

## APPENDIX II

### History of Major Legislative Changes

#### **1990 Legislative Session**

1. An ad hoc benefit increase was granted to retirees and beneficiaries who had been receiving benefits for at least one year. Special retirees were not granted this increase. The increase was determined by adding an amount to the Final Average Compensation for the member, and then re-determining the benefit due. For classified members, the amount added was \$950, while for non-classified members, the amount added was \$475. In all cases, Final Average Compensation was capped at \$40,000.
2. The local employer contribution rate was increased from 1.0% of covered compensation in accordance with the following schedule:

Year Beginning July 1 <u>(1)</u>	Local Employer Contribution Rate <u>(2)</u>
1990	1.0%
1991	1.5%
1992	2.0%
1993	2.5%

#### **1991 Legislative Session**

No legislation enacted with an actuarial impact to the System.

#### **1992 Legislative Session**

SB 568 made the following changes:

1. Increased employer rates (grading from 7% for 1992/1993 to 18% for 2004/2005) and changed State contributions to offset for employer contributions.
2. Eliminated the salary cap effective July 1, 1995.
3. Changed the member contribution rate to 7% (after July 1, 1997, phased in prior to that date).
4. Changed the FAC averaging period to five years for new members.
5. Eliminated the \$18,000 death benefit (and the optional survivor annuity) for new members.
6. Changed the formula to cap FAC with the member's pay cap for service prior to July 1, 1995.
7. Changed the Rule of 80 to the Rule of 90 for new members.

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### ***1993 Legislative Session***

SB 535 set forth a schedule which reduces the maximum payment for supplemental medical insurance from \$75/month to an amount between \$70 and \$75 per month, depending on service and Final Average Compensation.

### ***1994 Legislative Session***

1. HB 2228 provided for an ad hoc COLA payable to members receiving benefits. The average increase is about 2.5%.
2. SB 768 changed the System's joint options to "pop-up" options. Under a pop-up option, if the joint annuitant predeceases the member, the member's benefit is increased to the amount it would have been if the member had elected a life only annuity.
3. SB 767 provided for the transfers of service credit between this System and the Oklahoma Public Employees Retirement System.
4. SB 615 provides that the local employer's contribution rate shall not be less than the local employer's contribution rate for the prior year.

### ***1995 Legislative Session***

SB 527 modified the provisions affecting members employed in higher education who became members prior to July 1, 1995. For these members, the \$40,000 and \$25,000 pay caps were left in place for two additional years, but were indexed to \$44,000 and \$27,500 for 1995-96 members was set to 6.0% for 1995-96 and 6.5% for 1996-97. The benefit provisions were also modified so that only pay up to the maximum would be recognized for these years. After June 30, 1997, these members will contribute 7% of total pay like all other members. In addition, SB 527 modified the SB 568 employer contribution rate schedule. The new employer rates are 50 basis points lower in each year until the rate reaches 18.00%.

### ***1996 Legislative Session***

SB 832 modified the provisions relating to (i) member contributions, (ii) maximum compensation, and (iii) the benefit formula, for members employed in higher education. Beginning July 1, 1995, all members will contribute on all pay, except for members employed by a comprehensive university who became a member before July 1, 1995, whose recognized compensation is limited to:

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	For members who elected the \$25,000 limit prior to June 30, 1995	For all other members
1996-97	\$32,500	\$49,000
1997-98	37,500	54,000
1998-99	42,500	59,000
1999-00	47,500	64,000
2000-01	52,500	69,000
Thereafter	No limit	No limit

Employer contributions will be based on the same compensation as member contributions. In 1996-98, member contributions will be 6.5% of pay up to \$25,000 plus 7% of pay in excess of \$25,000, up to the maximum recognized compensation. The benefit formula was also adjusted so that for service earned between July 1, 1995 and June 30, 2001, members in higher education have their benefits adjusted for the compensation limits.

### ***1997 Legislative Session***

The post-retirement death benefit was increased from \$4,000 to \$5,000.

### ***1998 Legislative Session***

1. An ad hoc benefit increase was granted to retirees and beneficiaries who had been receiving benefits for at least one year. The increase was determined by adding an amount to the Final Average Compensation for the member, and then redetermining the benefit due. For classified members, the amount added was \$1,400, while for non-classified members, the amount added was \$700. Special retirees received a 5.4% increase.
  
2. The funding mechanism was changed, eliminating the State's contribution of 78% of its Gross Production Tax receipts after the 1999 fiscal year and substituting a contribution based on a percentage of general revenue available for appropriation (95% of general revenue). The percentage is 3.25% for the fiscal year ending June 30, 2000, and 3.50% thereafter. The local employer's contribution rates were revised for years after the 1999 fiscal year as follows:

Year	Employer Rate
1999/2000	4.80%
2000/2001	5.80%
2001/2002	6.80%
Thereafter	7.05%

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### **1999 Legislative Session**

1. The pay caps applicable to certain members employed by one of the comprehensive universities were extended to FY 2007. The cap in effect for FY 1999 was left unchanged for FY 2000, and then will be increased \$5,000 each year thereafter. This change affects both contributions and benefit calculations for these members.
2. The State's funding mechanism was changed again. Now the dedicated State revenue will be 3.54% of certain specified sales and income tax revenues. This amount is subject to a \$136.0 million maximum contribution for FY 2000 only.

### **2000 Legislative Session**

1. An ad hoc benefit increase was granted to retirees and beneficiaries who had been receiving benefits for at least one year. The increase was determined by adding an amount to the Final Average Compensation for the member, and then redetermining the benefit due. For classified members, the amount added was \$500, while for non-classified members, the amount added was \$250. Special retirees received a 1.8% increase.
2. SB 994 set forth a schedule which increases the maximum payment for supplemental medical insurance by \$30/month from an amount between \$70 and \$75 per month to an amount between \$100 and \$105 per month, depending on service and Final Average Compensation.

### **2001 Legislative Session**

No legislation enacted with an actuarial impact to the System.

### **2002 Legislative Session**

1. An ad hoc benefit increase was granted to retirees and beneficiaries, beginning July 1, 2002, if they had been receiving benefits for at least one year. Retirees were given a 3% increase if they had less than 30 years of credited service and a 4% increase if they had 30 or more years of credited service. Special retirees received a 3% increase.
2. The dedicated State revenue is equal to a percentage of the State's revenue from certain sales and income taxes. The percentage is currently 3.54%, but a bill was passed to increase the percentage over the next five years to 5.00%, according to this schedule.

FY 2003	3.54%
FY 2004	3.54%
FY 2005	3.75%
FY 2006	4.00%
FY 2007	4.50%
FY 2008	5.00%

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### 2003 Legislative Session

1. The service requirement for vesting was changed from ten years to five years. Under this provision, a member is now able to retire with an unreduced retirement benefit after reaching age 62 with credit for 5 or more years of service. A member who has reached age 55, but not age 62, with at least 5 years of service, is able to retire and receive a reduced retirement benefit. A member who has terminated before being eligible to retire, but who has at least 5 years of service, may elect a deferred retirement benefit in lieu of a refund. However, members must still have credit for at least 10 years of service in order to be eligible for a disability benefit or the medical insurance premium supplement.
2. Refunds for members who have less than seven years of service will receive their contributions plus 50% of the interest on their account. Previously members with less than seven years of service received no interest. Interest is computed at 8.00%
3. A partial lump-sum option (PLSO) was added. Members who retire with at least 30 years of service may elect a PLSO equal to 12, 24, or 36 times the member's monthly retirement benefit, determined before applying any reduction for the PLSO or any other optional form of payment. A member who elects to receive a PLSO will have his/her monthly retirement benefit reduced on an actuarial basis to compensate for the fact that a PLSO is provided.
4. Disabled members may now elect Option 2—the Joint & 100% Survivor option (with pop up).

### 2004 Legislative Session

1. An ad hoc benefit increase was granted to retirees and beneficiaries, beginning August 1, 2004, if they had retired on or before June 30, 2003. Special retirees received a 4.0% increase, and increases for other eligible retirees are as follows:

Years of Service	Monthly Benefit at 6/30/04	Benefit Increase
20 Years or more	Less than \$1,500.00	4.5%
	\$1,500.00 to \$2,500.00	4.0%
	Over \$2,500.00	3.5%
15 to 19 Years	Less than \$1,000.00	4.0%
	\$1,000.00 to \$2,000.00	3.5%
	Greater than \$2,000.00	3.0%
Fewer than 15 years	Less than \$801.00	3.5%
	\$801.00 to \$1,499.99	3.0%
	\$1,500.00 or greater	2.5%

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2. Members who joined the System on or after July 1, 1992 receive a year of service credit if they have accumulated 120 days of unused sick leave. Previously, this additional service was only available to members hired prior to July 1, 1992.
3. Beneficiaries of members hired on or after July 1, 1992 are eligible to receive an \$18,000 lump sum death benefit in addition the member's contribution balance with 100% of credited interest. If the member was eligible for early or normal retirement, the beneficiary may choose the retirement benefit for which the member was eligible in lieu of the contribution balance and \$18,000 lump sum. Previously, the annuity option and \$18,000 lump sum had only been available to members hired before July 1, 1992.
4. The benefit formula for members hired in FY 1996 at any of the colleges or universities in the Oklahoma State System of Higher Education is 2.0% of final average salary, computed at retirement, for each year of service. Previously, the formula was 2.0% of salary for service in FY 1996 plus 2.0% of final average salary, computed at retirement, for each year of service earned after June 30, 1996.
5. Employees hired by one of the comprehensive universities – Oklahoma University, the Health Sciences Center, and Oklahoma State University – after June 30, 2004 may make an irrevocable election to join an alternate plan established by the universities in lieu of becoming a member of OTRS.
6. The Board of Trustees is required to adopt an assumption as to the level of probable future ad hoc cost-of-living adjustments that will be granted by the legislature in the future.
7. The supplemental medical insurance credit is restricted to members who retire with at least 10 years of service credit.
8. The formula used to determine benefits accrued for service earned between July 1, 1995 and June 30, 2007, for members employed by a comprehensive university, is modified. Retirees who had service at a comprehensive university after June 30, 1995 will receive a benefit increase because of this formula change, effective as of January 1, 2005. No retroactive increase will be paid to such retirees.
9. Members who are employed by a comprehensive university before July 1, 2004 will be given a future opportunity to make a one-time irrevocable election to leave OTRS and join an alternative plan established by the universities. The timing of the election depends on if and when IRS approval is received.
10. The comprehensive universities will make additional contributions to OTRS on behalf of members in their alternative plan.

### ***2005 Legislative Session***

No legislation enacted with an actuarial impact to the System.

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### 2006 Legislative Session

1. The Education Employees Service Incentive Plan (EESIP) was created:

Active members are eligible for the EESIP if they have service prior to July 1, 1995, are active on or after July 1, 2006, and are not employed by one of the comprehensive or regional four-year universities.

The EESIP allows for two years of service prior to July 1, 1995 to be computed at an enhanced or eliminated cap for each year that the employee has worked beyond Normal Retirement Age at the time of retirement.

For each “uncapped” year, the \$40,000 cap applicable to service before July 1, 1995 is increased to \$60,000 for retirements in FY 2007, to \$80,000 for retirements in FY 2008, and the cap is removed beginning July 1, 2008. The employee that elects the enhanced benefit must pay the accumulations, at 10% interest, of contributions that would have been required but for the cap then in place. Payment is required only for years FY 1988 through FY 1995 even if more than 8 years of service prior to July 1, 1995 are being “uncapped.” Payment is required only for those years of service that are computed at an elevated or eliminated cap.

For those members electing the enhanced benefit, the payment required is 50% of the accumulated balance in FY 2007, 75% of the accumulated balance in FY 2008 and 100% of the accumulated balance on or after FY 2009.

2. The employer contribution rate was increased for employers covered by the EESIP. The rate increased from 7.05% to 7.60% effective Jan. 1, 2007, and then to 7.85% for FY 2008 and to 8.00% for FY 2009. The employer contribution rate for the employers not covered by the EESIP—the comprehensive and regional four-year universities—remained at 7.05%.
3. A 2.00% ad hoc cost-of-living adjustment (COLA) was provided, effective July 1, 2006. All retirees who retired before July 1, 2005 were eligible, including disabled retirees, special retirees and beneficiaries receiving payments.

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### 2007 Legislative Session

The employer contribution rates, beginning July 1, 2007, were increased as shown in the following schedule. Different rates are paid by employers in the Education Employees Service Incentive Plan (EESIP) and those not in EESIP (the comprehensive and regional four-year universities):

Period	Employer Contribution Rates	
	EESIP Employers	Non-EESIP Employers
7/1/2006 – 12/31/2006	7.05%	7.05%
1/1/2007 – 6/30/2007	7.60%	7.05%
7/1/2007 – 12/31/2007	7.85%	7.05%
1/1/2008 – 6/30/2008	8.35%	7.55%
7/1/2008 – 12/31/2008	8.50%	7.55%
1/1/2009 – 6/30/2009	9.00%	8.05%
7/1/2009 – 12/31/2009	9.00%	8.05%
1/1/2010 – 6/30/2010	9.50%	8.55%
FY 2011 and later	9.50%	8.55%

### 2008 Legislative Session

A 2.00% ad hoc cost-of-living adjustment (COLA) was provided, effective July 1, 2008. All retirees who retired before July 1, 2007 were eligible, including disabled retirees, special retirees and beneficiaries receiving payments.

### 2009 Legislative Session

No legislation enacted with an actuarial impact to the System.

### 2010 Legislative Session

1. HB 1935 allows a retiree electing one of the optional benefit forms (i.e. not life only) to make a one-time irrevocable change in the benefit option within 60 days of retirement. The beneficiary may not be changed.
2. SB 859 allows a retiree who chose a life annuity at retirement to change to Retirement Option 2 or 3 (100% joint survivor annuity and 50% joint survivor annuity respectively) within a year of marriage.



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### **2011 Legislative Session**

1. SB 377 changes the eligibility conditions for both normal and early retirement for members hired on or after November 1, 2011. Members will be eligible for normal retirement at the earlier of age 65 with 5 years of service or when their age plus service equals 90 (Rule of 90) with a minimum age of 60. Members will be eligible for early (reduced) retirement at age 60 with 5 years of service.
2. HB 2132 changes the definition of a nonfiscal retirement bill to exclude cost of living adjustments (COLA) even if such COLAs are assumed in the annual actuarial valuation.
3. SB 782 eliminates the requirement that statewide retirement systems report a second set of actuarial valuation results to the Oklahoma State Pension Commission using specified actuarial assumptions.

### **2012 Legislative Session**

No legislation enacted with an actuarial impact to the System.

### **2013 Legislative Session**

No legislation enacted with an actuarial impact to the System.

### **2014 Legislative Session**

No legislation enacted with an actuarial impact to the System.

### **2015 Legislative Session**

No legislation enacted with an actuarial impact to the System.

### **2016 Legislative Session**

No legislation enacted with an actuarial impact to the System.

### **2017 Legislative Session**

1. HB 1162 changes the “vesting” period to be eligible for benefits from five to seven years for members who join TRS after October 31, 2017.
2. SB 428 relaxes income restrictions for certain retirees who come back to work as teachers. The exception to the general limitations on post-retirement employment and income will last three (3) years from July 1, 2017 through June 30, 2020.

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### *2018 Legislative Session*

HB 1340 changed the definition on a “nonfiscal retirement bill” for the Oklahoma public retirement systems to include one-time payments that do not permanently increase retirement benefits payable where the maximum amount of such payments is dependent on the System’s funded ratio after the payment. The bill also authorized a payment effective October 1, 2018 for members who have been retired at least five years in an amount equal to the lesser of 2% of the gross annual benefit or \$1,000 subject to a \$350 minimum for members who had at least 20 years of service.