

the Advisor

Newsletter of the Teachers' Retirement System of Oklahoma



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RETIREMENT SYSTEM

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TRS Legislation 2018

It was a busy legislative year for the Teachers' Retirement System. Our request bill passed and none of TRS' dedicated funding sources were touched.

HB 1340 (Rep. McDaniel, et al; Sen. Treat, et al) This bill provides a one-time stipend to members who were retired as of October 1, 2013. The amount will be 2% of the gross annual benefit up to a maximum of \$1,000 to TRS retirees. It provides a minimum stipend of \$350 for retirees who had at least 20 years of service credit. (Eff. October 1, 2018). See **FAQ's on page 3**.

HB 2553 (Rep. McDaniel; Sen. Pugh) This was a TRS request bill. The bill has three substantive sections. Section One permits the TRS Board to gradually wind down the TRS 403(b) plan. This will be done by transfers to 403(b) plans operated by TRS employers. These plans must permit TRS' current provider to be a provider in the employer plan for no less than 2 years. Participants in the plan will always have the ability to roll their balances over to a different provider or other qualified plans should they choose to do so.

Section Two permits TRS staff to act on disability retirements approved by the Medical Board without taking these to the Board of Trustees. Only if the Medical Board and staff recommend a denial of an application for disability retirement, can the matter be appealed to the full Board.

Section Three has an important cleanup provision concerning "EESIP/wear away" calculations of salary. Most of TRS employers in the higher education system were

Is Your Beneficiary Designation Up to Date?

In addition to the benefits paid out through our retirement plan options, TRS also provides a lump sum payment as a death benefit for both in-service and retired members.

Upon the death of an in-service member, TRS pays the member's beneficiary (or member's estate if no beneficiary is named) a lump sum payment of \$18,000.00. This benefit is paid in addition to contributions payable from the member's account. The in-service member may list one or multiple beneficiaries to receive this benefit and must file a designation of beneficiary form with TRS. Typically, the designation of beneficiary form is completed upon entering employment. If a spouse is named as the beneficiary and the member and spouse subsequently divorce, the member's former spouse will automatically terminate as beneficiary unless the former spouse is renamed as the beneficiary following divorce. In all other circumstances, the named beneficiary on file with TRS on the date of the in-service member's death will receive the \$18,000.00 death benefit. The member should review his or her status with TRS periodically to ensure the named beneficiary is current.



For retired members, TRS provides a lump sum payment for a death benefit to the member's beneficiary (or member's estate if no beneficiary is named) in the amount of \$5,000.00. This benefit is paid separately from the benefits being paid pursuant to the retirement contract. The retired member may list one or more beneficiaries to receive this benefit or may even list a funeral home as the beneficiary. Additionally, the named beneficiary may disclaim the benefit to be paid directly to a funeral home. A separate beneficiary form must be completed if the retired member would like the death benefit to be paid to someone other than the beneficiary or joint annuitant listed on his or her retirement contract. Retired members are also encouraged to review their status with TRS periodically to ensure accuracy of the named beneficiary.

If you have any questions regarding who your current beneficiary is or how to update your beneficiary information with TRS, you may locate the applicable forms on our website at www.ok.gov/TRS/Forms/index.html or may contact us by phone toll free at 877.738.6365 or at 405.521.2387.

REGIONAL MEETINGS

Attend a Pre-Retirement Planning Seminar

Beginning this fall, the Teachers' Retirement System will be hosting five regional seminars across the state. If you are within five years of retirement, we strongly recommend you plan to attend. If you just want to learn more about the retirement system and your future retirement benefits, please join us.

At the seminars we will discuss essential retirement planning information to include:

- How to determine retirement eligibility
- The retirement benefit calculation method
- Retirement plan options
- Post Retirement Employment guidelines

The fall seminars dates and venues are as follows:

- August 25, 2018 – SWOSU, Weatherford
- September 15, 2018 – Tulsa Technology Ctr., Owasso Campus
- October 13, 2018 – Okla. City (2 sessions) Francis Tuttle Tech. Ctr., Rockwell Campus
- November 3, 2018 – Southern Tech. Ctr., Ardmore

For more information or to register, visit our website www.ok.gov/TRS. There is no cost to attend, but pre-registration is required.

Many Retirees to Receive One-time Stipend

Frequently Asked Questions

The Legislature authorized a one-time payment for many TRS retirees in HB 1340. This bill provides a “stipend” to members who were retired as of October 1, 2013. The amount will be 2% of the gross annual benefit up to a maximum of \$1,000 to TRS retirees. It provides a minimum stipend of \$350 for retirees who had at least 20 years of service credit as of their retirement. The law takes effect October 1, 2018. Here are some questions TRS has received from several members.

1. Will TRS retired members and surviving beneficiaries of members both be eligible for the stipend?

Yes. When a TRS member retires and names a beneficiary (joint annuitant) to receive the retirement benefit at the member’s death, there is only one annuity. The contract right to receive the annuity at death is enforceable by the beneficiary/annuitant and that individual steps into the shoes of the member.

2. Will the amount of the stipend be added to my regular benefit check?

No. TRS will issue a separate payment of the stipend in mid-October 2018. We will be sending out letters with more specific information soon.

3. To qualify for the minimum \$350 stipend, will TRS use employment years only or will it include other service credit like service purchases for out-of-state service in education or transports of service from another Oklahoma public retirement system?

TRS will be using service credit which is the number of years used in the retirement benefit formula. That will include years that could be rounded up for sick leave, service purchases and transported years of service.

4. Will the 2% amount be based on net pension benefit after taxes, or my gross benefit before anything is taken out?

HB 1340 clearly states that the 2% amount is based on your gross, unreduced annual benefit amount before any withholding.

5. Will the stipend payment be included in the earnings reflected on my tax Form 1099-R?

Yes. This payment is considered an additional payment as part of your normal monthly retirement benefit payments and will be included as earnings reflected on your tax Form 1099-R.

6. Can I elect to rollover my stipend payment to another eligible retirement account?

No. Certain distributions from an eligible retirement plan can’t be rolled over. The stipend is considered to be a distribution that’s one of a series of payments that’s ineligible for rollover.

www.irs.gov/taxtopics/tc413

7. Will any taxes be withheld from my stipend payment?

Yes. But nothing will be withheld if you selected no withholding from your regular monthly benefit.

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TRS Legislation 2018

excluded from EESIP and those employers have paid an employer contribution rate that is 10% lower (in dollars) than employers whose employees have been eligible (8.55% vs. 9.5%). Several years ago an amendment to the statute was made very subtly that permitted otherwise ineligible higher education members to take advantage of EESIP by ending his or her career with as little as one year with an eligible employer. That loophole has been eliminated. (Eff. August 2, 2018)

SB 527 (Sen. Stanislawski; Rep. McDaniel) This bill had one section that was requested by the Regents for Higher Education. It will permit TRS members employed in higher education to purchase up to two years of service credit toward retirement at full actuarial cost. The member must be within at least two years of an early or regular retirement to be eligible to purchase the service. (Eff. November 1, 2018)

SB 1569 (Sen. Schulz; Rep. McCall) This bill did not pass but it serves as a reminder that TRS dedicated revenue can be changed by law at any time. This bill would have reduced apportionments to agencies that receive such revenue directly or “off the top” prior to Legislative appropriation. The reductions would have been by the percentage of any reductions to the amount available for appropriation. TRS revenue could have been reduced. After passing the Senate, TRS staff and many retired educators objected strenuously. It was laid over in the House Appropriations & Budget Committee on April 16, 2018 and wasn’t brought up for a vote.



OKLAHOMA TEACHERS RETIREMENT SYSTEM

Post Office Box 53524
Oklahoma City OK 73152-3524

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Have Questions? Need Help?

Here's how you can get in touch with us:

In person: Oliver Hodge Building, 5th Floor, 2500 N. Lincoln Blvd., Oklahoma City

On the phone: 1-877-738-6365 or 405-521-2387

On the web: www.ok.gov/TRS or facebook.com/okTRS

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DIRECTOR'S CORNER

Education Community Energized

Tom Spencer, Executive Director

It's amazing what a few thousand educators and their supporters can do when they are riled up and energized. I had a bird's eye view of the masses exercising their rights as they filled the old Capitol Building and wore a path around it. My office window in the Oliver Hodge Education Building was the perfect spot to watch hopeful teachers, mothers and fathers (with kids in tow) walk several blocks with hand-painted signs to tell state leaders that they had waited long enough and it was time for action. I had to go to the Capitol for legislative committee meetings and waded through the crowds to get inside. I hadn't seen that many people in the State Capitol Building since HB 1017 was being considered decades ago. There was so much energy you could feel the old marble floors vibrating with excitement. Frankly, I haven't been that proud to be part of public education since I arrived at the Teachers' Retirement System.



Most of the folks that came to the Capitol are not thinking of retirement. They are thinking of the here and now. What I hope is that our state doesn't collectively check the box and think that public education is "fixed" in Oklahoma. It isn't. There is much to do. We at TRS will continue to do our part to ensure that we will be there to provide retirement income security when those energized educators hang up their lesson plans and comfortable shoes at the end of their honorable, yet under-valued careers.