

STATE OF OKLAHOMA

1st Session of the 47th Legislature (1999)

COMMITTEE SUBSTITUTE  
FOR  
HOUSE BILL NO. 1789

By: Reese

COMMITTEE SUBSTITUTE

An Act relating to the Oklahoma Public Employees Retirement System; amending Section 2, Chapter 363, O.S.L. 1998 (74 O.S. Supp. 1998, Section 910.5), which relates to the disposition of certain employee contributions; authorizing certain active members to make election; prescribing procedure for election; requiring Oklahoma Public Employees Retirement System to perform certain computations; prescribing procedure for computation; authorizing acquisition of service credit; prescribing procedures for acquisition of service credit; imposing limitations upon use of service credit; providing for effect of election to acquire service credit; requiring additional computation by System for certain members; requiring payment of interest upon certain employee contributions; providing for disposition of amounts; providing an effective date; and declaring an emergency.

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

SECTION 1. AMENDATORY Section 2, Chapter 363, O.S.L. 1998 (74 O.S. Supp. 1998, Section 910.5), is amended to read as follows:

Section 910.5 ~~Any~~ A. Except as otherwise provided by this section, any active member, as of July 1, 1998, whose compensation for service exceeded Twenty-five Thousand Dollars (\$25,000.00) per annum prior to July 1, 1994, and who, prior to July 1, 1998, had voluntarily elected to increase the maximum compensation level pursuant to statutes in effect at that time, shall be refunded or have transferred, pursuant to this section and the procedures established by the Board, the employee contributions made on compensation for service which is in excess of Twenty-five Thousand Dollars (\$25,000.00) per annum prior to July 1, 1994. ~~It is the~~

~~intent of the Legislature that~~ Except for members making an election pursuant to subsection B of this section, if all requirements of federal law can be fulfilled with respect to the qualified status of applicable retirement plans, the excess contributions which were paid on a pretax basis and considered as picked up under the provisions of Section 414(h)(2) of the Internal Revenue Code of 1986 shall be transferred directly to an account established for the employee in the Oklahoma State Employees Deferred Savings Incentive Plan, and the excess contributions which were paid on an after-tax basis and not considered picked up under the provisions of Section 414(h)(2) of the Internal Revenue Code of 1986 shall be refunded directly to the employee. The provisions for refund or transfer contained in this section shall not take effect until the Board receives official written notice that this distribution satisfies the tax qualification requirements for governmental plans applicable to such refunds or transfers as specified in the Internal Revenue Code of 1986, as amended from time to time and as applicable to governmental plans and the relevant regulatory provisions and guidance related thereto.

B. Any active member who would otherwise receive either a refund of monies as provided by subsection A of this section or the deposit of monies in an account as provided by subsection A of this section may elect to use the applicable contribution amounts, together with interest as provided by subsection E of this section, to acquire service credit in the Oklahoma Public Employees Retirement System.

C. An active member making an election pursuant to subsection B of this section shall make the election in writing filed with the System not later than December 31, 1999, on a form prescribed for that purpose by the System.

D. For each active member making the election authorized by subsection B of this section, the System shall determine the total

amount of employee contributions made by the member for salary in excess of Twenty-five Thousand Dollars (\$25,000.00), but not in excess of Forty Thousand Dollars (\$40,000.00) between July 20, 1987, and June 30, 1994, inclusive.

E. The System shall:

1. Apply an annual interest rate of seven and one-half percent (7.5%) to the total amount of employee contributions made by the member on salary in excess of Twenty-five Thousand Dollars (\$25,000.00) for the period of July 20, 1987, through July 31, 1987;

2. Apply an annual interest rate of seven and one-half (7.5%) to the sum of:

a. the result of the computation made in paragraph 1 of this subsection, and

b. the total amount of employee contributions made by the member on salary in excess of Twenty-five Thousand Dollars (\$25,000.00) for the period of July 1, 1987, through June 30, 1988;

3. For each successive annual period beginning on July 1, 1988 and ending on June 30, 1994, apply an annual interest rate of seven and one-half percent (7.5%) to the sum of:

a. the combined employee contribution amount together with accrued interest for the preceding annual period, and

b. the employee contributions made by the member on salary in excess of Twenty-five Thousand Dollars (\$25,000.00), for the next annual period beginning July 1 and ending on June 30; and

4. Complete the compound interest computations required by this subsection and then calculate the total amount of accumulated employee contributions with compound interest that the member may use to acquire service credit as provided by subsection F of this section.

F. The member may use the total accumulated amount computed pursuant to subsection E of this section in order to acquire service credit in the System. The System shall authorize the member to acquire this service credit in units of whole months. The acquisition of the service credit shall be based upon the actuarial cost to the System computed in the same manner as provided by Section 913.5 of Title 74 of the Oklahoma Statutes. If the accumulated amount for purchase of the service credit is less than the amount required by actuarial cost for purchase of a whole number of months of service credit or if the accumulated amount for the purchase of the service credit is greater than the amount required by actuarial cost for purchase of a whole number of months of service credit, the System shall provide for a disposition of the difference in the two amounts pursuant to rule.

G. If a member elects to have an accumulated account balance applied to the cost of acquiring service credit as provided by this section, the member shall not have any right to the return of any the employee contributions made on salary in excess of Twenty-five Thousand Dollars (\$25,000.00) between July 20, 1987 and June 30, 1994, or for the creation of an account as provided by subsection A of this section except in the event of termination of employment without having elected a vested benefit or in the event of death of the member prior to retirement, and the total amount of such employee contributions together with interest shall be used by the System in accordance with the applicable provisions of law for computation of retirement benefits.

H. The additional service credit authorized by this section shall be used only for the purpose of computing retirement benefits and shall not be used for purposes of determining eligibility to elect a vested benefit or for any other purpose.

I. The System shall perform the compound interest computations as prescribed by subsection E of this section for active members

described by subsection A of this section who do not elect to use the accumulated contributions for acquisition of additional service credit and shall either pay to the member, for contributions made on an after tax basis, or shall pay to the account established pursuant to subsection A of this section for the member the total amount of employee contributions with annual interest at the rate of seven and one-half percent (7.5%) interest compounded as prescribed by subsection E of this section.

SECTION 2. This act shall become effective July 1, 1999.

SECTION 3. It being immediately necessary for the preservation of the public peace, health and safety, an emergency is hereby declared to exist, by reason whereof this act shall take effect and be in full force from and after its passage and approval.

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