

STATE OF OKLAHOMA

1st Session of the 48th Legislature (2001)

SENATE BILL 640

By: Pruitt

AS INTRODUCED

An Act relating to retirement; providing for disability, death and certain health related retirement benefits for members of the defined contribution retirement plan; requiring eligibility; providing benefits in the same manner as those of defined benefit retirement members; requiring the Board of Trustees of the Teachers' Retirement System of Oklahoma to establish and implement a defined contribution retirement plan; setting date for implementation; requiring employees hired after June 30, 2002, to participate in the defined contribution retirement plan; providing for election to transfer for defined benefit retirement plan members; setting date for transfer; providing for transfer of employee contributions; providing for treatment of years of participation; canceling certain credit in the defined benefit retirement plan; promulgating rules; amending 70 O.S. 1991, Section 17-108.1, as last amended by Section 6, Chapter 317, O.S.L. 1998 (70 O.S. Supp. 2000, Section 17-108.1), which relates to the Teachers' Retirement System of Oklahoma; amending employer contributions; deleting obsolete language; providing for immediate vesting for certain members; clarifying that there is no maximum contribution levels for defined contribution retirement plan members; specifying contributions; requiring the Board of Trustees of the Oklahoma Public Employees Retirement System to establish and implement a defined contribution retirement plan; setting date for implementation; requiring employees hired after June 30, 2002, to participate in the defined contribution retirement plan; providing for election to transfer for defined benefit retirement plan members; setting date for transfer; providing for transfer of employee contributions; providing for treatment of years of participation; canceling certain credit in the defined benefit retirement plan; promulgating rules; providing for disability, death and certain health related retirement benefits for members of the defined contribution retirement plan; requiring eligibility; providing benefits in the same manner as those of defined benefit retirement members; requiring the Board of Trustees to make an annual estimate and calculation of certain contributions; subtracting certain cost of benefits from this calculation; expressing intent of the Legislature to appropriate certain amounts to the Teachers' Retirement System of Oklahoma based upon the Board of Trustee's calculations; promulgating rules; providing for immediate vesting for certain members; specifying contributions; providing

definition; providing for codification; providing effective dates; and declaring an emergency.

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

SECTION 1. NEW LAW A new section of law to be codified in the Oklahoma Statutes as Section 17-105.1 of Title 70, unless there is created a duplication in numbering, reads as follows:

A. Members of the System who either begin participation in the System after June 30, 2002, or who elect to transfer to the defined contribution retirement plan pursuant to Section 2 of this act, shall also be eligible, once applicable eligibility or vesting requirements, which apply to participants in the defined benefit retirement plan, have been met, for disability retirement, death benefits, and health insurance premium payments upon retirement, pursuant to Sections 17-101 through 17-121 of Title 70 and Section 1316.3 of Title 74 of the Oklahoma Statutes, in the same manner as the defined benefit retirement plan members.

B. The Board of Trustees of the Teachers' Retirement System of Oklahoma shall promulgate such rules as are necessary to implement the provisions of this section.

SECTION 2. NEW LAW A new section of law to be codified in the Oklahoma Statutes as Section 17-106.5 of Title 70, unless there is created a duplication in numbering, reads as follows:

A. The Board of Trustees of the Teachers' Retirement System of Oklahoma shall establish and maintain a defined contribution retirement plan in addition to the defined benefit retirement plan and shall implement the same beginning July 1, 2002.

B. Notwithstanding any other provision to the contrary in Sections 17-101 through 17-121 of Title 70 of the Oklahoma Statutes, employees who are hired by a participating employer after June 30, 2002, shall be members of the defined contribution retirement plan. Any member who makes this election shall have all years of service

credited in the defined benefit plan canceled and shall not be eligible to draw any benefits from the defined benefit retirement plan.

C. After June 30, 2002, members who are participating in the defined benefit plan may make an irrevocable written election to the System to become a member of the defined contribution retirement plan as established by this act. The System shall transfer the member's employee contributions in the defined benefit retirement plan to the member's defined contribution retirement plan account upon election. Such members shall have until December 31, 2002, to make this election. Years of participation in the defined benefit retirement plan for a member who makes this election shall be used in determining the amount of contributions to be made to the member's defined contribution retirement plan.

D. The Board of Trustees of the Teachers' Retirement System of Oklahoma shall promulgate such rules as are necessary to implement the defined contribution retirement plan.

SECTION 3. AMENDATORY 70 O.S. 1991, Section 17-108.1, as last amended by Section 6, Chapter 317, O.S.L. 1998 (70 O.S. Supp. 2000, 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, 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;

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%)~~ 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; ~~and~~

5. Beginning July 1, 2002, through June 30, 2003, ~~and for each fiscal year thereafter, seven and five-hundredths percent (7.05%)~~ 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, if any;

6. Beginning July 1, 2003, through June 30, 2004, 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, if any; and

7. Beginning July 1, 2004, through June 30, 2005, 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, if any.

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

SECTION 4. NEW LAW A new section of law to be codified in the Oklahoma Statutes as Section 17-108.3 of Title 70, unless there is created a duplication in numbering, reads as follows:

A. Vesting in the defined contribution retirement plan shall be immediate.

B. There shall be no maximum compensation level(s) for members of the defined contribution retirement plan. Contributions to the defined contribution retirement plan shall be a percentage of regular annual compensation, as follows:

<u>Retirement Plan</u>	Amount transferred by the System to each defined contribution retirement plan <u>member's account</u>	<u>Employee Contribution</u>
<u>Year 1</u>	0%	7.0%
<u>Year 2</u>	1.0%	7.0%
<u>Year 3</u>	2.0%	7.0%
<u>Year 4</u>	3.0%	7.0%
<u>Year 5</u>	4.0%	7.0%
<u>Year 6 and thereafter</u>	5.0%	7.0%

SECTION 5. NEW LAW A new section of law to be codified in the Oklahoma Statutes as Section 909.3 of Title 74, unless there is created a duplication in numbering, reads as follows:

A. The Board of Trustees of the Oklahoma Public Employees Retirement System shall establish and maintain a defined contribution retirement plan in addition to the defined benefit retirement plan and shall implement the same beginning July 1, 2002.

B. Notwithstanding any other provision to the contrary in Sections 901 through 932 of Title 74 of the Oklahoma Statutes, employees who are hired by a participating employer after June 30, 2002, shall be members of the defined contribution retirement plan.

C. After June 30, 2002, members who are participating in the defined benefit plan may make an irrevocable written election to become a member of the defined contribution retirement plan as established by this act. The System shall transfer the member's employee contributions in the defined benefit retirement plan to the member's defined contribution retirement plan account upon election. Such members shall have until December 31, 2002, to make this election. Years of participation in the defined benefit retirement plan by a member who makes this election shall be used in determining the amount of contributions to be made to the member's defined contribution retirement plan. Any member who makes this election shall have all years of service credited in the defined benefit plan canceled and shall not be eligible to draw any benefits from the defined benefit retirement plan.

D. The Oklahoma Public Employees Retirement System Board of Trustees shall promulgate such rules as are necessary to implement the defined contribution retirement plan.

SECTION 6. NEW LAW A new section of law to be codified in the Oklahoma Statutes as Section 915.3 of Title 74, unless there is created a duplication in numbering, reads as follows:

A. Members of the System who either begin participation in the System after June 30, 2002, or who elect to transfer to the defined contribution retirement plan pursuant to Section 5 of this act, shall also be eligible, once applicable eligibility or vesting

requirements, which apply to participants in the defined benefit retirement plan, have been met, for disability retirement, death benefits, and health insurance premium payments upon retirement, pursuant to Sections 901 through 932 and Section 1316.2 of Title 74 of the Oklahoma Statutes, in the same manner as the defined benefit retirement plan members.

B. On or before January 1 of each year, beginning January 1, 2002, the Board shall estimate and calculate for the next fiscal year the difference between what the employer contributions to the System would have been for the defined contribution retirement plan members if such members had been members of the defined benefit retirement plan and compare that to the expected employer contributions to the defined contribution retirement plan for the next fiscal year.

C. The Board shall subtract the cost of the benefits as described in subsection A of this section, from the number calculated in subsection B of this section.

D. It is the intent of the Legislature to annually appropriate the amount calculated in subsection C to the Teachers' Retirement System of Oklahoma.

E. The Oklahoma Public Employees Retirement System Board of Trustees shall promulgate such rules as are necessary to implement the provisions of this section.

SECTION 7. NEW LAW A new section of law to be codified in the Oklahoma Statutes as Section 920B of Title 74, unless there is created a duplication in numbering, reads as follows:

A. Vesting in the defined contribution retirement plan shall be immediate.

B. Contributions to the defined contribution retirement plan shall be a percentage of compensation, as follows:

Amount transferred by

Year of participation in the Defined Contribution Retirement Plan the System to each defined contribution retirement plan

<u>Retirement Plan</u>	<u>member's account</u>	<u>Employee Contribution</u>
<u>Year 1</u>	3.5%	3.5%
<u>Year 2</u>	4.5%	3.5%
<u>Year 3</u>	5.5%	3.5%
<u>Year 4</u>	6.5%	3.5%
<u>Year 5</u>	7.5%	3.5%
<u>Year 6 and thereafter</u>	8.5%	3.5%

C. Compensation for purposes of this section shall mean 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.

SECTION 8. Sections 1, 2, 3, 5 and 6 of this act shall become effective July 1, 2001.

SECTION 9. Sections 4 and 7 of this act shall become effective January 1, 2002.

SECTION 10. 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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