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<u>SECOND ROUND 2026 EMERGENCY RULEMAKING</u>

<u>RULE IMPACT STATEMENT</u>

This Rule Impact Statement has been prepared pursuant to 75 O.S.Supp.2025, § 253(B)(2)(b).

TITLE 715. TEACHERS' RETIREMENT SYSTEM

CHAPTER 10. GENERAL OPERATIONS

1. **BRIEF DESCRIPTION OF NEED/LEGAL BASIS OF PROPOSED PERMANENT RULES:**

TRS rules are proposed, amended, or revoked to comply with the statutory responsibility of the Board of Trustees in establishing rules and regulations for the administration of the System and the transaction of its business (70 O.S. §17-101 et seq.). These emergency rules are necessary due to amendments to Title 70, Section 17-116.10 of the Oklahoma Statutes passed in the 2026 legislative session in House Bill 2288 and will clarify and effect the orderly administration of the System for the benefit of the System's members.

IMPORTANT NOTE: **TRS previously submitted emergency rules text in May 2026 which was approved by the Governor on July 2nd, 2026. However, previously promulgated permanent rules for TRS will go into effect September 1, 2026, overriding the emergency rules text which became effective July 2, 2026. As a result, TRS is re-promulgating the emergency rules herein. Spelling of “post-retirement” was corrected throughout these rules for consistency. Any other changes to the rules text between round one and round two rulemaking are italicized in rules below, when applicable. Notably, the substantive impact of the rules remains the same.**

SUBCHAPTER 17. POST-RETIREMENT EMPLOYMENT

715:10-17-2 is being amended to reflect amendments to Title 70 Section 17-116.10 of the Oklahoma Statutes enacted by House Bill 2288 in the 2026 legislative session. House Bill 2288 changed the break in service applicable to TRS retirees who return to employment following retirement to 6 months. This amendment reflects the 6-month break in service required by HB2288 and clarifies examples of the types of employment that are prohibited during the break in service. *The second-round amendment re-titles the rule and clarifies the type of volunteering allowed under the statute which is not a violation of the 6-month break in service.*

715:10-17-5 is being amended in association with amendments to Title 70 of the Oklahoma Statutes enacted by House Bill 2288 in the 2026 legislative session. The amendment clarifies the requirement for employers to contribute on compensation earned by retirees who return to work as required by the statute and clarifies the scenarios in which contributions from employer will not be due to TRS pursuant to 70 O.S. Section 17-116.10. *The second-round amendment re-titles the rule and clarifies that the 6-month break applies to TRS retirees who seek to perform service in public education after retirement as independent contractors- this is consistent with the Internal Revenue Code requirement that retirees must complete a bona fide separation from service in order to have a retirement which complies with federal law.*

715:10-17-6 is being revoked to reflect amendments to Title 70 Section 17-116.10 of the Oklahoma Statutes enacted by House Bill 2288 in the 2026 legislative session. House Bill 2288 eliminated earnings limits for TRS retirees who, having met their 6-month break in service, return to employment.

715:10-17-8 is being revoked to reflect amendments to Title 70 Section 17-116.10 of the Oklahoma Statutes enacted by House Bill 2288 in the 2026 legislative session. House Bill 2288 eliminated earnings limits for TRS retirees who, having met their 6-month break in service, return to employment. As a result, repayment of overpaid benefits as the result of exceeding earnings limits will no longer occur.

715:10-17-13 is being amended to reflect amendments to Title 70 Section 17-116.10 of the Oklahoma Statutes enacted by House Bill 2288 in the 2026 legislative session, specifically regarding the break in service for TRS retirees who return to active contributing employment and then eventually re-retire. The rule is being amended to correct the break in service to the 6-month period required under HB2288, reiterate the continued requirement for a bona fide separation, and clarify contributions due from the employer. Lastly, text regarding earnings limits has been stricken. *The second-round amendment strikes text about returning to post-retirement employment as this rule speaks to retirees who return to active contributing status and not post-retirement status.*

715:10-17-16 is being amended to reflect amendments to Title 70 Section 17-116.10 of the Oklahoma Statutes enacted by House Bill 2288 in the 2026 legislative session. The rule is being amended to correct the break in service to the 6-month period required under HB2288.

2. CLASSIFICATION OF RULE(S) AND JUSTIFICATION FOR CLASSIFICATION

All rules are classified as NON-MAJOR. While there is a cost to program the new break in service period of time from 60 days to 6 months, it will not exceed $1 million over 5 years. The cost is one-time.

****REGARDING SECOND ROUND OF EMERGENCY RULEMAKING: For clarification, any costs discussed below were one-time costs and were incurred with the first round of emergency rulemaking submitted in May 2026 and approved effective July 2, 2026. The costs are not duplicated due to this second round of emergency rulemaking.****

- 10-17-2: reflects the statutorily required update to the break in service for TRS retirees. Implementation costs for TRS are development time/cost. This is estimated at approximately 24 development hours at the cost of $109 per development hour for a total estimated development cost of $2,616. ** See disclaimer above.**

- 10-17-5: clarifies currently existing requirements for employer to contribute contributions on TRS retirees who return to work in postretirement and clarifies when contributions are not due. No new implementation or compliance costs.

- 10-17-6: revokes earnings limits consistent with the statutory changes. This revocation streamlines the operations of TRS and most likely prevents the need to program earnings limits into the modernized pensions software TRS is currently building. This would be a significant savings in time and thus development costs.

- 10-17-8: revokes the recoupment rule for retirees who exceed their earnings limits, as earnings limits no longer apply. This streamlines the postretirement return to work administration by TRS staff who will no longer need to pursue recoupment processes in this situation. As a result, no implementation or compliance costs are associated.

- 10-17-13: clarifies the new 6-month break in service applies to TRS retirees who retire, return to active contributing employment, and then re-retire. The break in service has always applied to these retirees, so this is not a new concept as applied to them; rather it extends the break to the new period required under HB2288. Otherwise, the edits clarify that bona fide separation, a currently implemented legal requirement, remains required despite the extension of the 6-month break and clarifies that contributions remain due from employers who employ TRS retirees. Implementation costs for TRS are the development time required to program the new 6-month period and are included in the implementation cost listed in 10-17-2 above.

- 10-17-16: reflects the statutorily required update to the break in service for TRS retirees when returning to State Department of Education for employment for the first time after November 1, 2019, pursuant to 70 O.S. Section 17-103. Implementation costs for TRS are development time/cost and are included in the implementation cost reflected in 10-17-2 above.

3. DESCRIPTION OF PROPOSED RULE(S)

A comprehensive description is contained in Paragraph (A) above of proposed rule changes.

4. DESCRIPTION OF THE CLASS(ES) OF PERSON(S) AFFECTED BY THE PROPOSED RULE(S), INCLUDING CLASS(ES) THAT WILL BEAR THE COST(S) OF THE PROPOSED RULE(S), AND ANY INFORMATION ON COST IMPACTS RECEIVED BY THE AGENCY FROM ANY PRIVATE OR PUBLIC ENTITIES

The class(es) of person(s) affected by the proposed rule(s) amendments is/are the staff of Teachers' Retirement System of Oklahoma as well as members who intend to retire and return to work in retirement and participating employers who hire TRS retirees. No cost impacts have been provided to TRS by any private or public entity.

5. **CLASS OF PERSON(S) BENEFITTED BY PROPOSED RULES:**

The class(es) of person(s) benefited by the proposed rule(s) is/are the staff of Teachers' Retirement System of Oklahoma as well as members and participating employers. TRS staff benefit from streamlined operations. Members benefit from the ability to return to employment, after the required break in service, with no limits on earning capacity while also receiving their retirement benefit, while employers benefit from having a potentially larger pool of eligible hires.

6. **COMPREHENSIVE ANALYSIS OF THE RULES' ECONOMIC IMPACT**

Initially, the rule edits are required due to statutory amendments and to that extent, any economic impact is unavoidable. Otherwise, no increased FTE is anticipated as the result of the amendments. The rule edits are not creating new fees for members or participating employers. The rule edits are conforming operations to newly enacted statutory requirements. While the break in service has been extended, a break in service did previously apply, so programming efforts are minimal – a change in the period alone – which is estimated based on development hour costs to total less than $3,000 as a one-time cost. **This implementation cost was incurred due to the first round of emergency rulemaking and is not being duplicated due to the second round of emergency rulemaking.**

7. **DETAILED EXPLANATION OF METHODOLOGY AND ASSUMPTIONS USED TO DETERMINE ECONOMIC IMPACT**

Economic analysis was completed by conducting a review of whether rule edits would result in changes to processes within TRS which can cost TRS by requiring additional manpower. Earnings limits process elimination is expected to *reduce* manpower efforts for postretirement employment processing; thus, no additional manpower is anticipated. Analysis was also conducted on the estimated cost to implement the change in the break in service. This was estimated by taking development hourly costs and anticipated development time.

8. **DETERMINATION OF WHETHER IMPLEMENTATION OF THE PROPOSED RULE(S) WILL HAVE AN ECONOMIC IMPACT ON ANY POLITICAL SUBDIVISION OR REQUIRE THEIR COOPERATION IN IMPLEMENTING OR ENFORCING THE RULE(S)**

In the context of HB2288, TRS participating employers, which are political subdivisions, are required by statute to determine whether their employees are retirees of TRS and, prior to HB228(2026), often must communicate with TRS and their retiree employees about the retirees' applicable earnings limits. With the cessation of earnings limits, employing a retired TRS member is expected to be less onerous for TRS participating employers. Otherwise, the break in service has always been required; now that it is extended from 60- days to 6 months, employers must honor this period of time or potentially jeopardize the retirement of any retiree they hire in the retiree's applicable 6-month period.

9. **DETERMINATION OF WHETHER IMPLEMENTATION OF THE PROPOSED RULE(S) MAY HAVE AN ADVERSE ECONOMIC EFFCT ON SMALL BUSINESS AS PROVIDED BY THEOKLAHOMA SMALL BUSINESS REGULATORY FLEXIBILITY ACT**

No adverse economic impact on small business is anticipated by implementation of the proposed rules.

10. **MEASURES TAKEN TO MINIMZE THE COST AND IMPACT OF THE PROPPOSED RULE(S) ON BUSINESS AND ECONOMIC DEVELOPMENT IN THE STATE, LOCAL GOVERNMENT UNITS OF THE STATE, AND INDIVIDUALS**

Rule edits are the result of HB2288 (2026) and cannot be avoided.

11. **DETERMINATION OF THE EFFECT OF THE PROPOSED RULE(S) ON THE PUBLIC HEALTH, SAFETY, AND ENVIRONMENT AND IF THE PROPOSED RULE(S) IS/ARE DESIGNED TO REDUCE SIGNIFICANT RISKS TO THE PUBLIC HEALTH, SAFETY, AND ENVIRONMENT; AN EXPLANATION OF THE NATURE OF THE RISK AND TO WHAT EXTENT THE PROPOSED RULE WILL REDUCE THE RISK.**

Not applicable.

12. **DETERMINATION OF ANY DETRIMENTAL EFFECT ON THE PUBLIC HEALTH, SAFETY AND ENVIRONMENT IF THE PROPOSED RULE(S) IS/ARE NOT IMPLEMENTED.**

Not applicable.

13. **DATE IMPACT STATEMENT PREPARED:**

    August 26, 2026.