

ENROLLED HOUSE
BILL NO. 2228

By: Roberts, Monks, Isaac
and Cox of the House

and

Fisher of the Senate

An Act relating to public retirement systems; amending 11 O.S. 1991, Sections 49-100.3, 49-100.6 and 49-143.1, which relate to the Oklahoma Firefighters Pension and Retirement System; amending 11 O.S. 1991, Section 50-136.1, which relates to the Oklahoma Police Pension and Retirement System; amending 20 O.S. 1991, Section 1104E, which relates to the Uniform Retirement System for Justices and Judges; amending 47 O.S. 1991, Section 2-305.3, which relates to the Oklahoma Law Enforcement Retirement System; amending 70 O.S. 1991, Section 17-116.2, as last amended by Section 1 of Enrolled House Bill No. 2540 of the 2nd Session of the 44th Oklahoma Legislature, which relates to the Oklahoma Teachers' Retirement System; amending 74 O.S. 1991, Sections 902, as last amended by Section 31 of Enrolled House Bill No. 2299 of the 2nd Session of the 44th Oklahoma Legislature, 913.4, 915, as last amended by Section 48 of Enrolled House Bill No. 2331 of the 2nd Session of the 44th Oklahoma Legislature, 919.1, 920, 920A and 930.3, which relate to the Oklahoma Public Employees Retirement System; restricting ability of State Board to pay or grant certain benefits without inclusion of certain liability in report; requiring State Board for Oklahoma Firefighters Pension and Retirement System to retain attorney; authorizing Attorney General to perform services required by State Board; providing for increases in retirement benefits for certain persons; modifying references to benefit increases used for certain offsets; modifying retirement allowance calculation; providing for increase in benefits for certain persons; modifying definition of compensation; modifying procedure relating to certain election; modifying amount of compensation for certain purposes; prescribing procedures related to determination of compensation level; modifying definition of final average compensation; providing for determination of compensation based upon periods of service; providing for retirement contributions; prescribing procedures for computation of benefits; modifying rates of contribution by certain employees; modifying reference to maximum compensation level; modifying required contributions by employers; providing for retirement benefit increases based upon certain

compensation level; providing for certain benefits based upon years of credited service; providing for benefit for certain other persons; imposing limitation upon increase in retirement benefit levels; providing circumstances under which retirement benefit levels may be increased; defining term; requiring retirement systems to adopt valuation methods for assets and liabilities; requiring actuarial study; specifying scope of study; providing for adjustment of contributions; providing for codification; providing for noncodification; providing an effective date; and declaring an emergency.

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

SECTION 1. AMENDATORY 11 O.S. 1991, Section 49-100.3, is amended to read as follows:

Section 49-100.3 A. There shall be an Oklahoma Firefighters Pension and Retirement Board which shall be composed of thirteen (13) members as follows:

1. Five members shall be the Board of Trustees of the Oklahoma Firefighters Association;

2. One member shall be the President of the Professional Fire Fighters of Oklahoma or his designee. The designee shall be a member of the Professional Fire Fighters of Oklahoma;

3. One member shall be the President of the Oklahoma State Retired Fire Fighters Association or his designee. The designee shall be a member of the Oklahoma State Retired Fire Fighters Association;

4. One member shall be appointed by the Speaker of the House of Representatives;

5. One member shall be appointed by the President Pro Tempore of the Senate;

6. Two members shall be appointed by the President of the Oklahoma Municipal League;

7. One member shall be the State Insurance Commissioner or his designee; and

8. One member shall be the Director of State Finance or his designee.

B. 1. The terms of office of the members appointed to the State Board by the President of the Oklahoma Municipal League who are members of the State Board on the operative date of this act shall expire on July 1, 1989. The members appointed to fill the positions that expire on July 1, 1989, shall serve initial terms of office as follows:

a. the term of office of one of the members appointed by the President of the Oklahoma Municipal League shall expire on July 1, 1990; and

b. the term of office of one of the members appointed by the President of the Oklahoma Municipal League shall expire on July 1, 1992.

Thereafter, the terms of office of the members of the State Board appointed by the President of the Oklahoma Municipal League shall be four (4) years.

2. The term of office of the member appointed to the State Board by the Speaker of the House of Representatives and the term of office of the member appointed to the State Board by the President

Pro Tempore of the Senate who are members of the State Board on the operative date of this act shall expire on January 3, 1989. The members thereafter appointed shall serve terms of office of four (4) years.

3. Vacancies shall be filled for the unexpired term of office in the same manner as the original appointment was made.

C. Those members appointed to the State Board by the President of the Oklahoma Municipal League, the Speaker of the House of Representatives and the President Pro Tempore of the Senate or who are designees of an ex officio member of the State Board shall:

1. Have demonstrated professional experience in investment or funds management, public funds management, public or private pension fund management or retirement system management; or

2. Have demonstrated experience in the banking profession and have demonstrated professional experience in investment or funds management; or

3. Be licensed to practice law in this state and have demonstrated professional experience in commercial matters; or

4. Be licensed by the Oklahoma State Board of Public Accountancy to practice in this state as a public accountant or a certified public accountant.

The appointing authorities, in making appointments that conform to the requirements of this subsection, shall give due consideration to balancing the appointments among the criteria specified in paragraphs 1 through 4 of this subsection.

D. No member of the State Board shall be a lobbyist registered in this state as provided by law.

E. Notwithstanding any of the provisions of this section to the contrary, any person serving as an appointed member of the State Board on the operative date of this act shall be eligible for reappointment when the term of office of the member expires.

F. The State Board shall elect one of its members as Chairman at its annual meeting. The Chairman shall preside over meetings of the State Board and perform such other duties as may be required by the State Board. The State Board shall also elect another member to serve as Vice Chairman, and the Vice Chairman shall perform duties of Chairman in the absence of the latter or upon the Chairman's inability or refusal to act.

G. Prior to February 6, 1995, the State Board shall be prevented from making any payment or granting any benefit, with the exception of disability benefits for which provisions are otherwise made in Section 49-100.1 et seq. of this title, the actuarial liability for which has not been included in such Board's annual actuarial report prior to May 1, 1994.

SECTION 2. AMENDATORY 11 O.S. 1991, Section 49-100.6, is amended to read as follows:

Section 49-100.6 A. The State Board shall appoint an Executive Director. Subject to the policy direction of the State Board, the Executive Director shall be the managing and administrative officer of the System and as such shall have charge of the office, records, and supervision and direction of the employees of the System.

B. The Executive Director shall recommend to the State Board the administrative organization, the number and qualifications of employees necessary to carry out the intent of this article, and the policy direction of the State Board. Upon approval of the organizational plan by the State Board, the Executive Director may employ such persons as are deemed necessary to administer this article.

C. The members of the State Board, the Executive Director and the employees of the System shall not accept gifts or gratuities

from an individual organization with a value in excess of Fifty Dollars (\$50.00) per year. The provisions of this section shall not be construed to prevent the members of the State Board, the Executive Director or the employees of the System from attending educational seminars, conferences, meetings or similar functions which are paid for, directly or indirectly, by more than one organization.

D. The State Board may select and retain a qualified actuary who shall serve at its pleasure as its technical advisor or consultant on matters regarding the operation of the System. The actuary may at the direction of the State Board:

1. Make an annual valuation of the liabilities and reserves of the System, and a determination of the contributions required by the System to discharge its liabilities and administrative costs under this article, and recommend to the State Board rates of employer contributions required to establish and maintain the System on an adequate reserve basis;

2. As soon after the effective date of this act or as deemed necessary by the State Board, make a general investigation of the actuarial experience under the System, including mortality, retirement, employment turnover, and interest, and recommend actuarial tables for use in valuations and in calculating actuarial equivalent values based on such investigation; and

3. Perform such other duties as may be assigned by the State Board.

E. The State Board ~~may~~ shall retain an attorney licensed to practice law in this state. The attorney shall serve at the pleasure of the State Board for such compensation as set by the State Board. The Attorney General of the state shall furnish such legal services as may be ~~requested~~ required by the State Board.

SECTION 3. AMENDATORY 11 O.S. 1991, Section 49-143.1, is amended to read as follows:

Section 49-143.1 A. Except as provided in subsection B of this section and except for persons receiving benefits pursuant to Section 49-101 of this title, any person receiving benefits from the Oklahoma Firefighters Pension and Retirement System as of June 30, ~~1989~~ 1993, shall receive a ~~five percent (5%)~~ two and one-half percent (2 1/2%) increase in said benefits on July 1, ~~1990~~ 1994.

B. Notwithstanding the provisions of Section 49-106.1 of this title, any increase in benefits a person is eligible to receive or has received during calendar year ~~1989 and~~ 1990 and any subsequent calendar year pursuant to repealed Section 49-136 of this title, shall be used to offset the increase in benefits provided in subsection A of this section.

C. Notwithstanding the provisions of Section 49-106.1 of this title, effective July 1, ~~1990~~ 1994, any persons receiving benefits pursuant to Section 49-101 of this title shall each receive a benefit equal to ~~Five Dollars and thirty-three cents (\$5.33)~~ Five Dollars and forty-six cents (\$5.46) for each year of credited service not to exceed thirty (30) years of service.

SECTION 4. AMENDATORY 11 O.S. 1991, Section 50-136.1, is amended to read as follows:

Section 50-136.1 A. Except as provided in subsection B of this section, any person receiving benefits from the Oklahoma Police Pension and Retirement System as of June 30, ~~1988~~ 1993, shall receive a ~~six percent (6%)~~ two and one-half percent (2 1/2%) increase in said benefits on July 1, ~~1988~~ 1994.

B. ~~For the fiscal year ending June 30, 1989~~ Notwithstanding the provisions of Section 50-111.3 of this title, any increase in benefits a person ~~who~~ is eligible to receive ~~increased benefits in~~

~~the manner specified in or has received during calendar year 1990 and any subsequent calendar year pursuant to repealed Section 50-120 of Title 11 of the Oklahoma Statutes pursuant to a court decision shall receive the greater of:~~

~~1. The benefit increase provided in subsection A of this section; or~~

~~2. The benefit increase the person would receive pursuant to repealed Section 50-120 of Title 11 of the Oklahoma Statutes this title shall be used to offset the increase in benefits provided in subsection A of this section.~~

SECTION 5. AMENDATORY 20 O.S. 1991, Section 1104E, is amended to read as follows:

Section 1104E. Every person receiving retirement benefits from the System as of June 30, ~~1989~~ 1993, shall receive on July 1, ~~1990~~ 1994, an increase in retirement benefits to be computed as follows:

1. ~~Multiply One Thousand One Hundred Fifty Dollars (\$1,150.00)~~ Seven Hundred Eighty Dollars (\$780.00) by four percent (4%);
2. Multiply the sum of paragraph 1 by the number of years of credited service of the member;
3. Divide the sum of paragraph 2 by twelve (12) and this shall be the increase in the monthly retirement benefit;
4. This increase shall be adjusted to reflect any options selected by the member at the time of retirement.

SECTION 6. AMENDATORY 47 O.S. 1991, Section 2-305.3, is amended to read as follows:

Section 2-305.3 Any person receiving benefits from the Oklahoma Law Enforcement Retirement System as of June 30, ~~1989~~ 1993, shall receive a ~~five percent (5%)~~ two and one-half percent (2 1/2%) increase in said benefits on July 1, ~~1990~~ 1994.

SECTION 7. AMENDATORY 70 O.S. 1991, Section 17-116.2, as last amended by Section 1 of Enrolled House Bill No. 2540 of the 2nd Session of the 44th Oklahoma Legislature, is amended to read as follows:

Section 17-116.2 A. 1. Beginning July 1, 1987, and prior to July 1, 1995, a member who retires on or after the member's normal retirement age or whose retirement is because of disability shall receive an annual allowance for life, payable monthly, in an amount equal to two percent (2%) of the member's highest three-year average salary upon which member contributions were made, multiplied by the number of the member's years of creditable service.

A classified member who retired prior to July 1, 1986, shall have his retirement allowance calculated on a minimum average salary of Eleven Thousand Five Hundred Dollars (\$11,500.00) or on his current minimum average salary plus Two Thousand Dollars (\$2,000.00), whichever is greater. Beginning July 1, ~~1990~~ 1994, a classified member who retired prior to July 1, ~~1989~~ 1993, shall have the member's retirement allowance calculated on the member's current minimum average salary plus ~~Nine Hundred Fifty Dollars (\$950.00)~~ Five Hundred Fifty Dollars (\$550.00). An unclassified member who retired prior to July 1, 1986, shall have his retirement allowance calculated on a minimum average salary of Nine Thousand Five Hundred Dollars (\$9,500.00) or on his current minimum average salary plus One Thousand Dollars (\$1,000.00), whichever is greater. Beginning July 1, ~~1990~~ 1994, an unclassified member who retired prior to July 1, ~~1989~~ 1993, shall have the member's retirement allowance calculated on the member's current minimum average salary plus ~~Four Hundred Seventy-five Dollars (\$475.00)~~ Two Hundred Seventy-five Dollars (\$275.00). Those individuals receiving benefits pursuant to

subsection (3) of Section 17-105 of this title whose benefits commenced prior to July 1, 1993, shall receive an increase in benefits of two and one-half percent (2 1/2%). No retirement benefit payments shall be made retroactively.

Except for those members retiring because of a disability, the retirement allowance shall be subject to adjustment for those members retiring before normal retirement age in accordance with the actuarial equivalent factors adopted by the Board of Trustees.

2. Beginning July 1, 1995, a member who retires on or after the member's normal retirement age or whose retirement is because of disability shall receive an annual allowance for life, payable monthly as follows:

- a. if the member becomes a member after June 30, 1995, and was not eligible to become a member prior to July 1, 1995, in an amount equal to two percent (2%) of the member's average salary upon which member contributions were made, multiplied by the number of the member's years of creditable service, or
- b. if the member became a member or is eligible to become a member prior to July 1, 1995, and elected to have a maximum compensation level in excess of Twenty-five Thousand Dollars (\$25,000.00) pursuant to paragraph 1 of subsection C of this section or pursuant to subsection E of this section, or if the member's salary has never exceeded Twenty-five Thousand Dollars (\$25,000.00) prior to July 1, 1995, in an amount equal to:
 - (1) two percent (2%) of the member's average salary upon which member contributions were made not to exceed Forty Thousand Dollars (\$40,000.00), multiplied by the number of the member's years of credited service authorized and performed prior to July 1, 1995, plus any years of prior service authorized under this title, plus
 - (2) two percent (2%) of the member's average salary upon which member contributions were made, multiplied by the number of the member's years of credited service authorized and performed after June 30, 1995, or
- c. if the member became a member or is eligible to become a member prior to July 1, 1995, and was eligible to elect to have a maximum compensation level in excess of Twenty-five Thousand Dollars (\$25,000.00) and did not elect or elected not to have a maximum compensation level of Forty Thousand Dollars (\$40,000.00) pursuant to paragraph 1 of subsection C of this section or pursuant to subsection E of this section, in an amount equal to:
 - (1) two percent (2%) of the member's average salary upon which member contributions were made not to exceed Twenty-five Thousand Dollars (\$25,000.00), multiplied by the number of the member's years of credited service authorized and performed prior to July 1, 1995, plus any years of prior service authorized under this title, plus
 - (2) two percent (2%) of the member's average salary upon which member contributions were made, multiplied by the number of the member's years of credited service authorized and performed after June 30, 1995.

B. Except as otherwise provided for in this section, the amount contributed by each member to the retirement system shall be:

1. Beginning July 1, 1992 through June 30, 1996, six percent (6%) of the regular annual compensation of such member not in excess of Twenty-five Thousand Dollars (\$25,000.00); and

2. Beginning July 1, 1996 through June 30, 1997, six and one-half percent (6 1/2%) of the regular annual compensation of such member not in excess of Twenty-five Thousand Dollars (\$25,000.00); and

3. Beginning July 1, 1997, seven percent (7%) of the regular annual compensation of such member.

C. 1. Prior to July 1, 1995, an active member of the System may elect to have a maximum compensation level of Forty Thousand Dollars (\$40,000.00). Such an election shall be made in writing and filed with the System. Members whose salaries are in excess of Twenty-five Thousand Dollars (\$25,000.00) on the effective date of this act shall file the election with the System prior to January 1, 1988. Members whose salaries exceed Twenty-five Thousand Dollars (\$25,000.00) after the effective date of this act shall file the election when the salary exceeds Twenty-five Thousand Dollars (\$25,000.00). If a member makes such an election, the member shall contribute the following amounts:

- a. beginning July 1, 1992 through June 30, 1993, eleven percent (11%) of the regular annual compensation of such member that is in excess of Twenty-five Thousand Dollars (\$25,000.00) and is not in excess of Forty Thousand Dollars (\$40,000.00),
- b. beginning July 1, 1993 through June 30, 1994, nine percent (9%) of the regular annual compensation of such member that is in excess of Twenty-five Thousand Dollars (\$25,000.00) and is not in excess of Forty Thousand Dollars (\$40,000.00), and
- c. beginning July 1, 1994 through June 30, 1995, eight percent (8%) of the regular annual compensation of such member that is in excess of Twenty-five Thousand Dollars (\$25,000.00) and is not in excess of Forty Thousand Dollars (\$40,000.00). Except as provided in subsection E of this section, any such election shall be irrevocable.

2. After June 30, 1995, in addition to the amount contributed by each member to the retirement system pursuant to subsection B of this section, the total amount contributed by each member to the retirement system shall include, beginning July 1, 1995 through June 30, 1997, seven percent (7%) of the regular annual compensation of each member that is in excess of Twenty-five Thousand Dollars (\$25,000.00).

D. For purposes of this act, regular annual compensation shall include:

1. Normal periodic payments of money for service the right to which accrues on a regular basis in proportion to the service performed, such periodic payments shall include payments for staff development or other periodic payments to qualifying employees of the employer;

2. Amounts that would otherwise qualify as salary under paragraph 1 of this subsection but are not received directly by the member pursuant to a good faith, voluntary written salary reduction agreement in order to finance payments to a deferred compensation or tax-sheltered annuity program or to finance benefit options under a cafeteria plan qualifying under the United States Internal Revenue Code, 26 U.S.C., Section 101 et seq.;

3. Group health and disability insurance, group term life insurance, annuities and pension plans, provided on a periodic basis to all qualified employees of the employer, which qualify as fringe benefits under the United States Internal Revenue Code.

Excluded from regular annual compensation are expense payments, allowances, payment for unused vacation and sick leave, any payment made for reason of termination or retirement not specifically provided for in paragraphs 1 through 3 of this subsection, maintenance or other nonmonetary compensation, payment received as an independent contractor or consultant, any benefit payments not made pursuant to a valid employment agreement, or any compensation not described in paragraphs 1 through 3 of this subsection.

E. 1. Any member who was a contributing member of the Retirement System between July 1, 1987, and June 30, 1995, who at the time the member was eligible to make an election to increase the maximum compensation level of the member, failed to make an election or chose not to increase the maximum compensation level of the member to Forty Thousand Dollars (\$40,000.00), may elect to make back contributions to the Retirement System. The member shall complete a new election form and file with the Board of Trustees, the form and a payment equaling the difference between the amount contributed at the twenty-five-thousand-dollar level and the appropriate contribution on compensation in excess of Twenty-five Thousand Dollars (\$25,000.00) up to a maximum of Forty Thousand Dollars (\$40,000.00) shall be made prior to the official retirement date of the member. The required payment shall include any contribution required by the employing school district, and shall include interest compounded annually at ten percent (10%) per annum of both employer and employee contributions.

2. Any changes made pursuant to this subsection shall be irrevocable.

F. 1. An individual who withdrew from the Teachers' Retirement System and whose salary was in excess of Seven Thousand Eight Hundred Dollars (\$7,800.00) and had elected to contribute only on Seven Thousand Eight Hundred Dollars (\$7,800.00) before his withdrawal shall contribute on the earning ceiling as provided for in this section on his reentry into membership in the Teachers' Retirement System.

2. An individual who elected to contribute on a maximum of Seven Thousand Eight Hundred Dollars (\$7,800.00) per annum shall, beginning July 1, 1979, contribute on his earning ceiling as provided for in this section.

3. Any member who elected to contribute on Seven Thousand Eight Hundred Dollars (\$7,800.00) prior to January 1, 1978, and whose salary was more than Seven Thousand Eight Hundred Dollars (\$7,800.00) during the school years 1974-75 through 1978-79 may elect to make back contributions to the retirement system by paying the five percent (5%) contributions on the difference between Seven Thousand Eight Hundred Dollars (\$7,800.00) and the actual salary of the member, not to exceed Ten Thousand Dollars (\$10,000.00) for each applicable school year, plus interest compounded annually at ten percent (10%) per annum. Such payment shall be made prior to the official retirement date of the member.

G. Each employer shall cause to be deducted from the salary of each member on each and every payroll of such employer for each and every payroll period, the proper percentage of his earnable compensation as provided for in subsection B of this section.

1. Deductions shall begin with the first payroll period of the school year. In determining the amount earnable by a member in a payroll period, the Board of Trustees shall consider the rate of

annual compensation payable to such member on the first day of the payroll period as continuing throughout such payroll period, and it may omit deductions from compensation for any period less than a full period, and to facilitate the making of deductions, it may modify the deduction required of any member by such an amount as shall not exceed one-tenth of one percent (1/10 of 1%) of the annual compensation upon the basis of which such deduction is to be made. Prior to January 1, 1991, any active contributing member who joined the System subsequent to July 1, 1943, may pay the normal cost, which shall mean the single sum which would have been paid under existing statutes at the time the service was performed, plus interest, for years of teaching service in Oklahoma from the date of establishment of the System in 1943 to date of membership, in a lump-sum, or in installments equal to establishing one (1) year of creditable service. Effective January 1, 1991, any active contributing member who joined the System subsequent to July 1, 1943, may pay the amount determined by the Board of Trustees pursuant to Section 17-116.8 of this title for years of teaching service in Oklahoma from the date of establishment of the System in 1943 to date of membership, in a lump-sum, or in installments equal to establishing one (1) year of creditable service. For purposes of this option, teaching service in Oklahoma shall include the teaching of vocational agricultural courses within Oklahoma for the federal government. Years for which contributions are paid shall count as membership service under this plan. A member may receive credit for not more than five (5) years of teaching service rendered while in the Peace Corps or in the public schools of a territory of the United States or the public schools, American Military Dependent Schools or state colleges or state universities outside this state by paying his contributions, plus interest, and membership fees to the retirement system, subject to the regulations of the Board of Trustees, providing he is not receiving and is not eligible to receive retirement credit or benefits from said service in any other public retirement system of this state, or any other state or territory of the United States subject to the following provisions:

- a. the member is required to have two (2) years of employed service teaching earned in Oklahoma for each year of Peace Corps, territorial, out-of-state, noncovered in-state or military membership credit granted.
- b. prior to January 1, 1991, the out-of-state or noncovered in-state payment shall be the normal cost, which means the single sum which would have been paid under existing law at the time the service was performed, plus interest, on the basis of what his annual salary would have been in Oklahoma or out of state, whichever is greater, had he been employed as a teacher. Effective January 1, 1991, the Peace Corps, territorial, out-of-state or noncovered in-state payment shall be the amount determined by the Board of Trustees pursuant to Section 17-116.8 of this title.

2. In addition to the deductions hereinabove provided for, any member who becomes a member of the Armed Forces of the United States of America during any period of national emergency, including World War II, the Korean conflict, the Vietnam conflict or others as may be determined by the Board of Trustees, or whose entrance into or training for the teaching profession was interrupted by his entrance into the Armed Forces, and who was or shall have become a member of the Teachers' Retirement System shall be granted the privilege of making up his five percent (5%) contributions as provided for in

this section until January 1, 1991, for not to exceed five (5) years of service in the Armed Forces by electing to pay said contributions on the basis of the rate of pay in his contract as a teacher at the time his service in the Armed Forces commenced or in the case of a teacher who was not teaching prior to entering the Armed Forces, on the basis of the salary of the first year of teaching after being honorably discharged from the Armed Forces. Effective January 1, 1991, the member will receive such service upon payment of the amount determined by the Board of Trustees pursuant to Section 17-116.8 of this title. Such contributions shall be credited in the regular manner, and the period for which said contributions were paid shall be counted as creditable years of service and allocated to the period during which the military service was rendered, except that the period for which contributions were paid must have been continuous and shall be credited in the aggregate, regardless of fiscal year limitations.

3. Retirement benefits for all service credits purchased pursuant to this subsection shall be determined in accordance with the provisions of paragraph 2 of this subsection.

H. For those members who joined the System prior to July 1, 1992, the total creditable service of a member who retires or terminates employment and elects a vested benefit shall include not to exceed one hundred twenty (120) days of unused sick leave accumulated subsequent to August 1, 1959. Twenty (20) days of unused sick leave shall equal one (1) month for purposes of creditable service credit. If the member becomes a member or was eligible to become a member prior to July 1, 1995, the year of credit received in this section shall be treated as service earned prior to July 1, 1995. This paragraph shall apply to members retiring or vesting on or after the effective date of this act and shall not be retroactive.

I. Any member who shall be absent from the teaching service because of election to the State Legislature or appointment to the executive branch in an education-related capacity shall be allowed to retain his membership in the Teachers' Retirement System upon payment of the contribution required of other members and employers of said members as provided for in this section and his service credits shall continue to be accumulated during such absence, provided he is not receiving and is not eligible to receive retirement credits or benefits from said service beginning after July 1, 1992, in other public retirement systems.

J. Any member who shall be absent from the teaching service because of election or appointment as a local, state or national education association officer shall be allowed to retain his membership in the Teachers' Retirement System upon payment of the contribution required of other members and employers of said members as provided for in this section and his service credits shall continue to be accumulated during such absence. Provided, however, any one such absence shall not exceed eight (8) continuous years.

K. A member may receive credit for those years of service accumulated by the member while employed by an entity which is a participating employer in the Oklahoma Firefighters Pension and Retirement System, the Oklahoma Police Pension and Retirement System, the Uniform Retirement System for Justices and Judges, the Oklahoma Law Enforcement Retirement System, or the Oklahoma Public Employees Retirement System, if the member is not receiving or eligible to receive retirement credit or benefits from said service in any other public retirement system. A member also may receive credit for those years of service with the Oklahoma Department of Wildlife or with an employer that is a participating employer within

one of the state retirement systems specifically referred to in this section when at the time of such service by the member the employer was not such a participating employer, if the member is not receiving or eligible to receive retirement credit or benefits from said service in any other public retirement system. To receive the service credit provided in this subsection, the member shall pay the amount determined by the Board of Trustees pursuant to Section 17-116.8 of this title. For purposes of this subsection, creditable service transferred from the Oklahoma Public Employees Retirement System shall include service authorized under paragraph (f) of subsection (2) of Section 913 of Title 74 of the Oklahoma Statutes as amended from time to time. Members who retire prior to July 1, 1993, shall have their monthly benefit adjusted to include all services accrued under paragraph (f) of subsection (2) of Section 913 of Title 74 of the Oklahoma Statutes. Provided however, any adjustment of existing retirement benefits caused by reason of inclusion of such service authorized under paragraph (f) of subsection (2) of Section 913 of Title 74 of the Oklahoma Statutes shall not affect any retirement benefit paid prior to July 1, 1993.

L. Any member whose regular annual compensation was not determined as provided for by law may pay the member contribution required pursuant to subsection B of this section on such amount not included in the member's regular annual compensation and receive credit for such amount in the calculation of the member's benefit. The employees must pay the employer contributions required pursuant to Section 17-108.1 of this title. Interest at the rate of ten percent (10%) per annum shall be charged to both employee and employer contributions.

M. Any active member who elected during the 1978-79 school year to pay the difference between five percent (5%) on actual salary not exceeding Ten Thousand Dollars (\$10,000.00) and six percent (6%) on actual salary not exceeding Fifteen Thousand Dollars (\$15,000.00) shall receive credit for one (1) year of credited service upon receipt and approval of a proper request by the Board of Trustees.

N. Effective July 1, 1988, any member who is employed by the Governor, the State Senate, the House of Representatives or the Legislative Service Bureau shall be allowed to elect to retain membership in the Retirement System upon payment of the accrued and current member contributions and employer contributions as provided in subsection B of this section and Section 17-108.1 of this title. Such contributions may be paid on behalf of the member by the employing entity. Upon payment of such contributions, service credits shall continue to be accumulated during such employment. Accrued contributions shall be paid to the Retirement System by August 1, 1989. Current contributions shall be paid to the Retirement System by the tenth of the following month beginning with the month of July 1989.

SECTION 8. AMENDATORY 74 O.S. 1991, Section 902, as last amended by Section 31 of Enrolled House Bill No. 2299 of the 2nd Session of the 44th Oklahoma Legislature, is amended to read as follows:

Section 902. As used in this act:

(1) "System" means the Oklahoma Public Employees Retirement System as established by this act and as it may hereafter be amended;

(2) "Accumulated contributions" means the sum of all contributions by a member to the System which shall be credited to the member's account;

(3) "Act" means Sections 901 to 932, inclusive, of this title;

(4) "Actuarial equivalent" means a deferred income benefit of equal value to the accumulated deposits or benefits when computed upon the basis of the actuarial tables in use by the System;

(5) "Actuarial tables" means the actuarial tables approved and in use by the Board at any given time;

(6) "Actuary" means the actuary or firm of actuaries employed by the Board at any given time;

(7) "Agent" means the individual designated by each participating employer through whom System transactions and communication shall be directed;

(8) "Beneficiary" means any person named by a member to receive any benefits as provided for by this act. If there is no beneficiary living at time of member employee's death, his estate shall be the beneficiary;

(9) "Board" means the Oklahoma Public Employees Retirement System Board of Trustees;

(10) "Compensation" means all salary and wages, including amounts deferred under deferred compensation agreements entered into between a member and a participating employer, but exclusive of payment for overtime, payable to a member of the System for personal services performed for a participating employer, including maintenance, or any allowance in lieu thereof provided a member as a part of compensation but shall not include compensation or reimbursement for traveling, or moving expenses, or except as otherwise provided in this paragraph, any compensation in excess of ~~Twenty-five Thousand Dollars (\$25,000.00)~~ per annum which shall be the maximum compensation level. ~~An active member of the System may elect to have a maximum compensation level of Forty Thousand Dollars (\$40,000.00) per annum. Such an election shall be made in writing and filed with the System. Any member, who at the time the member was eligible to make an election to increase the member's maximum compensation level failed to make an election or chose not to increase the maximum compensation level of the member to Forty Thousand Dollars (\$40,000.00), may elect to increase the member's maximum compensation level if the election is made within three (3) years of the member's initial opportunity to make the election. Any such member making the election shall pay to the System the amount of contribution the member would have paid had the member made the election on January 1, 1988. Any member, who at the time the member was eligible to make an election to increase the member's maximum compensation level chose to increase the compensation level of the member to Forty Thousand Dollars (\$40,000.00), may elect to decrease the member's maximum compensation level to Twenty-five Thousand Dollars (\$25,000.00) if the election is made within three (3) years of the initial election to increase the maximum compensation level. Upon the receipt of the election to reduce the maximum compensation level, the Board shall pay to the member the contribution made by the member in excess of the contribution required on a maximum compensation level of Twenty-five Thousand Dollars (\$25,000.00) within sixty (60) days of said election. Members whose salaries exceed Twenty-five Thousand Dollars (\$25,000.00) after the effective date of this act shall file the election when the salary exceeds Twenty-five Thousand Dollars (\$25,000.00). Any such election by a member shall be irrevocable. Salary, provided:~~

(a) For compensation for service prior to July 1, 1994, the maximum compensation level shall be Twenty-five Thousand Dollars (\$25,000.00) per annum, unless the member made an election, in writing and filed with the System, to increase the member's maximum compensation level to Forty Thousand Dollars (\$40,000.00) per

annum. The election and payment of all contributions due must have been completed within three (3) years of the member's initial opportunity to increase the compensation level. Any active member whose initial opportunity to make the election was on or after July 1, 1991, but no later than June 30, 1994, may make the election by filing the written election form with the System and paying the amount of contribution the member would have paid had the member made the election when initially eligible; provided, this election and payment must be completed no later than February 1, 1995.

(b) For compensation for service on or after July 1, 1994, through June 30, 1995, the maximum compensation level shall be Fifty Thousand Dollars (\$50,000.00) per annum; for compensation for service on or after July 1, 1995, through June 30, 1996, the maximum compensation level shall be Sixty Thousand Dollars (\$60,000.00) per annum; for compensation for service on or after July 1, 1996 through June 30, 1997, the maximum compensation level shall be Seventy Thousand Dollars (\$70,000.00) per annum; and for compensation for service on or after July 1, 1997 through June 30, 1998, the maximum compensation level shall be Eighty Thousand Dollars (\$80,000.00) per annum. For compensation for services on or after July 1, 1998, there shall be no maximum compensation level for retirement purposes.

(c) Any active member whose compensation exceeded Twenty-five Thousand Dollars (\$25,000.00) prior to July 1, 1994, and who failed to make a timely election to increase the member's maximum compensation level pursuant to paragraph (a) of this subsection, may do so at any time prior to retirement. Any such member electing this maximum compensation level for service prior to July 1, 1994, shall pay to the System a sum equal to the total amount of contributions that would have been required by the member had a timely election been made, plus seven and one-half percent (7.5%) interest compounded annually. Members so making this election may amortize the payments as provided in subsection B of Section 913.5 of this title.

(d) Compensation for retirement purposes shall include any amount of elective salary reduction under Section 457 of the Internal Revenue Code of 1986 and any amount of non-elective salary reduction under Section 414(h) of the Internal Revenue Code of 1986.

(e) A member who has voluntarily elected to ~~contribute at~~ increase the maximum compensation level pursuant to paragraph (a) of this subsection, upon retirement, shall be refunded, pursuant to procedures established by the Board, the employee contributions made on compensation which is in excess of the final average compensation of the member and was not used to determine the member's final average compensation;

(11) "Credited service" means the sum of participating service, prior service and elected service;

(12) "Dependent" means a parent, child, or spouse of a member who is dependent upon the member for at least one-half (1/2) of his support;

(13) "Effective date" means the date upon which the System becomes effective by operation of law;

(14) "Eligible employer" means the state and any county, county hospital, city or town, conservation districts, and any public or private trust in which a county, city or town participates and is the primary beneficiary is to be an eligible employer for the purpose of this act only, whose employees are covered by Social Security and are not covered by or eligible for another retirement plan authorized under the laws of this state which is in operation on the initial entry date. Emergency medical service districts may join the System upon proper application to the Board. Provided affiliation by a county hospital shall be in the form of a resolution adopted by the board of control.

(a) If a class or several classes of employees of any above-defined employers are covered by Social Security and are not covered by or eligible for and will not become eligible for another retirement plan authorized under the laws of this state, which is in operation on the effective date, such employer shall be deemed an eligible employer, but only with respect to that class or those classes of employees as defined in this section.

(b) A class or several classes of employees who are covered by Social Security and are not covered by or eligible for and will not become eligible for another retirement plan authorized under the laws of this state, which is in operation on the effective date, and when the qualifications for employment in such class or classes are set by state law; and when such class or classes of employees are employed by county or municipal government pursuant to such qualifications; and when the services provided by such employees are of such nature that they qualify for matching by or contributions from state or federal funds administered by an agency of state government which qualifies as a participating employer, then the agency of state government administering the state or federal funds shall be deemed an eligible employer, but only with respect to that class or those classes of employees as defined in this subsection; provided, that the required contributions to the retirement plan may be withheld from the contributions of state or federal funds administered by the state agency and transmitted to the System on the same basis as the employee and employer contributions are transmitted for the direct employees of the state agency. The retirement or eligibility for retirement under the provisions of law providing pensions for service as a volunteer fire fighter shall not render any person ineligible for participation in the benefits provided for in this act. An employee of any public or private trust in which a county, city or town participates and is the primary beneficiary shall be deemed to be an eligible employee for the purpose of this act only;

(15) "Employee" means any officer or employee of a participating employer, whose employment is not seasonal or temporary and whose employment requires at least one thousand (1,000) hours of work per year and whose salary or wage is equal to the hourly rate of the monthly minimum wage for state employees as provided in Section 284 of this title. For those eligible employers

outlined in Section 910 of this title, the rate shall be equal to the hourly rate of the monthly minimum wage for that employer. Each employer, whose minimum wage is less than the state's minimum wage, shall inform the System of the minimum wage for that employer. This notification shall be by resolution of the governing body.

- (a) Any employee of the county extension agents who is not currently participating in the Teachers' Retirement System shall be a member of this System.
- (b) Eligibility shall not include any employee who is a contributing member of the United States Civil Service Retirement System.
- (c) It shall be mandatory for an officer, appointee or employee of the office of district attorney to become a member of this System if he is not currently participating in a county retirement system. Provided further, that if an officer, appointee or employee of the office of district attorney is currently participating in such county retirement system, he is ineligible for this System as long as he is eligible for such county retirement system. Any eligible officer, appointee or employee of the office of district attorney shall be given credit for prior service as defined in this section. The provisions outlined in Section 917 of this title shall apply to those employees who have previously withdrawn their contributions.
- (d) Eligibility shall also not include any officer or employee of the Oklahoma Employment Security Commission, except for those officers and employees of the Commission electing to transfer to this System pursuant to the provisions of Section 910.1 of this title or any other class of officers or employees specifically exempted by the laws of this state, unless there be a consolidation as provided by Section 912 of this title. Employees of the Oklahoma Employment Security Commission who are ineligible for enrollment in the Employment Security Commission Retirement Plan, that was in effect on January 1, 1964, shall become members of this System.
- (e) Any employee employed by the Legislative Service Bureau, State Senate or House of Representatives for the full duration of a regular legislative session shall be eligible for membership in the System regardless of classification as a temporary employee and may participate in the System during the regular legislative session at the option of the employee. For purposes of this subsection, the determination of whether an employee is employed for the full duration of a regular legislative session shall be made by the Legislative Service Bureau if such employee is employed by the Legislative Service Bureau, the State Senate if such employee is employed by the State Senate, or by the House of Representatives if such employee is employed by the House of Representatives. Once such an employee makes a choice to participate or not, the choice shall be binding for all future legislative sessions during which the employee is employed. Notwithstanding the previous sentence, any employee, who is eligible for membership in the System because of the provisions of this subsection and who

was employed by the State Senate or House of Representatives after January 1, 1989, may file an election, in a manner specified by the Board, to participate as a member of the System prior to September 1, 1989. Each regular legislative session during which a legislative employee or an employee of the Legislative Service Bureau participates full time shall be counted as six (6) months of full-time participating service. Notwithstanding the provisions of this paragraph, a temporary legislative session employee who elected to become a member of the System may withdraw from the System effective the day said employee elected to participate in the System upon written request to the Board. Any such request must be received by the Board prior to October 1, 1990. All employee contributions made by the temporary legislative session employee shall be returned to the employee without interest within four (4) months of receipt of the written request;

(16) "Entry date" means the date as of which an eligible employer joins the System. The first entry date pursuant to this act shall be January 1, 1964;

(17) "Executive Director" means the managing officer of the System employed by the Board under this act;

(18) "Final average compensation" means the average annual salary, including amounts deferred under deferred compensation agreements entered into between a member and a participating employer, up to, but not exceeding the ~~allowable amounts defined maximum compensation levels as provided in subsection (10) of this section received during any three (3) of the last ten (10) years of participating service immediately preceding retirement or termination of employment, or, if participating service is less than three (3) years, the average annual compensation up to but not exceeding the allowable amounts defined in subsection (10) of this section paid to the member during the full period of participating service as follows:~~

- (a) for service rendered prior to July 1, 1994, the highest three (3) of the last ten (10) years of participating service immediately preceding July 1, 1994, or, if participating service is less than three (3) years, the full period of participating service prior to July 1, 1994. Provided, no member shall retire with a final average salary compensation for service rendered prior to July 1, 1994, in excess of Twenty-five Thousand Dollars (\$25,000.00) unless the member has made the required election and has paid the required contributions on such salary in excess of Twenty-five Thousand Dollars (\$25,000.00); and
- (b) for service rendered after July 1, 1994, the highest three (3) of the last ten (10) years of participating service immediately preceding retirement or termination of employment, or if participating service is less than three (3) years, the full period of participating service after July 1, 1994;

(19) "Fiscal year" means the period commencing July 1 of any year and ending June 30 of the next year;

(20) "Fund" means the Oklahoma Public Employees Retirement Fund as created by this act;

(21) "Leave of absence" means a period of absence from employment without pay, authorized and approved by the employer and

acknowledged to the Board, and which after the effective date does not exceed two (2) years;

(22) "Member" means an eligible employee or elected official who is in the System and is making the required employee or elected official contributions, or any former employee or elected official who shall have made the required contributions to the System and shall have not received a refund or withdrawal;

(23) "Military service" means service in the Armed Forces of the United States in time of war or national emergency, as defined in Section 67.13a of Title 72, from which the member was honorably discharged;

(24) "Normal retirement date" means the date on which a member may retire with full retirement benefits as provided in this act, such date being whichever occurs first:

- (a) the first day of the month coinciding with or following a member's sixty-second birthday;
- (b) for any person who became a member prior to July 1, 1992, the first day of the month coinciding with or following the date at which the sum of a member's age and number of years of credited service total eighty (80);
- (c) for any person who became a member after June 30, 1992, the first day of the month coinciding with or following the date at which the sum of a member's age and number of years of credited service total ninety (90); or
- (d) in addition to subparagraphs (a), (b) and (c) of this paragraph, the first day of the month coinciding with or following a member's fiftieth birthday if the member has at least twenty (20) years of full-time-equivalent employment as a correctional or probation and parole officer with the Department of Corrections and at the time of retirement, the member was a correctional or probation and parole officer with the Department of Corrections;

(25) "Participating employer" means an eligible employer who has agreed to make contributions to the System on behalf of its employees;

(26) "Participating service" means the period of employment after the entry date for which credit is granted a member;

(27) "Prior service" means the period of employment of a member by an eligible employer prior to his entry date for which credit is granted a member under this act;

(28) "Retirant" means a member who has retired under the System;

(29) "Retirement benefit" means a monthly income with benefits accruing from the first day of the month coinciding with or following retirement and ending on the last day of the month in which death occurs or the actuarial equivalent thereof paid in such manner as specified by the member pursuant to this act or as otherwise allowed to be paid at the discretion of the Board;

(30) "Social Security" means the old-age survivors and disability section of the Federal Social Security Act;

(31) "Total disability" means a physical or mental disability accepted for disability benefits by the Federal Social Security System;

(32) "Service-connected disability benefits" means military service benefits which are for a service-connected disability rated at twenty percent (20%) or more by the Veterans Administration or the Armed Forces of the United States;

(33) "Elected official" means a person elected to a state office in the legislative or executive branch of state government or a person elected to a county office for a definite number of years and shall include an individual who is appointed to fill the unexpired term of an elected state official;

(34) "Elected service" means the period of service as an elected official; and

(35) "Limitation year" means the year used in applying the limitations of Section 415 of the Internal Revenue Code of 1986, which year shall be the calendar year.

SECTION 9. AMENDATORY 74 O.S. 1991, Section 913.4, is amended to read as follows:

Section 913.4 A. An elected official may elect to participate in the System and if he elects to do so shall have the option of contributing at any one of the below listed percentage factors and will receive retirement benefits in accordance with the percentage factor chosen. Contributions and benefits will be based upon his annual compensation as defined in Section 902 of this title. Employer and employee contributions shall be remitted monthly, or as the Board may otherwise provide, to the Executive Director for deposit in the Oklahoma Public Employees Retirement Fund. ~~Beginning July 1, 1987, and continuing through June 30, 1988, the participating employer shall contribute five and seven hundred fourteen one-thousandths percent (5.714%) of the annual compensation. Effective July 1, 1988, the participating employer shall contribute ten percent (10%) of the annual compensation.~~ Effective July 1, 1994, and thereafter, the participating employer shall contribute as provided in Section 920 of this title.

Effective July 1, 1994, and thereafter, the member contributions and the computation factor selected shall be based on the entire compensation as an elected official subject to the definition and maximum compensation levels as set forth in subsection (10) of Section 902 of this title and shall be as follows:

Percent of Contribution	Computation Factor	Alternate Formula
4 1/2%	.019	\$12.50
6%	.025	\$20.00
7 1/2%	.030	\$25.00
8 1/2%	.034	\$27.50
9%	.036	\$30.00
10%	.040	\$40.00

B. The normal retirement date for an elected official shall be the first day of the month coinciding with or following the official's sixtieth birthday or the first day of the month coinciding with or following the date at which the sum of the elected official's age and number of years of credited service total eighty (80). Provided further, that any elective official who has a minimum of ten (10) years' participating service may retire under the early retirement provisions of this act, including those electing a vested benefit and shall receive an adjustment of annual benefits in accordance with the following percentage schedule:

Age	Percentage of Normal Retirement Benefits
60	100%
59	94%
58	88%
57	82%
56	76%

C. Any elected official shall receive annual benefits computed ~~by multiplying the applicable computation factor times the official's highest annual salary but not to exceed Forty Thousand Dollars (\$40,000.00), received as an elected official times the number of years of credited service as follows:~~

1. The computation factor selected multiplied by the member's highest annual compensation received as an elected official prior to July 1, 1994, as determined pursuant to subsection (10) of Section 902 of this title, multiplied by the number of years of credited service rendered or attributed to time prior to July 1, 1994, that has been credited to the member in accordance with the provisions of this section;

2. The computation factor selected multiplied by the member's highest annual compensation received as an elected official after July 1, 1994, as determined pursuant to subsection (10) of Section 902 of this title, multiplied by the number of years of credited service rendered or attributed to time after July 1, 1994, that has been credited to the member in accordance with the provisions of this section;

3. Provided, however, for purposes of determining the official's number of years of credited service, for every twelve (12) months of participating service as an elected official rendered after July 1, 1994, twelve (12) months of participating service as an elected official rendered prior to July 1, 1994, shall be subtracted from the calculation of benefits in paragraph 1 of subsection C of this section and shall be utilized in the calculation of benefits in paragraph 2 of subsection C of this section. Members who failed to elect to increase the maximum compensation level pursuant to subsection (10) of Section 902 of this title shall not be eligible for the service credit adjustment provided for in this paragraph.

The retirement benefit may be computed pursuant to the provisions of Section 915 of this title if the benefit would be higher. Elected officials who have a vested benefit prior to July 1, 1980, may elect to receive annual benefits based on the alternate formula provided above. Such annual benefits shall be paid in equal monthly installments.

D. Any elected official making one of the above elections and later selecting a higher rate shall contribute to the System a sum equal to the amount which he would have contributed if he had made such election at the time he first became eligible, plus interest as determined by the Board, in order to receive the additional benefits for all service as an elected official; otherwise, the additional benefits shall be applicable only to service for which the elected official pays the appropriate percent of contributions to the System.

E. An elected official who has a vested benefit on July 1, 1982, may elect to receive benefits based upon a higher contribution rate than the official previously contributed by paying to the System the contributions, plus interest as determined by the Board, due at the higher rate as if that rate had been in effect at the time the official accepted a vested benefit.

F. The surviving spouse of a deceased elected official having at least six (6) years of credited service shall be entitled to receive survivor benefits in the amount herein prescribed, if married to the decedent continuously for a period of at least three (3) years immediately preceding the elected official's death. Survivor benefits shall be payable when the spouse or the deceased member would have met the requirements for normal or early

retirement. The amount of the benefits the surviving spouse may receive shall be fifty percent (50%) of the amount of benefits the deceased elected official was receiving or will be eligible to receive. Remarriage of a surviving spouse shall disqualify the spouse for the receipt of survivor benefits. Elected officials may elect a retirement option as provided in Section 918 of this title in lieu of the survivors benefit provided above.

Provided, however, elected officials who have a minimum of six (6) years of participating service shall be entitled to elect a vested benefit and shall be entitled to the retirement options as provided in Section 918 of this title in lieu of the survivors benefit provided above.

G. Any elected official who served in the Armed Forces of the United States, as defined in paragraph (23) of Section 902 of this title, prior to membership in the Oklahoma Public Employees Retirement System shall be granted credited service of not to exceed five (5) years for those periods of active military service during which the elected official was a war veteran.

H. Any one appointed or elected to an elected position after July 1, 1990, shall not be eligible to receive benefits as provided in this section until such person has participated as an elected official for six (6) years.

SECTION 10. AMENDATORY 74 O.S. 1991, Section 915, as last amended by Section 48 of Enrolled House Bill No. 2331 of the 2nd Session of the 44th Oklahoma Legislature, is amended to read as follows:

Section 915. A. (1) Except as provided in paragraph (2) of this subsection and as provided for elected officials in Section 913.4 of this title, any member who shall retire on or after his normal retirement date shall be entitled to receive an annual retirement benefit equal to:

- a. two percent (2%) of the member's final average compensation as determined pursuant to paragraph (a) of subsection (18) of Section 902 of this title, multiplied by the number of years credited service rendered or attributed to time prior to July 1, 1994, that has been credited to the member in accordance with the provisions of Section 913 of this title; however, the minimum amount shall be no less than the sum of One Hundred Twenty Dollars (\$120.00) per annum multiplied by the number of years of credited service. Any, and
- b. two percent (2%) of the member's final average compensation as determined pursuant to paragraph (b) of subsection (18) of Section 902 of this title, multiplied by the number of years of credited service rendered or attributed to time after July 1, 1994, that has been credited to the member in accordance with the provisions of Section 913 of this title,
- c. provided, however, for purposes of determining the member's number of years of credited service, for every twelve (12) months of participating service rendered after July 1, 1994, twelve (12) months of participating service rendered prior to July 1, 1994, shall be subtracted from the calculation of benefits in subparagraph a of paragraph (1) of this section and shall be utilized in the calculation of benefits in subparagraph b of paragraph (1) of this subsection. Members who failed to elect to increase the maximum compensation level pursuant to subsection (10) of

Section 902 of this title shall not be eligible for the service credit adjustment provided for in this subparagraph,

- d. provided, further, the minimum final average compensation for any member retiring on or after July 1, 1994, shall be no less than Thirteen Thousand Eight Hundred Dollars (\$13,800.00) per annum multiplied by the number of years of credited service and reduced as provided by subsection A or subsection B, as applicable, of Section 930.3 of this title,
- e. any member who has elected a vested benefit pursuant to Section 917 of this title shall be entitled to receive benefits as outlined above in this section except the percent factor of the member's final average compensation in effect the date his employment was terminated with a participating employer shall be applicable.

(2) Any member who is a correctional officer or a probation and parole officer employed by the Department of Corrections at the time of retirement shall be entitled to receive an annual retirement benefit equal to two and one-half percent (2 1/2%) of the final average compensation of the member not to exceed Twenty-five Thousand Dollars (\$25,000.00) and two percent (2%) of the final average salary in excess of Twenty-five Thousand Dollars (\$25,000.00) if elected by the member pursuant to Section 902 of this title but not exceeding ~~Forty Thousand Dollars (\$40,000.00)~~ the maximum compensation level as provided in subsection (10) of Section 902 of this title, multiplied by the number of years of service as a correctional officer or a probation and parole officer, provided, any years accrued prior to July 1, 1990, as a correctional officer or a probation and parole officer by a member who is employed as a correctional officer or a probation and parole officer on July 1, 1990, shall be calculated for retirement purposes at two and one-quarter percent (2 1/4%) of the final average compensation of the member not to exceed Twenty-five Thousand Dollars (\$25,000.00) and two percent (2%) of the final average salary in excess of Twenty-five Thousand Dollars (\$25,000.00) if elected by the member pursuant to Section 902 of this title but not exceeding Forty Thousand Dollars (\$40,000.00), multiplied by the number of years of such service and any years in excess of twenty (20) years as such an officer or years credited to the member in accordance with the provisions of Section 913 of this title shall be calculated for retirement purposes at two percent (2%) of the final average compensation of the member multiplied by the number of years of such service. Any person who contributes to the System as a correctional officer or a probation and parole officer as provided in paragraph ~~(b)~~ (c) of subsection (1) of Section 919.1 of this title, and who does not qualify for normal retirement under subparagraph (c) of paragraph (24) of Section 902 of this title shall have retirement benefits for each year of full-time-equivalent participating service as a correctional or a probation and parole officer after July 1, 1990 computed on two and one-half percent (2 1/2%) of the final average compensation based upon those years as a correctional officer or a probation and parole officer.

(3) Upon death of a retirant, there shall be paid to his beneficiary an amount equal to the excess, if any, of his accumulated contributions over the sum of all retirement benefit payments made.

(4) Such annual retirement benefits shall be paid in equal monthly installments, except that the Board may provide for the

payment of retirement benefits which total less than Two Hundred Forty Dollars (\$240.00) a year on other than a monthly basis.

(5) Pursuant to the rules established by the Board, a retiree receiving monthly benefits from the System may authorize warrant deductions for any products currently offered to active state employees through the Employees Benefits Council, provided that product is offered to state retirees as a group and has a minimum participation of five hundred state retirees. The System has no responsibility for the marketing, enrolling or administration of such products, but shall retain a processing fee of two percent (2%) of the gross deductions for the products. Retirement benefit deductions shall be made for membership dues for any statewide association for which payroll deductions are authorized pursuant to subsection B of Section 7.10 of Title 62 of the Oklahoma Statutes for retired members of any state-supported retirement system, upon proper authorization given by the member to the board from which the member or beneficiary is currently receiving retirement benefits.

B. A member shall be considered disabled if such member qualifies for the payment of Social Security disability benefits, and shall be eligible for benefits hereunder upon proof of such disability, provided such member is an active regularly scheduled employee with a participating employer at the time of injury or inception of illness or disease resulting in subsequent certification of eligibility for Social Security disability benefits by reason of such injury, illness or disease, providing such disability is certified by the Social Security Administration within one (1) year after the last date physically on the job and after completion of at least eight (8) years of participating service or combined prior and participating service. The member shall submit to the Retirement System the Social Security Award Notice certifying the date of entitlement for disability benefits, as issued by the Social Security Administration, Department of Health and Human Services. Disability benefits shall become effective on the date of entitlement as established by the Social Security Administration, but not before the first day of the month following removal from the payroll, whichever is later, and final approval by the Retirement System. Benefits shall be based upon length of service and compensation as of the date of disability, without actuarial reduction because of commencement prior to the normal retirement date. The only optional form of benefit payment available for disability benefits is Option A as provided for in Section 918 of this title. Option A must be elected in accordance with the provisions of Section 918 of this title. Benefit payments shall cease upon the member's recovery from disability prior to the normal retirement date. Future benefits, if any, shall be paid based upon length of service and compensation as of the date of disability. In the event that disability ceases and the member returns to employment within the System credited service to the date of disability shall be restored, and future benefits shall be determined accordingly.

SECTION 11. AMENDATORY 74 O.S. 1991, Section 919.1, is amended to read as follows:

Section 919.1 (1) ~~Employee~~ Effective July 1, 1994, employee contributions to the System shall be:

(a) ~~for all members~~ employees except as otherwise provided in ~~paragraph~~ paragraphs (b) and (c) of this subsection ~~7~~:

(i) beginning July 1, 1994, through June 30, 1995, two percent (2%) of allowable annual compensation not in excess of Twenty-five Thousand Dollars (\$25,000.00),

- (ii) beginning July 1, 1995, through June 30, 1996, two percent (2%) of allowable annual compensation not in excess of Twenty-five Thousand Dollars (\$25,000.00);
- (iii) beginning July 1, 1996, through June 30, 1997, two and one-half percent (2 1/2%) of allowable annual compensation not in excess of Twenty-five Thousand Dollars (\$25,000.00);
- (iv) beginning July 1, 1997, through June 30, 1998, three percent (3%) of allowable annual compensation not in excess of Twenty-five Thousand Dollars (\$25,000.00), and
- (v) beginning July 1, 1998, and thereafter, three and one-half percent (3 1/2%) of allowable annual compensation not in excess of Twenty-five Thousand Dollars (\$25,000.00);

(b) for all employees except as otherwise provided in paragraphs (a) and (c) of this subsection:

- (i) beginning July 1, 1994, and thereafter, three and one-half percent (3 1/2%) of allowable annual compensation of more than Twenty-five Thousand Dollars (\$25,000.00), but not in excess of Forty Thousand Dollars (\$40,000.00);
- (ii) beginning July 1, 1994, through June 30, 1995, ten percent (10%) of allowable annual compensation in excess of Forty Thousand Dollars (\$40,000.00);
- (iii) beginning July 1, 1995, and thereafter, three and one-half percent (3 1/2%) of allowable annual compensation in excess of Forty Thousand Dollars (\$40,000.00);

~~(b)~~ (c) for correctional officers and probation and parole officers employed by the Department of Corrections:

- ~~(i) beginning July 1, 1990, through June 30, 1991, four percent (4%) of allowable annual compensation not in excess of Twenty-five Thousand Dollars (\$25,000.00);~~
- ~~(ii) beginning July 1, 1991, through June 30, 1992, six percent (6%) of allowable annual compensation not in excess of Twenty-five Thousand Dollars (\$25,000.00), and~~
- ~~(iii) beginning July 1, 1992, and thereafter 1994, through June 30, 1995, six and one-half percent (6 1/2%) of allowable annual compensation not in excess of Twenty-five Thousand Dollars (\$25,000.00);~~
- (ii) beginning July 1, 1995, through June 30, 1996, six and one-half percent (6 1/2%) of allowable annual compensation not in excess of Twenty-five Thousand Dollars (\$25,000.00);
- (iii) beginning July 1, 1996, through June 30, 1997, seven percent (7%) of allowable annual compensation not in excess of Twenty-five Thousand Dollars (\$25,000.00);
- (iv) beginning July 1, 1997, through June 30, 1998, seven and one-half percent (7 1/2%) of allowable compensation not in excess of Twenty-five Thousand Dollars (\$25,000.00);
- (v) beginning July 1, 1998, and thereafter, eight percent (8%) of allowable compensation not in excess of Twenty-five Thousand Dollars (\$25,000.00); and
- (vi) beginning July 1, 1994, and thereafter, eight percent (8%) of allowable compensation in excess of Twenty-five Thousand Dollars (\$25,000.00).

The contributions required by this paragraph shall be made by a member for not more than twenty (20) years and thereafter shall be as provided in paragraph (a) of this subsection; ~~and.~~

~~(c) for members who elect to have a Forty Thousand Dollar maximum compensation level, ten percent (10%) of allowable annual compensation in excess of Twenty-five Thousand Dollars (\$25,000.00) and not in excess of Forty Thousand Dollars (\$40,000.00).~~

(2) Contributions shall be deducted by each state agency by the participating employer for such benefits as the Board is authorized to administer as provided for by law. Employee and employer contributions shall be remitted monthly, or as the Board may otherwise provide, to the Executive Director for deposit in the Oklahoma Public Employees Retirement Fund.

(3) Each participating employer shall pick up under the provisions of Section 414(h)(2) of the Internal Revenue Code of 1986 and pay the contribution which the member is required by law to make to the System for all compensation earned after December 31, 1988. Although the contributions so picked up are designated as member contributions, such contributions shall be treated as contributions being paid by the participating employer in lieu of contributions by the member in determining tax treatment under the Internal Revenue Code of 1986 and such picked up contributions shall not be includable in the gross income of the member until such amounts are distributed or made available to the member or the beneficiary of the member. The member, by the terms of this System, shall not have any option to choose to receive the contributions so picked up directly and the picked up contributions must be paid by the participating employer to the System.

Member contributions which are picked up shall be treated in the same manner and to the same extent as member contributions made prior to the date on which member contributions were picked up by the participating employer. Member contributions so picked up shall be included in gross salary for purposes of determining benefits and contributions under the System.

The participating employer shall pay the member contributions from the same source of funds used in paying salary to the member, by effecting an equal cash reduction in gross salary of the member.

(4) By September 1, 1989, the System shall refund the accumulated employee contributions of any member who elects to retain the member's membership in the Teachers' Retirement System of Oklahoma, in accordance with Section ~~±~~ 17-104 of this ~~act~~ title, to such member. Upon the refund of the accumulated employee contributions referred to in this subsection, all benefits and rights accrued to such member are terminated.

SECTION 12. AMENDATORY 74 O.S. 1991, Section 920, is amended to read as follows:

Section 920. (1) Every Effective July 1, 1994, every state agency which is a participating employer shall contribute to the System an amount equal to eleven and one-half percent (11 1/2%) of the monthly compensation of each member, ~~not to exceed the allowable annual compensation defined in Section 902(10) of this title but not in excess of Forty Thousand Dollars (\$40,000.00).~~

(2) Effective July 1, 1995, every state agency which is a participating employer shall contribute to the System an amount equal to eleven and one-half percent (11 1/2%) of the monthly compensation of each member, not to exceed the allowable annual compensation as defined in subsection (10) of Section 902 of this title.

(3) Effective July 1, 1996, every state agency which is a participating employer shall contribute to the System an amount

equal to twelve percent (12%) of the monthly compensation of each member, not to exceed the allowable annual compensation defined in subsection (10) of Section 902 of this title.

(4) Effective July 1, 1997, and thereafter, every state agency which is a participating employer shall contribute to the System an amount equal to twelve and one-half percent (12 1/2%) of the monthly compensation of each member, not to exceed the allowable annual compensation defined in subsection (10) of Section 902 of this title.

(5) The Board shall certify, on or before July 15 of each year, to the Office of State Finance in the case of the state and to the agent for each participating employer an actuarially determined estimate of the rate of contribution which will be required, together with all accumulated contributions and other assets of the System, to be paid by each such participating employer to pay all liabilities which shall exist or accrue under the System, including amortization of the past service cost over a period of not to exceed forty (40) years from June 30, 1987, and the cost of administration of the System, as determined by the Board, upon recommendation of the actuary.

~~(3)~~ (6) The Office of State Finance and the Governor shall include in the budget and in the budget request for appropriations the sum required to satisfy the state's obligation under this section as certified by the Board and shall present the same to the Legislature for allowance and appropriation.

~~(4)~~ (7) Each other participating employer shall appropriate and pay to the System a sum sufficient to satisfy the obligation under this section as certified by the Board.

~~(5)~~ (8) Each participating employer is hereby authorized to pay the employer's contribution from the same fund that the compensation for which said contribution is paid from or from any other funds available to it for such purpose.

SECTION 13. AMENDATORY 74 O.S. 1991, Section 920A, is amended to read as follows:

Section 920A. A. Any county, county hospital, city or town, conservation district or any public or private trust in which a county, city or town participates and is the primary beneficiary, which is a participating employer and any eligible employee shall contribute to the System. The total employer and employee contributions shall be based on the allowable annual compensation as defined in subsection (10) of Section 902 of this title. Except as provided for in this section, the employer shall not pay for the employee any of the employee contribution to the System.

~~Beginning~~ B. Until July 1, 1991-1994, the total employer and employee contributions shall equal thirteen and one-half percent (13 1/2%) of the monthly compensation of each member. The governing body of the participating employers listed in this section may vary the percentage contribution of the employer and employee, provided the total percentage contributed by the employer and employee equals the total percentage contribution required by this section.

~~Beginning~~ Until July 1, 1991-1994, the employer contribution shall not exceed eleven and one-half percent (11 1/2%) and the employee contribution shall not exceed seven percent (7%). For county employees who elect to have a maximum compensation level of Forty Thousand Dollars (\$40,000.00), the employee contribution shall be ten percent (10%) of the allowable annual compensation in excess of Twenty-five Thousand Dollars (\$25,000.00) and not in excess of Forty Thousand Dollars (\$40,000.00).

C. The provisions of this subsection shall govern the total employer and employee contributions required for the specified years as follows:

1. For the period beginning July 1, 1994, and ending June 30, 1995, the total employer and employee contributions shall equal:

- a. thirteen and one-half percent (13 1/2%) of the allowable monthly compensation of each member for compensation not in excess of Twenty-five Thousand Dollars (\$25,000.00),
- b. fifteen percent (15%) of the allowable monthly compensation of each member for compensation of Twenty-five Thousand Dollars (\$25,000.00) or more but not in excess of Forty Thousand Dollars (\$40,000.00), and
- c. ten percent (10%) of the allowable monthly compensation of each member for compensation in excess of Forty Thousand Dollars (\$40,000.00);

2. For the period beginning July 1, 1995, and ending June 30, 1996, the total employer and employee contributions shall equal:

- a. thirteen and one-half percent (13 1/2%) of the allowable monthly compensation of each member for compensation not in excess of Twenty-five Thousand Dollars (\$25,000.00),
- b. fifteen percent (15%) of the allowable monthly compensation of each member for compensation of Twenty-five Thousand Dollars (\$25,000.00) or more but not in excess of Forty Thousand Dollars (\$40,000.00), and
- c. fifteen percent (15%) of the allowable monthly compensation of each member for compensation in excess of Forty Thousand Dollars (\$40,000.00);

3. For the period beginning July 1, 1996, and ending June 30, 1997, the total employer and employee contributions shall equal:

- a. fourteen and one-half percent (14 1/2%) of the allowable monthly compensation of each member for compensation not in excess of Twenty-five Thousand Dollars (\$25,000.00),
- b. fifteen and one-half percent (15 1/2%) of the allowable monthly compensation of each member for compensation of Twenty-five Thousand Dollars (\$25,000.00) or more but not in excess of Forty Thousand Dollars (\$40,000.00), and
- c. fifteen and one-half percent (15 1/2%) of the allowable monthly compensation of each member for compensation in excess of Forty Thousand Dollars (\$40,000.00);

4. For the period beginning July 1, 1997, and ending June 30, 1998, the total employer and employee contributions shall equal:

- a. fifteen and one-half percent (15 1/2%) of the allowable monthly compensation of each member for compensation not in excess of Twenty-five Thousand Dollars (\$25,000.00),
- b. sixteen percent (16%) of the allowable monthly compensation of each member for compensation of Twenty-five Thousand Dollars (\$25,000.00) or more but not in excess of Forty Thousand Dollars (\$40,000.00), and
- c. sixteen percent (16%) of the allowable monthly compensation of each member for compensation in excess of Forty Thousand Dollars (\$40,000.00);

5. For the period beginning July 1, 1998, and ending June 30, 1999, and for each year thereafter, the total employer and employee contributions shall equal sixteen percent (16%) of the allowable monthly compensation of each member.

The Board of Trustees of the Oklahoma Public Employees Retirement System shall adopt rules which prescribe the maximum employer contribution and maximum employee contribution for total contributions made to the System on or after July 1, 1994, based upon the maximum compensation level provided by subsection (10) of Section 902 of this title. Such rule shall provide for maximum employer contributions and maximum employee contributions which maintain approximately the same relative difference in such contributions as existed prior to July 1, 1994.

D. Each participating employer pursuant to the provisions of this section may pick up under the provisions of Section 414(h) (2) of the Internal Revenue Code of 1986 and pay the contribution which the member is required by law to make to the System for all compensation earned after December 31, 1989. Although the contributions so picked up are designated as member contributions, such contributions shall be treated as contributions being paid by the participating employer in lieu of contributions by the member in determining tax treatment under the Internal Revenue Code of 1986 and such picked up contributions shall not be includable in the gross income of the member until such amounts are distributed or made available to the member or the beneficiary of the member. The member, by the terms of this System, shall not have any option to choose to receive the contributions so picked up directly and the picked up contributions must be paid by the participating employer to the System.

E. Member contributions which are picked up shall be treated in the same manner and to the same extent as member contributions made prior to the date on which member contributions were picked up by the participating employer. Member contributions so picked up shall be included in gross salary for purposes of determining benefits and contributions under the System.

F. The participating employer shall pay the member contributions from the same source of funds used in paying salary to the member, by effecting an equal cash reduction in gross salary of the member.

SECTION 14. AMENDATORY 74 O.S. 1991, Section 930.3, is amended to read as follows:

Section 930.3 A. Every annuitant member receiving retirement benefits from the System as of June 30, 1989, shall receive on July 1, 1990 an increase in retirement benefits to be computed as follows:

~~1. Multiply Eight Hundred Sixty-five Dollars (\$865.00) by two percent (2%);~~

~~2. Multiply the sum of paragraph 1 by the number of years of credited service of the member;~~

~~3. Divide the sum of paragraph 2 by twelve (12) and this shall be the increase in the monthly retirement benefit;~~

~~4. This increase shall be adjusted to reflect any options selected by the member at the time of retirement~~ 1994, who retired with a final average compensation of less than Thirteen Thousand Eight Hundred Dollars (\$13,800.00) and who had twenty (20) or more years of credited service within the Oklahoma Public Employees Retirement System as of the member's retirement date, shall receive on July 1, 1994, a retirement benefit increase to reflect a final average compensation of Thirteen Thousand Eight Hundred Dollars (\$13,800.00) multiplied by two percent (2%), further multiplied by

the number of years of credited service of the member; provided said increase shall be adjusted to reflect any options selected by the member or reduction factors applicable at the time of retirement.

B. Every member receiving retirement benefits from the System as of June 30, 1994, who retired with a final average compensation of less than Thirteen Thousand Eight Hundred Dollars (\$13,800.00) and who had at least fifteen (15) but not more than nineteen (19) years of credited service within the Oklahoma Public Employees Retirement System as of the member's retirement date, shall receive on July 1, 1994, a retirement benefit increase to reflect a final average compensation of Thirteen Thousand Eight Hundred Dollars (\$13,800.00) multiplied by two percent (2%), further multiplied by the number of years of credited service of the member multiplied by one-half (1/2); provided said increase shall be adjusted to reflect any options selected by the member or reduction factors applicable at the time of retirement.

C. Any member receiving retirement benefits from the System as of June 30, 1993, who did not receive an increase in benefits pursuant to subsection A or B of this section shall receive on July 1, 1994, an increase in retirement benefits to be computed as follows:

1. Multiply Four Hundred Ninety-seven Dollars (\$497.00) by two percent (2%);

2. Multiply the sum of paragraph 1 by the number of years of credited service of the member;

3. Divide the sum of paragraph 2 by twelve (12) and this shall be the increase in the monthly retirement benefit; and

4. This increase shall be adjusted to reflect any options selected by the member at the time of retirement.

SECTION 15. NEW LAW A new section of law to be codified in the Oklahoma Statutes as Section 1001 of Title 62, unless there is created a duplication in numbering, reads as follows:

A. The provisions of this section shall be applicable to:

1. The Oklahoma Police Pension and Retirement System;
2. The Oklahoma Firefighters Pension and Retirement System;
3. The Uniform Retirement System for Justices and Judges;
4. The Oklahoma Law Enforcement Retirement System;
5. The Teachers' Retirement System of Oklahoma; and
6. The Oklahoma Public Employees Retirement System.

B. On and after July 1, 1995, for any of the retirement systems specified in subsection A of this section, any increase in the retirement benefit level, however such term is defined, whether such increase is based upon a cost of living adjustment, or whether such increase is authorized or granted on a percentage increase basis irrespective of then prevailing economic conditions or whether the increase is based upon adjustment to the compensation level upon which retirement benefits are computed, shall be subject to the provisions of subsection C of this section.

C. Increases in retirement benefit levels shall not be effective nor shall any of the governing boards of any retirement system specified in subsection A of this section implement such increases if the funded ratio for the applicable retirement system after the payment of the increase would be less than seventy percent (70%).

D. As used in this section, "funded ratio" shall mean the figure derived by dividing the actuarial value of assets of the applicable retirement system by the actuarial accrued liability of the applicable retirement system.

E. Each of the retirement systems specified in subsection A of this section shall adopt a method for the valuation of its assets

and a methodology for the valuation of its liabilities. Each retirement system shall be responsible for determining its funded ratio for any year in which an increase in the retirement benefits for members of the applicable system is required by any changes in the statutes which govern the payment of retirement benefits by the retirement system.

SECTION 16. An actuarial study shall be performed to evaluate both the employee and the state agency contributions for which provisions are made in Sections 11 and 12 of this act. Said contributions shall be adjusted if an actuarial determination is made that the contributions are inadequate or in excess of what is required to finance Sections 8, 9, 10 and 14 of this act.

SECTION 17. Section 16 of this act shall not be codified in the Oklahoma Statutes.

SECTION 18. This act shall become effective July 1, 1994.

SECTION 19. It being immediately necessary for the preservation of the public peace, health and safety, an emergency is hereby declared to exist, by reason whereof this act shall take effect and be in full force from and after its passage and approval.

Passed the House of Representatives the 27th day of May, 1994.

Speaker of the House of
Representatives

Passed the Senate the 27th day of May, 1994.

President of the Senate