant predeceases the client, the client's retirement benefit will "pop up" (increase) to the maximum option. A new beneficiary (but not a new annuitant) may be named to receive the balance of client's account and survivor benefit.

Option 4

- Monthly benefit for client is less than amount under the Option 1 plan, but the beneficiary amount is usually greater.
- If client dies within 120 months of the retirement date, the beneficiary continues to receive the client's monthly benefit

until the 120th monthly retirement benefit has been paid. If client lives 10 years, no balance is left for beneficiary.

- Should the client wish to do so, the beneficiary listed under this option may be changed at any time.

What is the Partial Lump Sum Option (PLSO)?
Clients with 30 or more years of service credit are presented with an option to receive a portion of their retirement benefit in a lump sum payment at the beginning of their retirement in addition to a reduced monthly benefit. Clients may choose to take their unreduced retirement in monthly payments, or they may opt for a one-time, lump-sum payment equivalent to 12, 24, or 36 months of the maximum monthly benefit and agree to a reduced lifetime monthly benefit. The reduction percentage depends on the age of the client and the lump sum election. For example, a client that retires at age 62 will receive a reduced monthly benefit at approximately 90% with a 12-month lump sum; approximately 80% with a 24-month lump sum; and approximately 70% with a 36-month lump sum. The reduction percentage will apply to all future cost of living adjustments. Once retired, clients may not change the option.

With required forms, the PLSO will be issued within 30 days of client receiving first retirement check. For those who elect the PLSO, the lump sum is paid from the client's account balance first, reducing the contributions available for a beneficiary. Clients may wish to rethink an election for Option 1 retirement plan if electing the PLSO as the client account balance will be reduced more rapidly, if not entirely, upon retirement.

If a PLSO is elected, an application form and special tax notice will be sent for completion. Client should consult with a tax accountant or financial advisor before retirement. Taxes (and possibly penalties) may greatly diminish the net amount paid for selecting the lump sum option. Clients may wish to reinvest the PLSO amount in another qualified retirement plan to defer payment of taxes until a later date.

Member Age	Factor for 12x PLSO	Factor for 24x PLSO	Factor for 36x PLSO
45	0.916948	0.833897	0.750845
46	0.916514	0.833028	0.749541
47	0.916044	0.832087	0.748131
48	0.915534	0.831069	0.746603
49	0.914982	0.829965	0.744947
50	0.914384	0.828768	0.743152
51	0.913735	0.827470	0.741206
52	0.913036	0.826072	0.739108
53	0.912279	0.824558	0.736837
54	0.911461	0.822921	0.734382
55	0.910576	0.821152	0.731728
56	0.909626	0.819251	0.728877
57	0.908610	0.817219	0.725829
58	0.907518	0.815035	0.722553
59	0.906342	0.812685	0.719027
60	0.905076	0.810153	0.715229
61	0.903715	0.807431	0.711146
62	0.902260	0.804520	0.706779
63	0.900701	0.801402	0.702103
64	0.899041	0.798082	0.697123
65	0.897260	0.794520	0.691780
66	0.895350	0.790700	0.686050
67	0.893314	0.786627	0.679941
68	0.891121	0.782242	0.673364
69	0.888744	0.777489	0.666233
70	0.886172	0.772344	0.658516
71	0.883398	0.766796	0.650194
72	0.880376	0.760752	0.641128
73	0.877100	0.754201	0.631301
74	0.873527	0.747053	0.620580
75	0.869640	0.739280	0.608921
76	0.865398	0.730796	0.596194
77	0.860753	0.721507	0.582260
78	0.855721	0.711442	0.567164
79	0.850230	0.700460	0.550691
80	0.844236	0.688473	0.532709
81	0.837691	0.675382	0.513072
82	0.830574	0.661148	0.491722
83	0.822847	0.645694	0.468540
84	0.814372	0.628744	0.443116

RETIREMENT PROCESS

How do I plan for retirement?

Clients must first submit a pre-retirement information verification form to receive an estimate or a projection of benefits for their retirement account by contacting us by phone, website, e-mail, or written correspondence. The most accurate estimates are the ones that are requested 6-9 months prior to retirement. The form will require the following information:

Contact information, includes name, current address, current daytime phone number, and the last four digits of the Social Security number or the Q number (client identification number). Please do not include the Social Security number in e-mail messages as these are not secure.

Date of retirement is the first day of the retirement month, even if client works through the 10^{th} of the same month. If a 9-or 10-month employee (i.e., teacher, bus driver) completes last day of work on or before June 10, the date of retirement will be June 1. This client may draw both retirement and paycheck (for prior service) through the summer. If an 11- or 12-month employee's last day of work is June 11, the retirement date will be July 1.

Joint annuitant's date of birth is used to calculate benefits in the event client opts for an annuitant to continue receiving lifetime benefit after death of client (joint annuitant under Option 2 or Option 3). The younger the annuitant selected, the greater the reduction of benefit for the client. Under Option 2, the annuitant may not be more than 10 years younger than client, unless it is the client's spouse.

Unused sick leave days may be combined with a partial year worked to obtain a year of credit if the combined total is 120 days or more, or 120 days of unused sick leave may stand alone as one year of credit. If a client has less than 120 days of unused sick leave and no partial year, additional service credit will be awarded and will equal the number of unused sick leave days divided by 120 days. Sick leave may not be split apart or combined with more than one year. If client reports 120 days of unused sick leave and completes the final contract year, then a partial year of 90 days or more earned prior to July 1, 2013, will round up as an additional year of credit.

May I request more than one hypothetical estimate for comparison?
Yes. Clients may request more than one estimate at a time in order to make decisions or comparisons between choices. It is recommended that no more than two estimates be requested at a time. To make comparisons when deciding to buy service or to pay a billing statement, client may wish to request an estimate with and without payment or purchase. To decide whether to work another year or to retire this year, client may request estimates for two different retirement dates. Client may need to request additional estimates at a later date.

After receiving a retirement estimate, please feel free to contact us for an explanation or clarification. Additional estimates may be requested as needed.

What is in the estimate packet?
Cover Letter lists the documents within the estimate packet and the order of steps for submitting the retirement estimate election.
Estimate – outlines retirement date, service years, and monthly benefits for five plan options. (Hypothetical estimates are distributed unless the client wishes to retire within the next 12 months. An Intent To Retire will be issued if the client requests a retirement date within 12 months of the date of request.)
Explanation of the Five Retirement Plan Options describes how client's account balance is distributed to beneficiary(ies).
EESIP Projection provides a comparison of benefits for different years of retirement if client may be eligible for EESIP.
A Partial Lump Sum Option Statement (PLSO**)** – provided client has 30 or more years or more of service credited to the account. It will outline the five different plan option benefits into four columns of choices for lump sum options. The amount of PLSO is deducted from client account balance of contributions. The

PLSO amount may exceed the amount of employee contributions in the client account.

How do I begin my retirement?

1. We must have a completed *Pre-retirement Information Verification* (PIV) form on file to issue an *Intent To Retire* packet. The packet contains strict timelines to return required documentation.
2. Review the options for retirement and indicate the plan option at the bottom of the *Intent To Retire* form. If the client had 30 or more years of service, the PLSO form indicating choice of lump sum option must also be completed and signed by both client & client's spouse (if married).
3. Mail the completed *Intent To Retire*, *Employer Retirement Verification* and the *PLSO Election* (if applicable) back to Oklahoma Teachers Retirement according to the timeline presented in the packet.
4. Once the *Intent To Retire* is received by the System, the retirement contract packet will be mailed to client. The packet will contain forms for direct deposit and tax withholding in addition to the retirement contract.
5. The signed and notarized contract must be submitted no later than the first day of the month before the retirement month (i.e. a June 1 retirement contract is due no later than May 1). ***No grace period is given for weekends or holidays.*** Contracts returned after the due date will postpone the retirement date.
6. Contract changes for plan options 1-4 (with same retirement date and beneficiary), must occur within 60 days of effective date of retirement. Single clients, who marry after date of retirement, and with documentation of good health, may change their Maximum contract to Option 2 or 3 within one year of date of marriage. All changes must be submitted in writing and delivered to the System or postmarked within the specified dates.

POST RETIREMENT

How do retirees receive monthly payments?
Effective January 1, 2000, newly retired clients are required to receive monthly benefit payments via electronic fund transfers to a banking or financial institution. The retiree must complete a direct deposit form provided by the System.

The monthly benefits and withholdings are paid in arrears (i.e., July 1 payment pays for June retirement and June health insurance). Monthly benefit payments are paid the first day of each month to all eligible retirees; however, electronic transfer may take place early (the last day of the previous month) if the 1st of the month falls on a weekend or a holiday.

Clients should promptly notify the System of any changes that affect their retirement accounts. *Changes in address, tax withholding, or direct deposit must be provided in writing and signed by client.* If received by the System on or before the 15th of the month, then changes will be processed and reflected in the next month's payment. Every effort is made to submit change requests for the following month's benefit payment when submitted prior to the 15th. Forms are available online for client convenience.

Is there a health insurance supplement available?
Clients who retire or terminate employment with at least ten years of creditable service may be eligible to continue the insurance provided by their employer. If the same insurance is continued into retirement, the System will pay a supplement of \$100 - \$105 (depending on length of service and final average salary at retirement) toward the client's health insurance premiums. This supplement will be suspended if retirement insurance is suspended, or stopped if retirement insurance stops.

For information about your health and life insurance coverage, contact your employer or your insurance company for proper forms and instructions. Timely paperwork will allow smooth transition from active insurance to retired insurance. Charges for retiree insurance should begin when active insurance is no longer provided through client's employer. Oklahoma Teachers Retirement pays the retirement benefit in arrears; therefore, the System also pays health insurance premiums in arrears (i.e., the September 1 retirement check pays the August retirement benefit and insurance premiums).

Post-retirement employment: What if I return to work?

Other than disability retirement, there are no restrictions on post-retirement employment with an agency or institution that does not participate in the Oklahoma Teachers Retirement System. However restrictions do apply to retirees who return to work within 36 months of retirement for an employer that participates in the Oklahoma Teachers Retirement System. Employers must remit contributions for employer's share (to general fund) on retirees. Retirees must adhere to the following restrictions or forfeit benefits received during their post-retirement employment:

60-day break between employment and retirement**.** A retired client is not eligible to be employed by the public schools of Oklahoma, *in any capacity*, for sixty (60) calendar days between the retiree's last day of pre-retirement public education employment and post-retirement employment. Employment during the 60-day break will cause the forfeiture of all retirement benefits received during this period.

Post-Retirement Earnings Limit – Retirees who return to work in public education within 36 months of retirement are restricted to the following calendar year (Jan-Dec) earnings limits:

- Retirees under age 62 and retired fewer than 36 months may earn the lesser of $15,000 or one-half of the final average salary used in calculating the retirement.
- Retirees aged 62 and older and retired fewer than 36 months may earn the lesser of $30,000 or one-half the final average salary used in calculating the retirement.

Post-Retirement Earnings Limit May Be Prorated. Since post-retirement earnings limits are based on a calendar year (Jan-Dec), earnings limits are prorated when return to employment occurs in mid-year. Retirees should request a post-retirement schedule to calculate the exact amount of eligible earnings and submit it to Oklahoma Teachers Retirement. Proper notification may prevent penalties on benefits paid after earnings limits are met.

Returning to Active, Contributing Status – To add service credits and increase retirement benefit, a retiree may elect to stop his retirement and return to active, contributing status. The client must notify the System of their intent to stop the retirement benefit for the month of July (return the August 1 check) and suspend retirement benefits until employment is terminated for the second retirement. Contributions to the client's account continue in the same manner as other active contributing members.

Reinstating Retirement Status. Upon termination of employment, the previous monthly retirement will be reinstated and a supplement calculated to include credit for any additional qualifying service. The retirement option election of the original retirement contract applies, and the reduction percentage used on the original retirement (due to early retirement election, PLSO election, and/or other retirement options) will be applied to the supplemental amount as well.

Supplemental Retirement Benefit. The supplement is calculated based on the same retirement formula for the additional years: Extra years x 2% x FAS. However, if the more recent salary(ies) exceed the FAS used in the original retirement, then the higher salary(ies) earned in supplemental service years will be used to calculate the additional benefit on the *supplemental years* worked. Supplemental service years do not qualify for the incentive offered through the EESIP or for an additional lump sum distribution through the PLSO election.

SURVIVOR BENEFITS

What survivor benefits are available?

A survivor's benefit of $18,000 (for an active account) or $5,000 (for a retired account) is provided at no cost to the client, and it is paid to the beneficiary in addition to the contributions available in the client's account. Clients may submit one beneficiary form for all the benefits through Oklahoma Teachers Retirement, or the client may submit a separate beneficiary form for the survivors benefit amount. To name a separate beneficiary for the survivor benefit amount, the client would need to complete a separate beneficiary form indicating that this beneficiary form is for "*SURVIVOR'S BENEFIT ONLY*."

<u>Death of an active, contributing client.</u> A survivor's benefit of $18,000 shall be paid in equal shares to the designated beneficiary(s) along with the client's account balance of contributions and applicable interest. If the client qualified for retirement at the time of death and the client only listed one (1) primary beneficiary (such as spouse) for both the account balance and the $18,000 survivor benefit, the sole primary beneficiary (if not divorced from the client after date of signed beneficiary designation) may elect to forego the $18,000 survivor benefit and the balance of the client's account plus accrued interest to retire as the annuitant under the Option 2 retirement plan and receive a lifetime monthly benefit. Client's beneficiary(ies) may also elect to assign all or a portion of their death benefit to a licensed funeral home.

<u>Death of an inactive client.</u> The designated beneficiary(ies) of inactive clients is entitled to receive the client's account balance of contributions and applicable interest, but no survivors benefit.

<u>Death of a retired client.</u> A survivor's benefit of $5,000 shall be paid to the designated beneficiary(ies) along with the provisions of the client's retirement option. Retiree may name a different beneficiary for the $5,000 survivor benefit than is named for the retirement plan option. Beneficiaries may also assign all or a portion of the death benefit to a licensed funeral home.

Is the survivor benefit taxable income?

The survivor benefit of $18,000 for an active, contributing client or the survivor benefit of $5,000 for a retired client is taxable income to the beneficiary; therefore, a 1099R form will be provided for tax purposes. A funeral home may be designated as the beneficiary so that family members are not taxed on this benefit. However, be sure to indicate on your request that the funeral home designation is only for the survivor benefit portion and not for the full client account balance.

Annuitant vs. Beneficiary: What's the difference?
Upon death of the client, an annuitant will continue to receive a monthly benefit for the remainder of the annuitant's life, whereas a beneficiary will receive a payout for a limited dollar amount. An annuitant (only one person) is designated by client at retirement on the retirement contract under retirement plan Option 2 (for 100% joint annuity) or Option 3 (for 50% joint annuity). Once retired, the annuitant cannot be changed. A new or secondary annuitant may not be named to continue receiving the lifetime benefit. If the named annuitant dies before the client, the client will "pop up" or revert to the maximum retirement plan for the reminder of the client's life. If the annuitant dies after the client but before the client's account balance is depleted, then a beneficiary or the estate will be awarded the balance of the client's account.