

STATE OF OKLAHOMA

2nd Session of the 46th Legislature (1998)

CONFERENCE COMMITTEE SUBSTITUTE

FOR ENGROSSED

SENATE BILL NO. 1037

By: Monson and Herbert of the
Senate

and

Roberts of the House

CONFERENCE COMMITTEE SUBSTITUTE

An Act relating to retirement; amending 11 O.S. 1991, Section 49-143.1, as amended by Section 3, Chapter 383, O.S.L. 1994 (11 O.S. Supp. 1997, Section 49-143.1), which relates to retirement benefit increases; granting an increase in retirement benefits to retired volunteer firefighters; defining terms; granting retirement benefit increase based on loss of purchasing power for certain retired paid firefighters; providing offset for benefit increase; defining terms; granting retirement benefit increase based on loss of purchasing power for certain retired members of the Oklahoma Police Pension and Retirement System; providing offset for benefit increase; defining terms; granting retirement benefit increase based on loss of purchasing power for certain retired members of the Oklahoma Law Enforcement Retirement System; providing offset for benefit increase; amending 68 O.S. 1991, Section 1004, as last amended by Section 18, Chapter 239, O.S.L. 1993 (68 O.S. Supp. 1997, Section 1004), which relates to gross production tax; increasing allocating of gross production tax to General Revenue Fund; terminating allocated portion of gross production tax to Teachers' Retirement System of Oklahoma; deleting obsolete language; amending 70 O.S. 1991, Sections 17-108.1, as last amended by Section 2, Chapter 359, O.S.L. 1996 and Section 17-116.2, as last amended by Section 3, Chapter 359, O.S.L. 1996 (70 O.S. Supp. 1997, Sections 17-108.1 and 17-116.2), which relate to Teachers' Retirement System of Oklahoma; deleting employer contribution schedule; providing new employer contribution schedule; providing for termination of provisions relating to gross production tax as portion of employer contribution; mandating certain tax treatment of employee retirement contributions; correcting language; granting retirement benefit increase for certain retired members of the Teachers' Retirement System of Oklahoma; allocating certain sums from the General Revenue Fund to the Teachers' Retirement System of Oklahoma; amending 74 O.S. 1991, Section 902, as last amended by Section 5 of Enrolled Senate Bill No. 788 of the 2nd Session of the 46th Oklahoma Legislature, Sections 913.4, as last amended by Section 3, Chapter 302, O.S.L. 1995, 915, as last amended by Section 1, Chapter 129, O.S.L. 1997, 919.1, as amended by Section 11, Chapter 383, O.S.L. 1994, and 920A, as last amended by Section 7, Chapter

302, O.S.L. 1995 (74 O.S. Supp. 1997, Sections 913.4, 915, 919.1 and 920A), which relate to Oklahoma Public Employees Retirement System; correcting language; modifying language concerning maximum compensation; removing requirement that maximum compensation level for certain years be limited by amount of contributions; deleting language concerning maximum compensation election; removing requirement that members pay actuarial equivalent cost to be eligible for increase benefit; removing certain refund provision; increasing compensation level upon which retirement benefits are based for certain persons; deleting maximum compensation language concerning elected officials; deleting obsolete language; deleting wear-away provisions; deleting language concerning certain member elections; providing for maximum compensation level; deleting obsolete language; reducing rate on employee contributions; stating intent; deleting language concerning maximum compensation of certain county and municipal members; granting retirement benefit increase for certain members of the Oklahoma Public Employees Retirement System; repealing Section 15, Chapter 383, O.S.L. 1994 (62 O.S. Supp. 1997, Section 1001), which relates to limitations on retirement benefit increases; providing for codification; providing effective dates; and declaring an emergency.

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

SECTION 1. AMENDATORY 11 O.S. 1991, Section 49-143.1, as amended by Section 3, Chapter 383, O.S.L. 1994 (11 O.S. Supp. 1997, 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, 1993, shall receive a two and one-half percent (2 1/2%) increase in said benefits on July 1, 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 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, ~~1994~~ 1998, any persons receiving benefits

pursuant to Section 49-101 of this title shall each receive a benefit equal to ~~Five Dollars and forty-six cents (\$5.46)~~ Five Dollars and ninety cents (\$5.90) for each year of credited service not to exceed thirty (30) years of service.

SECTION 2. NEW LAW A new section of law to be codified in the Oklahoma Statutes as Section 49-143.3 of Title 11, unless there is created a duplication in numbering, reads as follows:

A. For purposes of this section the following definitions shall apply:

1. "Initial COLA Benefit Date" means the later of the member's date of benefit commencement or January 1, 1981. This date is used in the definition of Initial COLA Benefit and Target COLA Benefit;

2. "Initial COLA Benefit" means the accrued retirement benefit which will be used as the base benefit for determining the Target COLA Benefit. The Initial COLA Benefit equals the benefit in payment status as of the Initial COLA Benefit Date.

Furthermore, this benefit will reflect adjustment for military service credits, if any, granted after the Initial COLA Benefit Date;

3. "CPI-U" means the Consumer Price Index for all urban consumers for all goods and services, as published by the Bureau of Labor Statistics, U.S. Department of Labor. This is used as a measure of price inflation for the development of the Target COLA Benefit defined below; and

4. "Target COLA Benefit" is the Initial COLA Benefit adjusted to reflect price inflation as measured by CPI-U. The Target COLA Benefit is calculated for each eligible member to equal the member's Initial COLA Benefit multiplied by a ratio of (A) divided by (B) as follows:

(A) is the CPI-U as of July 1, 1997.

(B) is the CPI-U as of July 1 of the calendar year of the Initial COLA Benefit Date.

B. The Board shall, effective July 1, 1998, implement a benefit adjustment, to increase, if necessary, the retirement benefit for any person receiving benefits from the System as of

June 30, 1997. This benefit adjustment is intended to restore seventy-five percent (75%) of the loss of the Initial COLA Benefit, if any, due to price inflation, as measured by CPI-U. The benefit adjustment shall be seventy-five percent (75%) of the amount by which the Target COLA Benefit is in excess, if any, of the June 1998 retirement benefit. Persons who retired after December 31, 1996 and before July 1, 1997, shall receive a benefit increase based on seventy-five percent (75%) of one-half (1/2) of the CPI-U change for the period beginning January 1, 1997 and before July 1, 1997.

C. Any increase in benefits a person is eligible to receive pursuant to repealed Section 49-136 of Title 11 of the Oklahoma Statutes, after June 30, 1998, shall be offset by the increase in benefits, if any, provided by this section.

SECTION 3. NEW LAW A new section of law to be codified in the Oklahoma Statutes as Section 50-136.3 of Title 11, unless there is created a duplication in numbering, reads as follows:

A. For purposes of this section the following definitions shall apply:

1. "Initial COLA Benefit Date" means the later of the member's date of benefit commencement or January 1, 1981. This date is used in the definition of Initial COLA Benefit and Target COLA Benefit;

2. "Initial COLA Benefit" means the accrued retirement benefit which will be used as the base benefit for determining the Target COLA Benefit. The Initial COLA Benefit equals the benefit in payment status as of the Initial COLA Benefit Date. Furthermore, this benefit will reflect adjustment for military service credits, if any, granted after the Initial COLA Benefit Date;

3. "CPI-U" means the Consumer Price Index for all urban consumers for all goods and services, as published by the Bureau of Labor Statistics, U.S. Department of Labor. This is used as a measure of price inflation for the development of the Target COLA Benefit defined below; and

4. "Target COLA Benefit" is the Initial COLA Benefit adjusted to reflect price inflation as measured by CPI-U. The Target COLA Benefit is calculated for each eligible member to equal the member's Initial COLA Benefit multiplied by a ratio of (A) divided by (B) as follows:

(A) is the CPI-U as of July 1, 1997.

(B) is the CPI-U as of July 1 of the calendar year of the Initial COLA Benefit Date.

B. The Board shall, effective July 1, 1998, implement a benefit adjustment, to increase, if necessary, the retirement benefit for any person receiving benefits from the System as of June 30, 1997. This benefit adjustment is intended to restore one hundred percent (100%) of the loss of the Initial COLA Benefit, if any, due to price inflation, as measured by CPI-U. The benefit adjustment shall be one hundred percent (100%) of the amount by which the Target COLA Benefit is in excess, if any, of the June 1998 retirement benefit.

Persons who retired after December 31, 1996 and before July 1, 1997, shall receive a benefit increase based on one-half (1/2) of the CPI-U change for the period beginning January 1, 1997 and before July 1, 1997.

C. Any increase in benefits a person is eligible to receive pursuant to repealed Section 50-120 of Title 11 of the Oklahoma Statutes, after June 30, 1998, shall be offset by the increase in benefits, if any, provided by this section.

SECTION 4. NEW LAW A new section of law to be codified in the Oklahoma Statutes as Section 2-305.6 of Title 47, unless there is created a duplication in numbering, reads as follows:

A. For purposes of this section the following definitions shall apply:

1. "Initial COLA Benefit Date" means the later of the member's date of benefit commencement or January 1, 1981. This date is used in the definition of Initial COLA Benefit and Target COLA Benefit;

2. "Initial COLA Benefit" means the accrued retirement benefit which will be used as the base benefit for determining the

Target COLA Benefit. The Initial COLA Benefit equals the benefit in payment status as of the Initial COLA Benefit Date.

Furthermore, this benefit will reflect adjustment for military service credits, if any, granted after the Initial COLA Benefit Date;

3. "CPI-U" means the Consumer Price Index for all urban consumers for all goods and services, as published by the Bureau of Labor Statistics, U.S. Department of Labor. This is used as a measure of price inflation for the development of the Target COLA Benefit defined below; and

4. "Target COLA Benefit" is the Initial COLA Benefit adjusted to reflect price inflation as measured by CPI-U. The Target COLA Benefit is calculated for each eligible member to equal the member's Initial COLA Benefit multiplied by a ratio of (A) divided by (B) as follows:

(A) is the CPI-U as of July 1, 1997.

(B) is the CPI-U as of July 1 of the calendar year of the Initial COLA Benefit Date.

B. The Board shall, effective July 1, 1998, implement a benefit adjustment, to increase, if necessary, the retirement benefit for any person receiving benefits from the System as of June 30, 1997. This benefit adjustment is intended to restore one hundred percent (100%) of the loss of the Initial COLA Benefit, if any, due to price inflation, as measured by CPI-U. The benefit adjustment shall be one hundred percent (100%) of the amount by which the Target COLA Benefit is in excess, if any, of the June 1998 retirement benefit.

Persons who retired after December 31, 1996 and before July 1, 1997, shall receive a benefit increase based on one-half (1/2) of the CPI-U change for the period beginning January 1, 1997 and before July 1, 1997.

C. Any increase in benefits a person is eligible to receive pursuant to subsection B of Section 2-305 of Title 47 of the Oklahoma Statutes, after June 30, 1998, shall be offset by the increase in benefits, if any, provided by this section.

SECTION 5. AMENDATORY 68 O.S. 1991, Section 1004, as last amended by Section 18, Chapter 239, O.S.L. 1993 (68 O.S. Supp. 1997, Section 1004), is amended to read as follows:

Section 1004. The gross production tax provided for in this article is hereby levied and shall be collected and apportioned as follows, to wit:

1. Eighty percent (80%) of all monies collected hereunder from the tax levied on oil, natural gas and/or casinghead gas, asphalt or ores bearing uranium, lead, zinc, jack, gold, silver or copper shall be paid to the State Treasurer of the state to be placed in the General Revenue Fund of the state and used for the general expense of state government, to be paid out pursuant to direct appropriation by the Legislature;

~~2. Seventy-eight percent (78%) of all monies levied and collected under this article from the tax on natural gas and/or casinghead gas shall be paid to the State Treasurer of the state and by him distributed among the funds referred to in Section 17-108 of Title 70 of the Oklahoma Statutes, as directed by the Board of Trustees of the Oklahoma Teachers' Retirement System;~~

~~3.~~ One-tenth (1/10) of the sum collected from each county whence the oil or natural gas and/or casinghead gas or asphalt or ores bearing uranium, lead, zinc, jack, gold, silver or copper was produced shall be paid to the county treasurer of such county, to be credited by said county treasurer of such county to the County Highway Fund;

~~4.~~ 3. a. Except as provided in subparagraph b of this paragraph, one-tenth (1/10) of the sum collected from each county whence the oil or natural gas and/or casinghead gas or asphalt or ores bearing uranium, lead, zinc, jack, gold, silver or copper or other mineral or substance covered hereby was produced shall be apportioned, on an average daily attendance per capita distribution basis, as certified by the State Superintendent of Public Instruction to the school districts of the county where such pupils attend school

regardless of residence of such pupil, provided the school district makes an ad valorem tax levy of fifteen (15) mills for the current year and maintains twelve (12) years of instruction, and

- b. Beginning July 1, 1991, if the amendment to Section 12a of Article X of the Constitution of the State of Oklahoma contained in Enrolled House Joint Resolution No. 1005 of the 1st Extraordinary Session of the 42nd Oklahoma Legislature is approved by the people, one-tenth (1/10) of the sum collected from the gross production of oil or natural gas and/or casinghead gas or asphalt or ores bearing uranium, lead, zinc, jack, gold, silver or copper or other mineral or substance covered hereby shall be remitted to the State Treasurer to be deposited in the Common School Fund; and

~~5. Two percent (2%) of all monies collected from the tax upon natural gas and casinghead gas shall be placed to the credit of the General Revenue Fund of the State Treasury.~~

SECTION 6. AMENDATORY 70 O.S. 1991, Section 17-108.1, as last amended by Section 2, Chapter 359, O.S.L. 1996 (70 O.S. Supp. 1997, Section 17-108.1), is amended to read as follows:

Section 17-108.1 A. The employer of any member of the Teachers' Retirement System of Oklahoma shall make the following contributions to the System:

~~1. Beginning July 1, 1992, through June 30, 1993, seven percent (7%) of the regular annual compensation of the member not in excess of the maximum compensation level of the member;~~

~~2. Beginning July 1, 1993, through June 30, 1994, seven and one-half percent (7 1/2%) of the regular annual compensation of the member not in excess of the maximum compensation level of the member;~~

~~3. Beginning July 1, 1994, through June 30, 1995, eight percent (8%) of the regular annual compensation of the member not in excess of the maximum compensation level of the member;~~

~~4. Beginning July 1, 1995, through June 30, 1996, eight and one-half percent (8 1/2%) of the regular annual compensation of the member not in excess of any applicable maximum compensation level of the member;~~

~~5. Beginning July 1, 1996, through June 30, 1997, nine and one-half percent (9 1/2%) of the regular annual compensation of the member not in excess of any applicable maximum compensation level of the member;~~

~~6. Beginning July 1, 1997, through June 30, 1998, ten and one-half percent (10 1/2%) of the regular annual compensation of the member not in excess of any applicable maximum compensation level of the member;~~

~~7. Beginning July 1, 1998, through June 30, 1999, eleven and one-half percent (11 1/2%) of the regular annual compensation of the member not in excess of any applicable maximum compensation level of the member;~~

~~8. Beginning July 1, 1999, through June 30, 2000, twelve and one-half percent (12 1/2%) of the regular annual compensation of the member not in excess of any applicable maximum compensation level of the member;~~

~~9. Beginning July 1, 2000, through June 30, 2001, thirteen and one-half percent (13 1/2%) of the regular annual compensation of the member not in excess of any applicable maximum compensation level of the member;~~

~~10. Beginning July 1, 2001, through June 30, 2002, fourteen and one-half percent (14 1/2%) of the regular annual compensation of the member not in excess of any applicable maximum compensation level of the member;~~

~~11. Beginning July 1, 2002, through June 30, 2003, fifteen and one-half percent (15 1/2%) of the regular annual compensation of the member not in excess of any applicable maximum compensation level of the member;~~

~~12. Beginning July 1, 2003, through June 30, 2004, sixteen and one-half percent (16 1/2%) of the regular annual compensation of the member not in excess of any applicable maximum compensation level of the member;~~

~~13. Beginning July 1, 2004, through June 30, 2005, seventeen and one-half percent (17 1/2%) of the regular annual compensation of the member not in excess of any applicable maximum compensation level of the member; and~~

~~14. Beginning July 1, 2005, through June 30, 2006, and for each fiscal year thereafter, eighteen percent (18%) of the regular annual compensation of the member not in excess of any applicable maximum compensation level of the member.~~

2. Beginning July 1, 1999, through June 30, 2000, four and eight-tenths percent (4.8%) of the regular annual compensation of the member not in excess of any applicable maximum compensation level of the member;

3. Beginning July 1, 2000, through June 30, 2001, five and eight-tenths percent (5.8%) of the regular annual compensation of the member not in excess of any applicable maximum compensation level of the member;

4. Beginning July 1, 2001, through June 30, 2002, six and eight-tenths percent (6.8%) of the regular annual compensation of the member not in excess of any applicable maximum compensation level of the member; and

5. Beginning July 1, 2002, through June 30, 2003, and for each fiscal year thereafter, seven and five-hundredths percent (7.05%) of the regular annual compensation of the member not in excess of any applicable maximum compensation level of the member.

Any employer contribution paid to the System pursuant to this subsection shall not be considered as salary, fringe benefit, or total compensation due to members for the purpose of meeting any legislative or contractual obligation of the employer.

B. For entities or institutions within The Oklahoma State System of Higher Education, the contributions to the retirement system specified in subsection A of this section shall be made on regular annual compensation of a member who is an employee of such entity or institution not to exceed the maximum compensation level in effect for the member as prescribed by law.

C. Employers paying contributions to the Retirement System pursuant to subsection A or B of this section shall receive credit

for that portion of the gross production tax on natural gas and/or casinghead gas apportioned to the Retirement System pursuant to subsection 2 of Section 1004 of Title 68 of the Oklahoma Statutes in meeting the total required employer contribution. On an annual basis, the Board of Trustees shall estimate the net additional cost required to be paid by the contributing employers in order to meet the total employer contribution as provided in subsection A or B of this section. The Board of Trustees shall approve the amount of the additional contribution required to be paid by contributing employers as a percentage of total member salaries and fringe benefits for each fiscal year ending June 30, no later than April 1 of the previous fiscal year. In no event shall the additional contribution required to be paid by the contributing employer under this subsection be less than the contribution required under this subsection in the prior year. In the event actual contributions do not equal the required total contribution as provided in subsection A or B of this section, the net difference between the actual contributions and the required total contributions shall be determined and shall be included in the amount of the additional contribution required to be paid by contributing employers for the next fiscal year. All contributing employers shall pay the same percentage of total member salaries and fringe benefits during each fiscal year. The provisions of this subsection shall terminate June 30, 1999.

D. Any school district, state college or university, State Board of Education, State Board of Vocational Education, or other state agency may, for and on behalf of any member of the Teachers' Retirement System, pay all or any portion of the contribution required by Section 17-108 of this title. Provided, the contribution so paid by any school district, state college or university, State Board of Education, State Board of Vocational Education, or other state agency shall be and remain subject to the withdrawal provisions set forth under the Teachers' Retirement System. Wherever the term "contribution" is used, it shall be deemed to include contributions paid for and on behalf of a member by a school district, state college or university, State Board of

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Education, State Board of Vocational Education, or other state agency.

SECTION 7. AMENDATORY 70 O.S. 1991, Section 17-116.2, as last amended by Section 3, Chapter 359, O.S.L. 1996 (70 O.S. Supp. 1997, Section 17-116.2), 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, 1994, a classified member who retired prior to July 1, 1993, shall have the member's retirement allowance calculated on the member's current minimum average salary plus 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, 1994, an unclassified member who retired prior to July 1, 1993, shall have the member's retirement allowance calculated on the member's current minimum average salary plus 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 has no service performed on or after July 1, 1995, for an entity or institution within The Oklahoma State System of Higher Education, 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 beginning July 1, 1995, through June 30, 1996, six percent (6%) of the maximum compensation level; and

2. Beginning July 1, 1996, through June 30, 1997, six and one-half percent (6 1/2%) of the regular annual compensation of members, who are not employed by an entity or institution within The Oklahoma State System of Higher Education not in excess of Twenty-five Thousand Dollars (\$25,000.00) and beginning July 1, 1996, through June 30, 1997, six and one-half percent (6 1/2%) of

the regular annual compensation of members, who are employed by an entity or institution within The Oklahoma State System of Higher Education, 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 the member not in excess of any applicable maximum compensation level of the member; and

4. All public schools in this state shall treat the employee contributions as being picked-up under the provisions of Section 414(h) (2) of the Internal Revenue Code of 1986 in determining tax treatment.

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, who is not employed by an entity or institution within The Oklahoma State System of Higher Education, that is in excess of Twenty-five Thousand Dollars (\$25,000.00) and beginning July 1, 1996, through June 30, 1997, seven percent (7%) of the regular annual compensation of each member who is employed by an entity or institution within The Oklahoma State System of Higher Education in excess of Twenty-five Thousand Dollars (\$25,000.00), but not in excess of any applicable maximum compensation level of the member.

D. For purposes of ~~this act~~ Section 17-101 et seq. of this title, 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, pursuant to a lawful contract which complies with the requirements of subsection B of Section 6-101.2 of this title, 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 or her withdrawal shall contribute on the earning ceiling as provided for in this section on his or her 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 or her 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 or her earnable compensation as provided for in subsection B or subsection C 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

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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 or her contributions, plus interest, and membership fees to the retirement system, subject to the regulations of the Board of Trustees, providing he or she 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 or her annual salary would have been in Oklahoma or out of state, whichever is greater, had he or she

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 or her 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 or her 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 or her contract as a teacher at the time his or her 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 or her 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 or her service credits shall continue to be accumulated during such absence, provided he or she 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 or her 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 or her service credits shall continue to be accumulated during such absence. Provided, however, any one such absence shall not exceed eight (8) continuous years. No member who has less than ten (10) years of contributory service on July 1, 1994, may make this election after June 30, 1994. Members contributing to the System on July 1, 1994, may continue to contribute under this subsection until they have completed eight (8) years allowed by this subsection.

K. A member may receive credit for those years of service accumulated by the member while employed by an entity which is a

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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~~ Department of Wildlife Conservation 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. 1. An active member of the Teachers' Retirement System of Oklahoma may receive credit for those years of service accumulated by the member while a member of the Oklahoma Public Employees Retirement System if:

- a. the member is an active member of the Teachers' Retirement System of Oklahoma, and

- b. the member provides notice to the Oklahoma Public Employees Retirement System and the Teachers' Retirement System of Oklahoma of the member's election to transfer said service credit. The notice shall include a list of the years to be transferred, and
- c. the member is not receiving or eligible to receive retirement credit or benefits from said service in any other public retirement system, notwithstanding the years of service sought to be transferred under this subsection.

Members electing to take advantage of the transfer authorized by this subsection who are receiving or eligible to receive retirement credit or benefits from said service in any other public retirement system shall have all service credit with the Oklahoma Public Employees Retirement System canceled which is not transferred to the Teachers' Retirement System of Oklahoma or used as a cash offset in such a transfer pursuant to subparagraph d of paragraph 2 of this subsection. Service credit transferred to the Teachers' Retirement System of Oklahoma under this subsection shall also be canceled with the Oklahoma Public Employees Retirement System.

2. For purposes of this subsection, the "sending system" shall mean the Oklahoma Public Employees Retirement System. The "receiving system" shall mean the Teachers' Retirement System of Oklahoma.

- a. Within thirty (30) days notification of an intent to transfer is received by the sending system, the sending system shall, according to its own rules and regulations:
 - (1) for members who have accrued at least eight (8) years of credited service with the sending system, determine the present value of the member's earned benefits attributable to the years of service sought to be transferred, discounted according to the member's age at the

time of transfer and computed as of the earliest age at which the member would be able to retire. Said computation shall assume an unreduced benefit and be computed using interest and mortality assumptions consistent with the actuarial assumptions adopted by the Board of Trustees for purposes of preparing the annual actuarial evaluation, but shall not make any projections regarding future salary. For employees who have accrued at least eight (8) years of credited service, the sending system shall use the product of this calculation for purposes of determining the transfer fee to be paid by the employee under subparagraph c of this paragraph so long as it is greater than the product of the calculation in division (2) of this subparagraph, and

- (2) determine the sum of the employee and employer contributions applicable to the years of service sought to be transferred plus interest consistent with the actuarial assumptions adopted by the Board of Trustees for purposes of preparing the annual actuarial evaluation. For all non-vested members, and for members who have accrued at least eight (8) years of credited service, if the product of this calculation is greater than the product of the calculation in division (1) of this subparagraph, the sending system shall use the product of this calculation for purposes of determining the amount to be transferred by the sending system under subparagraph c of this paragraph and any transfer fee to be paid by the member under subparagraph d of this paragraph.

- b. Within thirty (30) days notification of an intent to transfer is received by the receiving system, the

receiving system shall determine, according to the system's own rules and regulations, the present value of the member's incremental projected benefits discounted according to the member's age at the time of the transfer. Incremental projected benefits shall be the difference between the projected benefit said member would receive without transferring the service credit and the projected benefit after transfer of service credit computed as of the earliest age at which the member would be able to retire. Said computation shall assume an unreduced benefit and be computed using interest, salary projections and mortality assumptions consistent with the actuarial assumptions adopted by the Board of Trustees for purposes of preparing the annual actuarial evaluation.

- c. The sending system shall, within sixty (60) days from the date notification of an intent to transfer is received by the sending system, transfer to the receiving system the amount determined in subparagraph a of this paragraph. Except if the cost as calculated under subparagraph a of this paragraph is greater than the actuarial value of the incremental benefit in the receiving system, as established in subparagraph b of this paragraph, the sending system shall send the receiving system an amount equal to the actuarial value of the incremental projected benefit in the receiving system.
- d. In order to receive the credit provided for in paragraph 1 of this subsection, if the cost of the actuarial value of the incremental benefit to the receiving system is greater than the cost as calculated under subparagraph a of this paragraph for the same years of service to the sending system

as established in subparagraphs a and b of this paragraph, the employee shall elect to:

- (1) pay any difference to receive full credit for the years sought to be transferred, or
- (2) receive prorated service credit for only the amount received from the Oklahoma Public Employees Retirement System pursuant to this subsection.

Such an election shall be made in writing, filed with the System prior to receiving the credit provided for in paragraph 1 of this subsection, and shall be irrevocable.

3. Within sixty (60) days of successfully completing all of the requirements for transfer under this subsection, the sending system shall pay the receiving system any amount due under this subsection. Within sixty (60) days of successfully completing all of the requirements for transfer under this subsection, the member shall pay the receiving system any amount due under this subsection. In the event that the member is unable to pay the transfer fee provided for in this subsection by the due date, the Board of Trustees of the receiving system shall permit the member to amortize the transfer fee over a period not to exceed sixty (60) months. Said payments shall be made by payroll deductions unless the Board of Trustees permits an alternate payment source. The amortization shall include interest in an amount not to exceed the actuarially assumed interest rate adopted by the Board of Trustees for investment earnings each year. Any member who ceases to make payment, terminates, retires or dies before completing the payments provided for in this section shall receive prorated service credit for only those payments made, unless the unpaid balance is paid by said member, his or her estate or successor in interest within six (6) months after said member's death, termination of employment or retirement, provided no retirement benefits shall be payable until the unpaid balance is paid, unless said member or beneficiary affirmatively waives the additional six-month period in which to pay the unpaid balance.

4. Years of service transferred pursuant to this subsection shall be used both in determining the member's retirement benefit and in determining the years of service for retirement and/or vesting purposes. Years of service rendered as a member of the Oklahoma Public Employees Retirement System prior to July 1, 1992, if any, shall be deemed to be years of service rendered as a member of the Teachers' Retirement System of Oklahoma prior to July 1, 1992, and shall qualify such person as a member of the Teachers' Retirement System of Oklahoma before July 1, 1992.

5. Notwithstanding the requirements of subsection (5) of Section 917 of Title 74 of the Oklahoma Statutes, members electing to take advantage of the transfer authorized by this subsection who have withdrawn their contributions from the sending system shall remit to the sending system the amount of the accumulated contributions the member has withdrawn plus simple interest of ten percent (10%) per annum prior to making said election or the election shall be deemed invalid and the transfer shall be canceled. If such an election is deemed invalid and the transfer is canceled, the accumulated contribution remitted to the sending system by the member who originally withdrew their contributions shall be returned to the member. The member's rights and obligations regarding any service credit reestablished in the sending system due to a failure to satisfy the requirements of this subsection shall be determined by the sending system in accordance with Section 901 et seq. of Title 74 of the Oklahoma Statutes.

6. If any member fails for any reason to satisfy the requirements of this subsection, the election to transfer service credit shall be void and of no effect, and any service credited as a result of this transfer shall be canceled. If such service is canceled, the years of canceled service credit which were unsuccessfully transferred to the receiving system from the sending system shall be reestablished in the sending system. The member's rights and obligations regarding any service credit reestablished in the sending system due to a failure to satisfy the requirements of this subsection shall be determined by the

sending system in accordance with Section 901 et seq. of Title 74 of the Oklahoma Statutes.

7. The Board of Trustees shall promulgate such rules as are necessary to implement the provisions of this subsection.

M. 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.

N. 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.

O. 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. NEW LAW A new section of law to be codified in the Oklahoma Statutes as Section 17-116.12 of Title 70, unless there is created a duplication in numbering, reads as follows:

A. Beginning July 1, 1998, a classified member who retired prior to July 1, 1997, shall have the member's retirement allowance calculated on the member's current average salary plus One Thousand Four Hundred Dollars (\$1,400.00).

B. Beginning July 1, 1998, a nonclassified member who retired prior to July 1, 1997, shall have the member's retirement allowance calculated on the member's current average salary plus Seven Hundred Dollars (\$700.00).

C. Beginning July 1, 1998, those individuals receiving benefits pursuant to subsection (3) of Section 17-105 of this title whose benefits commenced prior to July 1, 1997, shall receive an increase in benefits of five and four-tenths percent (5.4%).

SECTION 9. NEW LAW A new section of law to be codified in the Oklahoma Statutes as Section 17-116.13 of Title 70, unless there is created a duplication in numbering, reads as follows:

The following sums of money shall be allocated to the Teachers' Retirement System of Oklahoma, as follows:

1. For the fiscal year ending June 30, 2000, an amount which shall be no less than three and one-fourth percent (3.25%) of the amount certified by the State Board of Equalization, at the February 1999 meeting, to the General Revenue Fund of the state certified as available for appropriation pursuant to Section 23 of Article X of the Constitution of the State of Oklahoma.

2. For the fiscal year ending June 30, 2001, and for each fiscal year thereafter, an amount which shall be no less than three and one-half percent (3.5%) of the amount certified by the State Board of Equalization, at the February 2000 meeting and each following year's February meeting, to the General Revenue Fund of the state certified as available for appropriation pursuant to Section 23 of Article X of the Constitution of the State of Oklahoma.

SECTION 10. AMENDATORY 74 O.S. 1991, Section 902, as last amended by Section 5 of Enrolled Senate Bill No. 788 of the 2nd Session of the 46th Oklahoma Legislature, is amended to read as follows:

Section 902. As used in ~~this act~~ Section 901 et seq. of this title:

(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) "Beneficiary" means any person named by a member to receive any benefits as provided for by ~~this act~~ Section 901 et seq. of this title. If there is no beneficiary living at time of member employee's death, the member's estate shall be the beneficiary;

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

(9) "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 the maximum compensation level, provided:

(a) For compensation for service prior to ~~July 1, 1994~~
January 1, 1988, 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.~~

For compensation for service on or after January 1, 1988, through June 30, 1994, the maximum compensation level shall be Forty Thousand Dollars (\$40,000.00) per annum.

~~(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) (b) 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 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;~~

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

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

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

(13) "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 a 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~~ Section 901 et seq. of this title. 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;

(14) "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. 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 of Oklahoma 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 or she 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 or she is ineligible for this System as long as he or she 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;

(15) "Entry date" means the date on which an eligible employer joins the System. The first entry date pursuant to ~~this act~~ Section 901 et seq. of this title shall be January 1, 1964;

(16) "Executive Director" means the managing officer of the System employed by the Board under ~~this act~~ Section 901 et seq. of this title;

(17) "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 maximum compensation levels as provided in subsection (9) of this section received ~~as follows:~~

- ~~(a) for service rendered prior to July 1, 1994, during the highest three (3) of the last ten (10) years of participating service immediately preceding retirement or termination of employment. Provided, no member shall retire with a final average compensation for service rendered prior to July 1, 1994, in excess of Forty Thousand Dollars (\$40,000.00); and no member shall retire with a final average 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 compensation salary in excess of Twenty-five Thousand Dollars (\$25,000.00). In addition to those persons retiring on or after the effective date of this act, the provisions of this paragraph shall be applicable to those persons~~

~~retiring on or after July 1, 1994, but not later than July 1, 1995, unless such application would result in a reduction of retirement benefits for those persons,~~

~~(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. In addition to those persons retiring on or after the effective date of this act, the provisions of this paragraph shall be applicable to those persons retiring on or after July 1, 1994, but not later than July 1, 1995, unless such application would result in a reduction of retirement benefits for those persons, and~~

~~(c) the System shall, prior to January 1, 1996, pay to members retiring on or after July 1, 1994, and prior to July 1, 1995, any retroactive increase in benefits due pursuant to this paragraph;~~

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

(19) "Fund" means the Oklahoma Public Employees Retirement Fund as created by ~~this act~~ Section 901 et seq. of this title;

(20) "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;

(21) "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;

(22) (a) "Military service" means service in the Armed Forces of the United States in time of war or national

emergency by honorably discharged persons who served as follows:

1. in the Armed Forces of the United States at any time during the period from April 6, 1917, to November 11, 1918, both dates inclusive,
2. in the Armed Forces of the United States as members of the 45th Division at any time during the period from September 16, 1940, to December 7, 1941, both dates inclusive,
3. in the Armed Forces of the United States at any time during the period from December 7, 1941, to December 31, 1946, both dates inclusive,
4. in the Armed Forces of the United States at any time during the period from June 27, 1950, to January 31, 1955, both dates inclusive,
5. for a period of ninety (90) days or more, unless discharged from active duty for a service-connected disability, in the Armed Forces of the United States during the period of time in which the United States participated in a war, campaign or battle, but excluding any person who shall have served on active duty for training only, unless discharged from active duty for service-connected disability,
6. in the Armed Forces of the United States at any time during the period which began on:
 - a. February 28, 1961, and ended on May 7, 1975, in the case of a veteran who served in the Republic of Vietnam during that period, and
 - b. August 5, 1964, and ended on May 7, 1975, in all other cases,except that such period shall be deemed to have ended on December 31, 1976, when determining eligibility for education and training benefits;
or

7. in the Armed Forces of the United States on or after August 1, 1990, and ended on December 31, 1991, excluding any person who shall have served on active duty for training only, unless discharged from active duty for service-connected disability,

(b) an eligible member under this paragraph shall include only those persons who shall have served during the times or in the areas prescribed in this paragraph, and those persons who were awarded service medals, as authorized by the United States Department of Defense as reflected in the veteran's Defense Department Form 214, related to the Vietnam Conflict who served prior to August 5, 1964;

(23) "Normal retirement date" means the date on which a member may retire with full retirement benefits as provided in ~~this act~~ Section 901 et seq. of this title, 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 initially 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); such a normal retirement date will also apply to any person who became a member of the sending system as defined in ~~this act~~ Section 901 et seq. of this title, prior to July 1, 1992, regardless of whether there were breaks in service after July 1, 1992,
- (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;

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

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

(26) "Prior service" means the period of employment of a member by an eligible employer prior to the member's entry date for which credit is granted a member under ~~this act~~ Section 901 et seq. of this title;

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

(28) "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~~ Section 901 et seq. of this title or as otherwise allowed to be paid at the discretion of the Board;

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

(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 11. AMENDATORY 74 O.S. 1991, Section 913.4, as last amended by Section 3, Chapter 302, O.S.L. 1995 (74 O.S. Supp. 1997, 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. 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 (9) of Section 902 of this title and shall be as follows:

Percent of	Computation	Alternate
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Contribution	Factor	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%
55	70%

C. Any elected official shall receive annual benefits computed as follows:

~~1. The based upon the computation factor selected multiplied by the member's highest annual compensation received as an elected official prior to retirement or termination of employment; provided, no elected official shall retire with a using such highest annual compensation for service rendered prior to July 1, 1994, in excess of Forty Thousand Dollars (\$40,000.00) and no elected official shall retire with a highest annual compensation for service rendered prior to July 1, 1994, in excess of Twenty-~~

~~five Thousand Dollars (\$25,000.00) unless the elected official has made the required election and has paid the required contributions on such salary in excess of Twenty-five Thousand Dollars (\$25,000.00), as determined pursuant to subsection (9) 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. In addition to those persons retiring on or after July 1, 1995, the provisions of this paragraph shall be applicable to those elected officials retiring on or after July 1, 1994, but not later than the effective date of this act, unless such application would result in a reduction of retirement benefits for those persons;~~

~~2. The computation factor selected multiplied by the member's highest annual compensation received as an elected official prior to retirement or termination of employment, as determined pursuant to subsection (9) 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. In addition to those persons retiring on or after the effective date of this act, the provisions of this paragraph shall be applicable to those elected officials retiring on or after July 1, 1994, but not later than July 1, 1995, unless such application would result in a reduction of retirement benefits for those persons;~~

~~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 this subsection and shall be utilized in the calculation of benefits in paragraph 2 of this subsection. Members who failed to elect to increase the maximum compensation level pursuant to subsection (9) 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.

~~4. The System shall, prior to January 1, 1996, pay to members retiring on or after July 1, 1994, and prior to July 1, 1995, any retroactive increase in benefits due pursuant to this subsection.~~

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 participating 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. Provided the elected official had met the service requirements, survivor benefits shall be payable when 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.

G. Any elected official who served in the Armed Forces of the United States, as defined in paragraph (22) 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.

I. Elected officials who terminate participation in the System and 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.

SECTION 12. AMENDATORY 74 O.S. 1991, Section 915, as last amended by Section 1, Chapter 129, O.S.L. 1997 (74 O.S. Supp. 1997, Section 915), 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 (17) 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 Section 913 of this title, and

~~b. two percent (2%) of the member's final average compensation as determined pursuant to paragraph (b) of subsection (17) 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 (9) 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 person who becomes a member of the System on or after July 1, 1995;~~

~~(i) a.~~ and who had twenty (20) or more years of credited service within the System as of the member's retirement date shall be no less than Thirteen Thousand Eight Hundred Dollars (\$13,800.00) per annum,

~~(ii) b.~~ and who had at least fifteen (15) but not more than nineteen (19) years of credited service within the System as of the member's retirement date shall be no less than Six Thousand Nine Hundred Dollars (\$6,900.00) per annum,

~~(iii)~~ c. and who had less than fifteen (15) years of credited service within the System as of the member's retirement date shall not be eligible for any minimum amount of final average compensation and the member's final average compensation shall be the final average compensation as defined by subsection (17) of Section 902 of this title,

~~e.~~ Provided, further, any member who has elected a vested benefit pursuant to Section 917 of this title shall be entitled to receive benefits as outlined in this section except the percent factor ~~of~~ and the member's ~~final average~~ maximum compensation level 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 the maximum compensation level as provided in subsection (9) 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) the maximum compensation level as

provided in subsection (9) of Section 902 of this title,
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 (c) of subsection (1) of Section 919.1 of this title, and who does not qualify for normal retirement under subparagraph (c) of paragraph (23) 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
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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, or the payment of benefits pursuant to the Railroad Retirement Act of 1974, Section 231 et seq. of Title 45 of the United States Code, 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 or resulting in subsequent certification of eligibility of disability by the Railroad Retirement Board providing such certification is made by the Railroad Retirement Board 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 or the Railroad Retirement Award Notice certifying the date of entitlement for disability benefits, as issued by the Social Security Administration, Department of Health and Human Services or the Railroad Retirement Board. Disability benefits shall become effective on the date of entitlement as established by the Social Security Administration or the Railroad Retirement Board, 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

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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 13. AMENDATORY 74 O.S. 1991, Section 919.1, as amended by Section 11, Chapter 383, O.S.L. 1994 (74 O.S. Supp. 1997, Section 919.1), is amended to read as follows:

Section 919.1 (1) Effective July 1, ~~1994~~ 1998, employee contributions to the System shall be:

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

- ~~(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%)~~ three percent (3%) 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~~ 1998, 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~~ 1998, and thereafter, three and one-half percent (3 1/2%) of allowable annual compensation in excess of Forty Thousand Dollars (\$40,000.00);

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

- ~~(i) beginning July 1, 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) as provided in subsection (9) of Section 902 of this title.~~

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.

(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 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 14. AMENDATORY 74 O.S. 1991, Section 920A, as last amended by Section 7, Chapter 302, O.S.L. 1995 (74 O.S. Supp. 1997, 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 (9) 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.

~~B. Until July 1, 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. Until July 1, 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); provided, however, each participating employer listed in this section may set the amount of the employer and employee contribution to equal 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), provided, the employer contribution shall not exceed eleven and one-half percent (11 1/2%) and the employee contribution shall not exceed seven percent (7%),~~
- ~~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); provided, the employer contribution shall be eleven and one-half percent (11 1/2%) and the employee contribution shall be three and one-half percent (3 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. ten percent (10%) of the allowable monthly compensation of each member for compensation in excess of Forty Thousand Dollars (\$40,000.00), all of which shall be paid by the employee;~~

- ~~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); provided, however, each participating employer listed in this section may set the amount of the employer and employee contribution to equal 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), provided, the employer contribution shall not exceed eleven and one-half percent (11 1/2%) and the employee contribution shall not exceed seven percent (7%),~~
 - ~~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); provided, the employer contribution shall be eleven and one-half percent (11 1/2%) and the employee contribution shall be three and one-half percent (3 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 percent (15%) of the allowable monthly compensation of each member for compensation in excess of Forty Thousand Dollars (\$40,000.00); provided, the employer contribution shall be eleven and one-half percent (11 1/2%) and the employee contribution shall be three and one-half percent (3 1/2%) 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); provided, however, each participating employer listed in this section may set the amount of the employer and employee contribution to equal 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), provided, the employer contribution shall not exceed twelve percent (12%) and the employee contribution shall not exceed seven and one-half percent (7 1/2%),~~
 - ~~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); provided, the employer contribution shall be twelve percent (12%) and the employee contribution shall be three and one-half percent (3 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); provided, the employer contribution shall be twelve percent (12%) and the employee contribution shall be three and one-half percent (3 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); provided, however, each participating employer listed in this section may set the amount of the employer and employee contribution to equal 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), provided, the employer contribution shall not exceed twelve and one-half percent (12 1/2%) and the employee contribution shall not exceed eight percent (8%),~~
- ~~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); provided, the employer contribution shall be twelve and one-half percent (12 1/2%) and the employee contribution shall be three and one-half percent (3 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. sixteen percent (16%) of the allowable monthly compensation of each member for compensation in excess of Forty Thousand Dollars (\$40,000.00); provided, the employer contribution shall be twelve and one-half percent (12 1/2%) and the employee contribution shall be three and one-half percent (3 1/2%) 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; provided, however, each participating employer listed in this section may set the amount of the employer and employee contribution to equal sixteen percent (16%) of the allowable monthly compensation of each member for compensation ~~not in excess of Twenty-five Thousand Dollars (\$25,000.00)~~ as provided in subsection (9) of Section 902 of this title; provided, the employer contribution shall not exceed twelve and one-half percent (12 1/2%) and the employee contribution shall not exceed eight and one-half percent (8 1/2%); ~~provided further, the employer contribution shall be twelve and one-half percent (12 1/2%) and the employee contribution shall be three and one-half percent (3 1/2%) of the allowable monthly compensation of each member for compensation of Twenty-five Thousand Dollars (\$25,000.00) or more.~~

~~D.~~ C. 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.~~ D. 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.~~ E. 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 15. NEW LAW A new section of law to be codified in the Oklahoma Statutes as Section 930.5 of Title 74, unless there is created a duplication in numbering, reads as follows:

A. It is the intent of the Legislature to provide a cost of living adjustment to retirants of the Oklahoma Public Employees Retirement System which reflects a replacement of the loss of purchasing power, while remaining consistent with the basic benefit formula of the System.

B. To fulfill the intent as set forth in subsection A of this section, every person receiving retirement benefits from the System as of June 30, 1997, who continues to receive benefits on or after July 1, 1998, shall receive an increase in retirement benefits as follows:

1. Persons who have been retired ten (10) years or less will receive two and one-half percent (2.5%) of the retirement benefit on July 1, 1998, multiplied by the number of years the member has been retired;

2. Persons who have been retired in excess of ten (10) years will receive two and one-half percent (2.5%) of the retirement benefit on July 1, 1998, multiplied by ten (10);

3. For purposes of calculating the increase, the member's effective retirement date will be utilized, provided further, that a fractional year of six (6) months or more shall be considered as one (1) year and less than six (6) months shall be disregarded;

4. The increase provided in this section shall become effective with the July 1998 benefit payment.

SECTION 16. REPEALER Section 15, Chapter 383, O.S.L. 1994 (62 O.S. Supp. 1997, Section 1001), is hereby repealed.

SECTION 17. Section 5 of this act shall become effective July 1, 1999.

SECTION 18. Sections 1 through 4 and 6 through 16 of this act shall become effective July 1, 1998.

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.

46-2-3315

SJ

(<time=system>)