

STATE OF OKLAHOMA

1st Session of the 46th Legislature (1997)

COMMITTEE SUBSTITUTE
FOR ENGROSSED
SENATE BILL NO. 179

By: Monson of the Senate

and

Roberts of the House

COMMITTEE SUBSTITUTE

An Act relating to the Oklahoma Public Employees

Retirement System; requiring disclosure of certain assumption; requiring determination of funded ratio; authorizing certain computations and payment based upon funded ratio; requiring analysis of investment yield; prescribing formula; requiring additional computations; providing for computation of actual yield; requiring determination of Yield Performance Threshold; requiring determination of Yield Performance Increment; requiring determination of Yield Performance Transfer Amount; requiring creation of certain account; authorizing transfer to account; requiring Board of Trustees to make determination regarding eligible retirants; authorizing payment subject to certain requirements; imposing certain condition for payment eligibility; imposing restrictions on transfer of funds; providing for distribution date; providing for codification; providing an effective date; and declaring an emergency.

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

SECTION 1. NEW LAW A new section of law to be codified in the Oklahoma Statutes as Section 930.4 of Title 74, unless there is created a duplication in numbering, reads as follows:

A. For the fiscal year beginning July 1, 1997, and at the beginning of each fiscal year thereafter, the System shall disclose to the Oklahoma State Pension Commission the actuarial assumption for the assumed rate of return upon System assets which was used by the System for the preceding fiscal year. Such actuarial assumption shall be taken from the annual report of the System. The System shall also determine its funded ratio as of the close of the plan year. The funded ratio shall be determined using the formula prescribed by subsection D of Section 1001 of Title 62 of the Oklahoma Statutes. If the funded ratio of the System is eighty-five percent (85%) or higher and will be at least eighty-five percent (85%) or higher after any payment authorized by this section, the computations prescribed by this section shall be made and, subject to the requirements of this section, payment from the Yield Performance Account may be made to eligible retirants of the System.

B. At the conclusion of the fiscal year ending June 30, 1997, and at the conclusion of each fiscal year thereafter, the Board of Trustees shall conduct an analysis of the investment yield achieved by the System for the preceding fiscal year. The System shall compute investment yield according to a formula as follows:

1. The whole number 2 shall be multiplied by the income of the System for the applicable year. Income for purposes of this computation shall consist of:

- a. interest earned by the System during the applicable year,

- b. dividends paid to the System during the applicable year,
- c. realized net capital gains of the System for the applicable year including realized capital losses,
- d. unrealized net capital gains of the System for the applicable year including unrealized capital losses, and
- e. a deduction for investment expense incurred by the System during the applicable year; and

2. The result of the computation in paragraph 1 of this subsection shall be divided by a figure to be computed as follows:

- a. the market value of the System assets as of the beginning of the applicable year shall be added to the market value of the System assets as of the end of the applicable year, and
- b. from the sum of the two figures as provided in subparagraph a of this paragraph there shall be subtracted the income figure for the System for the applicable year as computed pursuant to subparagraphs a through d of paragraph 1 of this subsection; and

3. The final figure resulting from the computation described by this subsection shall be known, for purposes of this section, as the Actual Yield.

C. The System shall add four (4) percentage points to the assumed rate of return upon System assets as disclosed to the Oklahoma State Pension Commission. The resulting figure shall be known as the Yield Performance Threshold.

D. The System shall compare the Actual Yield upon System assets as determined pursuant to subsection B of this section to the Yield Performance Threshold. If the Actual Yield is in excess of the Yield Performance Threshold, the System shall subtract the Yield Performance Threshold figure from the Actual Yield figure. The

result of this computation shall be multiplied by the market value of System assets as of the first day of the fiscal year. The final figure resulting from the computations described by this subsection shall be known as the Yield Performance Increment.

E. The System shall multiply the Yield Performance Increment by one-fourth (1/4). The result of this computation shall be known as the Yield Performance Transfer Amount.

F. The System shall create an account to be known as the Yield Performance Account into which shall be deposited the annual Yield Performance Transfer Amount, if any.

G. For the fiscal year beginning July 1, 1997, and for each fiscal year thereafter, there shall be transferred to the Oklahoma Public Employees Retirement System Yield Performance Account for distribution as provided by this section an amount as prescribed by subsection E of this section, if any, constituting the Yield Performance Transfer Amount.

H. The Board of Trustees shall determine the number of retirants to whom benefits are paid or to whom benefits are payable as of July 1, 1997, and as of July 1 for each year thereafter. The Board of Trustees shall compute the Yield Performance Benefit Amount for each eligible retirant by dividing the Yield Performance Transfer Amount, if any, by the number of eligible retirants as of each July 1 date. Within ninety (90) days after the end of each fiscal year, the Board of Trustees shall make payment of a per capita amount of the Yield Performance Transfer Amount contained in the Yield Performance Account to each eligible retirant as determined pursuant to this subsection.

I. In order to be eligible for a distribution from the Yield Performance Account, a retirant must have been retired for one (1) full year as of the June 30 date immediately preceding the July 1 date upon which the Board is required to determine whether the

System has achieved an Actual Yield in excess of the Yield Performance Threshold.

J. No monies shall be transferred to the Yield Performance Account unless the Board of Trustees determines that the Actual Yield of the System exceeds the Yield Performance Threshold. Any transfer to the Yield Performance Account made in violation of the provisions of this act shall be void.

K. Distributions from the Yield Performance Account, if any, shall take place once each year and shall not occur at any other time than as prescribed by this section.

SECTION 2. This act shall become effective July 1, 1997.

SECTION 3. 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.

46-1-7146

MAH