

EHB 1789

1 THE STATE SENATE
2 Tuesday, March 30, 1999

3 ENGROSSED

4 House Bill No. 1789

5 As Amended

6 ENGROSSED HOUSE BILL NO. 1789 - By: REESE, SEIKEL, HEFNER, MITCHELL,
7 PAULK and ROBERTS of the House and DUNLAP of the Senate.

8 (Oklahoma Public Employees Retirement System - amending 74
9 O.S., Section 910.5 - disposition of certain employee
10 contributions - election - effective date -
11 emergency)

12 SECTION 1. AMENDATORY Section 2, Chapter 363, O.S.L.

13 1998 (74 O.S. Supp. 1998, Section 910.5), is amended to read as
14 follows:

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

1 pursuant to subsection B of this section, if all requirements of
2 federal law can be fulfilled with respect to the qualified status of
3 applicable retirement plans, the excess contributions which were
4 paid on a pretax basis and considered as picked up under the
5 provisions of Section 414(h) (2) of the Internal Revenue Code of 1986
6 shall be transferred directly to an account established for the
7 employee in the Oklahoma State Employees Deferred Savings Incentive
8 Plan, and the excess contributions which were paid on an after-tax
9 basis and not considered picked up under the provisions of Section
10 414(h) (2) of the Internal Revenue Code of 1986 shall be refunded
11 directly to the employee. The provisions for refund or transfer
12 contained in this section shall not take effect until the Board
13 receives official written notice that this distribution satisfies
14 the tax qualification requirements for governmental plans applicable
15 to such refunds or transfers as specified in the Internal Revenue
16 Code of 1986, as amended from time to time and as applicable to
17 governmental plans and the relevant regulatory provisions and
18 guidance related thereto.

19 B. Any active member who would otherwise receive either a
20 refund of monies as provided by subsection A of this section or the
21 deposit of monies in an account as provided by subsection A of this
22 section may elect to use the applicable contribution amounts,
23 together with interest as provided by subsection E of this section,

1 to acquire service credit in the Oklahoma Public Employees
2 Retirement System.

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

7 D. For each active member making the election authorized by
8 subsection B of this section, the System shall determine the total
9 amount of employee contributions made by the member for salary in
10 excess of Twenty-five Thousand Dollars (\$25,000.00), but not in
11 excess of Forty Thousand Dollars (\$40,000.00) between July 20, 1987,
12 and June 30, 1994, inclusive.

13 E. The System shall:

14 1. Apply an annual interest rate of seven and one-half percent
15 (7.5%) to the total amount of employee contributions made by the
16 member on salary in excess of Twenty-five Thousand Dollars
17 (\$25,000.00) for the period of July 20, 1987, through July 31, 1987;

18 2. Apply an annual interest rate of seven and one-half percent
19 (7.5%) to the sum of:

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

22 b. the total amount of employee contributions made by the
23 member on salary in excess of Twenty-five Thousand

1 Dollars (\$25,000.00) for the period of July 1, 1987,
2 through June 30, 1988;

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

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

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

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

17 F. The member may use the total accumulated amount computed
18 pursuant to subsection E of this section in order to acquire service
19 credit in the System. The System shall authorize the member to
20 acquire this service credit in units of whole months. The
21 acquisition of the service credit shall be based upon the actuarial
22 cost to the System computed in the same manner as provided by
23 Section 913.5 of Title 74 of the Oklahoma Statutes. If the

1 accumulated amount for purchase of the service credit is less than
2 the amount required by actuarial cost for purchase of a whole number
3 of months of service credit or if the accumulated amount for the
4 purchase of the service credit is greater than the amount required
5 by actuarial cost for purchase of a whole number of months of
6 service credit, the System shall provide for a disposition of the
7 difference in the two amounts pursuant to rule.

8 G. If a member elects to have an accumulated account balance
9 applied to the cost of acquiring service credit as provided by this
10 section, the member shall not have any right to the return of any
11 the employee contributions made on salary in excess of Twenty-five
12 Thousand Dollars (\$25,000.00) between July 20, 1987, and June 30,
13 1994, or for the creation of an account as provided by subsection A
14 of this section except in the event of termination of employment
15 without having elected a vested benefit or in the event of death of
16 the member prior to retirement, and the total amount of such
17 employee contributions together with interest shall be used by the
18 System in accordance with the applicable provisions of law for
19 computation of retirement benefits.

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

1 I. The System shall perform the compound interest computations
2 as prescribed by subsection E of this section for active members
3 described by subsection A of this section who do not elect to use
4 the accumulated contributions for acquisition of additional service
5 credit and shall either pay to the member, for contributions made on
6 an after-tax basis, or shall pay to the account established pursuant
7 to subsection A of this section for the member the total amount of
8 employee contributions with annual interest at the rate of seven and
9 one-half percent (7.5%) interest compounded as prescribed by
10 subsection E of this section.

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

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

16 COMMITTEE REPORT BY: COMMITTEE ON APPROPRIATIONS, dated 3-24-99 - DO
17 PASS, As Amended.