

STATE OF OKLAHOMA

2nd Session of the 49th Legislature (2004)

COMMITTEE SUBSTITUTE
FOR
HOUSE BILL NO. 2692

By: Ferguson

COMMITTEE SUBSTITUTE

An Act relating to public retirement systems; requiring cost-of-living increases for specified public retirement systems to be approved by board of trustees; requiring certain funded ratio for approval of cost-of-living increase; defining terms; requiring analysis of normal cost information related to certain retirement benefit design modifications; requiring certain action by boards of trustees of public retirement systems; providing for actuarial analysis; prescribing procedures for increase in employee contribution rate; requiring certain communications to Governor, Speaker of the Oklahoma House of Representatives, President Pro Tempore of the State Senate, Office of State Finance and State Treasurer regarding increases in employee contribution rates; providing for effect of modifications adopted by board of trustees of retirement system; enacting the Oklahoma Elected Official Defined Contribution Retirement Plan Act; defining terms; providing for scope of act; requiring certain elected officials to participate in Oklahoma Elected Official Defined Contribution Retirement Plan; providing for employee contribution; providing for matching employer contribution amount; providing for vesting of certain amounts; providing for eligible retirement dates; providing for distributions in the event of death; providing for cessation of contributions; authorizing maintenance of managed account for certain period of time; requiring Board of Trustees of Oklahoma Public Employees Retirement System to provide for investment options; authorizing contracts for management services; requiring range of investment options; specifying requirements related to managed accounts; authorizing changes in options; authorizing private letter ruling for purposes of retirement plan qualification; enacting the Pension System Dedicated Revenue Reallocation Act of 2004; defining terms; providing for reallocation of certain dedicated revenues to certain public retirement systems; prescribing period for reallocation of revenues; prescribing methodology for determination of reallocation period; providing for continuation of reallocation process; providing for termination of reallocation of dedicated revenue based upon funded status of retirement systems; amending 11 O.S. 2001, Section 49-100.3, which relates to the Oklahoma Firefighters Pension and Retirement System; amending 11 O.S. 2001, Section 50-103.1, as amended by Section

1, Chapter 51, O.S.L. 2003 (11 O.S. Supp. 2003, Section 50-103.1), which relates to the Oklahoma Police Pension and Retirement System; amending 47 O.S. 2001, Section 2-303, which relates to the Oklahoma Law Enforcement Retirement System; amending 70 O.S. 2001, Section 17-106, which relates to the Teachers' Retirement System of Oklahoma; amending 74 O.S. 2001, Section 905, which relates to the Oklahoma Public Employees Retirement System; modifying composition of board of trustees for retirement systems; modifying certain appointments by Speaker of the Oklahoma House of Representatives; modifying certain appointments by President Pro Tempore of the State Senate; modifying certain appointments by Governor; modifying certain appointments by other entities; providing for ex officio and nonvoting status of Director of Office of State Finance; providing for continuation of existing terms of office; providing for timing of certain appointments by Speaker of the Oklahoma House of Representatives, President Pro Tempore of the State Senate and the Governor; providing for selection of certain trustees by various entities; providing for codification; providing an effective date; and declaring an emergency.

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

SECTION 1. NEW LAW A new section of law to be codified in the Oklahoma Statutes as Section 1001.1 of Title 62, unless there is created a duplication in numbering, reads as follows:

A. Any cost-of-living increase for retired members of the Oklahoma Firefighters Pension and Retirement System, Oklahoma Police Pension and Retirement System, Uniform Retirement System for Justices and Judges, Oklahoma Law Enforcement Retirement System, Teachers' Retirement System of Oklahoma or the Oklahoma Public Employees Retirement System shall require the prior approval, by majority vote, of the board of trustees of the retirement system affected by legislation providing such increase.

B. No cost-of-living increase, whether based upon a percentage increase to a retired member's benefit amount, adjustment to final average salary or compensation or otherwise, shall be paid from retirement system assets without the prior approval of the

respective board of trustees and shall not receive such approval if the funded ratio of the affected retirement system, after payment of the cost-of-living increase, would be less than seventy percent (70%).

C. As used in subsection B of this section, "funded ratio" means the figure derived by dividing the actuarial value of assets of the retirement system by the actuarial accrued liability of the retirement system.

SECTION 2. NEW LAW A new section of law to be codified in the Oklahoma Statutes as Section 1001.2 of Title 62, unless there is created a duplication in numbering, reads as follows:

A. As used in this section:

1. "Public retirement system" means the:

- a. Oklahoma Firefighters Pension and Retirement System,
- b. Oklahoma Police Pension and Retirement System,
- c. Uniform Retirement System for Justices and Judges,
- d. Oklahoma Law Enforcement Retirement System,
- e. Teachers' Retirement System of Oklahoma, and
- f. Oklahoma Public Employees Retirement System;

2. "Normal cost" means an amount calculated under an actuarial cost method required to fund accruing benefits for members of a defined benefit retirement plan during any year in the future;

3. "Retirement benefit design modification" means a change in the statutory provisions governing one of the public retirement systems that increases the amount of retirement benefit for a retired member or that would represent an increase in retirement benefits to be received by an active member of the retirement system who has not yet retired or any other modification that would increase the unfunded actuarial accrued liability of a public retirement system unless provisions were enacted to ensure that the modification is to be funded at normal cost for the affected retirement system; and

4. "Unfunded actuarial accrued liability" means the excess of a defined benefit retirement plan's actuarial liabilities at any given point in time over the value of its cash and investments on that same date.

B. If the Legislature enacts a retirement benefit design modification with respect to any public retirement system and no corresponding modifications are made to employer contributions, employee contributions or other sources to fund the retirement benefit design modification at normal cost, the board of trustees of the affected public retirement system shall impose an increase in the employee contribution rate for the applicable retirement system by an amount, based upon the analysis of the retirement benefit design modification by an actuary engaged by the board of trustees for such purpose, which is sufficient to prevent the retirement benefit design modification from adding to any unfunded actuarial accrued liability of the retirement system.

C. The board of trustees shall adopt a resolution reciting the relevant provisions of law that require the increase in employee contributions to fund the normal cost of the benefit being provided and shall include the analysis of the actuary underlying the recommendation for the increase in such employee contribution in the resolution supporting the employee contribution rate increase.

D. The board of trustees shall transmit a certified copy of the resolution after its adoption to the Governor, the Speaker of the Oklahoma House of Representatives, the President Pro Tempore of the State Senate, the Office of State Finance and the State Treasurer. The employee contribution rate identified in the respective resolution shall be effective as law unless modified by statute.

E. Notwithstanding any enumerated employee contribution rate as prescribed or authorized by any other law, the employee contribution rate as adopted by the board of trustees in the manner prescribed by

this section shall be the legally enforceable employee contribution rate for the retirement system until subsequently modified by law.

SECTION 3. NEW LAW A new section of law to be codified in the Oklahoma Statutes as Section 913.4-1 of Title 74, unless there is created a duplication in numbering, reads as follows:

Sections 3 through 11 of this act shall be known and may be cited as the "Oklahoma Elected Official Defined Contribution Retirement Plan Act".

SECTION 4. NEW LAW A new section of law to be codified in the Oklahoma Statutes as Section 913.4-2 of Title 74, unless there is created a duplication in numbering, reads as follows:

As used in the Oklahoma Elected Official Defined Contribution Retirement Plan Act:

1. "Contribution" means the percentage of compensation prescribed by subsection B of Section 6 of this act made by an elected official for deposit into a managed account;

2. "Compensation" means the amount of salary received by an elected official incident to performance of the duties of the office to which such person is elected, but exclusive of any payment made for reimbursement of expenses incurred by such official, such as travel reimbursement, honoraria, stipends, gifts or other forms of value not prescribed by law as salary for performance of the official duties of the office;

3. "Elected official" means an official elected to statewide office, state legislator or county elected official;

4. "Managed account" means one of the options for accumulation of employee contributions, matching contributions, earnings and other sources of accumulation as authorized by law; and

5. "Matching contribution" means the amount prescribed by subsection C of Section 6 of this act made on behalf of an elected official for deposit into a managed account.

SECTION 5. NEW LAW A new section of law to be codified in the Oklahoma Statutes as Section 913.4-3 of Title 74, unless there is created a duplication in numbering, reads as follows:

A. For elected officials whose first term of office as an elected official begins on or after November 1, 2004, the provisions of Section 913.4 of Title 74 of the Oklahoma Statutes shall not be applicable for computation of retirement benefits for such elected official and the elected official shall have only such retirement benefits as authorized pursuant to the Oklahoma Elected Official Defined Contribution Retirement Plan Act.

B. The provisions of Section 913.4 of Title 74 of the Oklahoma Statutes shall be fully applicable to elected officials who retire from the Oklahoma Public Employees Retirement System if such elected official has elected official service occurring prior to November 1, 2004, and other requirements of law applicable to the receipt of retirement benefits pursuant to Section 913.4 of Title 74 of the Oklahoma Statutes are met.

SECTION 6. NEW LAW A new section of law to be codified in the Oklahoma Statutes as Section 913.4-4 of Title 74, unless there is created a duplication in numbering, reads as follows:

A. An elected official subject to the provisions of this act shall become a participant in the Oklahoma Elected Official Defined Contribution Retirement Plan.

B. An elected official subject to the provisions of this act shall make an employee contribution in an amount not greater than ten percent (10%) of compensation received by such elected official. Such contribution shall be deposited to the credit of the managed account selected by the elected official for the applicable period.

C. A matching contribution equal to the contribution required by subsection B of this section of the compensation paid to an elected official shall be made to the Oklahoma Public Employees

Retirement System for deposit into the elected official managed account.

D. An elected official shall be fully vested to the extent of contributions made to an elected official managed account by the elected official.

E. An elected official shall be fully vested to the extent of matching contributions made to an elected official managed account pursuant to subsection C of this section after a period of six (6) years.

SECTION 7. NEW LAW A new section of law to be codified in the Oklahoma Statutes as Section 913.4-5 of Title 74, unless there is created a duplication in numbering, reads as follows:

An elected official subject to the provisions of the Oklahoma Elected Official Defined Contribution Retirement Plan shall be eligible for retirement as provided for in Section 902 of Title 74 of the Oklahoma Statutes.

SECTION 8. NEW LAW A new section of law to be codified in the Oklahoma Statutes as Section 913.4-6 of Title 74, unless there is created a duplication in numbering, reads as follows:

Upon the death of an elected official having a managed account as authorized by the Oklahoma Elected Official Defined Contribution Retirement Plan Act, the contributions made by such official, together with accumulated earnings, shall be paid to the designated beneficiary of the elected official.

SECTION 9. NEW LAW A new section of law to be codified in the Oklahoma Statutes as Section 913.4-7 of Title 74, unless there is created a duplication in numbering, reads as follows:

A. Upon conclusion of a term of office authorizing an elected official to participate in the Oklahoma Elected Official Defined Contribution Retirement Plan, or upon termination from elected official service for any other reason, all contributions to the

managed account maintained for the benefit of such elected official shall cease.

B. An elected official may maintain a managed account created for such official's benefit pursuant to law for a period of one (1) year after the last date upon which the elected official made a contribution to a managed account maintained pursuant to the provisions of this act.

SECTION 10. NEW LAW A new section of law to be codified in the Oklahoma Statutes as Section 913.4-8 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 provide for investment options for elected officials who participate in the Oklahoma Elected Official Defined Contribution Retirement Plan.

B. The Board of Trustees shall not have any direct responsibility for the investment of funds contained in any elected official managed account.

C. The Board of Trustees of the Oklahoma Public Employees Retirement System may contract for such investment management services as may be required in order to provide investment options for management of the Oklahoma Elected Official Defined Contribution Retirement Plan.

D. If the Board of Trustees contracts for the investment management services, the provider or providers of such services shall be required to offer a range of options for investment containing a reasonable variety of managed accounts to allow an elected official to manage investment risk in a manner consistent with the standard for funds management applicable to a fiduciary.

E. The options for investment should include portfolios consisting of fixed income securities, equity securities and such other investments as may be conducive to the accumulation of value for purposes of exercising the options available to the elected

official upon reaching a normal retirement date or upon such other qualifying event as may authorize the distribution of funds from a managed account.

F. An elected official participating in the Oklahoma Elected Official Defined Contribution Retirement Plan shall have the option to change the managed account maintained for the benefit of the official at least one time each calendar quarter.

SECTION 11. NEW LAW A new section of law to be codified in the Oklahoma Statutes as Section 913.4-9 of Title 74, unless there is created a duplication in numbering, reads as follows:

The Board of Trustees of the Oklahoma Public Employees Retirement System shall take such action, including, but not limited to, a request for a private letter ruling from the Internal Revenue Service, in order to ensure that the defined contribution retirement plan established by this act, is a qualified plan pursuant to Section 401(a) and other applicable provisions of the Internal Revenue Code of 1986, as amended.

SECTION 12. NEW LAW A new section of law to be codified in the Oklahoma Statutes as Section 1005 of Title 62, unless there is created a duplication in numbering, reads as follows:

Sections 12 through 14 of this act shall be known and may be cited as the "Pension System Dedicated Revenue Reallocation Act of 2004".

SECTION 13. NEW LAW A new section of law to be codified in the Oklahoma Statutes as Section 1006 of Title 62, unless there is created a duplication in numbering, reads as follows:

As used in this act:

1. "Dedicated revenue" means those portions of the insurance premium tax, motor vehicle registration fees, or other revenue source, whether in existence as of the effective date of this act, or enacted subsequently, apportioned by law to any one of the public retirement systems;

2. "Funded ratio" means the relationship expressed by dividing the value of a public retirement system's assets by its unfunded actuarial accrued liability and expressed as a percentage; and

3. "Public retirement systems" means:

- a. the Oklahoma Firefighters Pension and Retirement System,
- b. the Oklahoma Police Pension and Retirement System,
- c. the Uniform Retirement System for Justices and Judges,
- d. the Oklahoma Law Enforcement Retirement System,
- e. the Teachers' Retirement System of Oklahoma, and
- f. the Oklahoma Public Employees Retirement System.

SECTION 14. NEW LAW A new section of law to be codified in the Oklahoma Statutes as Section 1007 of Title 62, unless there is created a duplication in numbering, reads as follows:

A. Effective July 1, 2004, and thereafter, any dedicated revenue source apportioned to one of the public retirement systems shall be apportioned to the public retirement system having the lowest funded ratio as of the June 30 valuation date occurring in the preceding calendar year as determined by the actuarial analysis prepared by the public retirement system.

B. The dedicated revenue that would otherwise be apportioned to the retirement systems designated by law for receipt of such revenues shall be deposited to the credit of the retirement system described by subsection A of this section for a period of at least one (1) year and for such additional years as may be required until the funded ratio of the first such retirement system to receive all of the reallocated dedicated revenue reaches a funded ratio equal to or greater than that of the public retirement system having the next lowest funded ratio. For purposes of this subsection, the funded ratio of each public retirement system shall be determined as of the preceding June 30 valuation date.

C. If the number of public retirement systems receiving dedicated revenue as prescribed by subsection B of this section is two, the reallocated dedicated revenues shall be divided in half and apportioned equally between the two affected public retirement systems.

D. If there are three or more public retirement systems receiving reallocated dedicated revenue pursuant to this section, the reallocated dedicated revenues shall be divided equally among the public retirement systems receiving such dedicated revenues.

E. The process for reallocating dedicated revenues prescribed by this section shall continue for each fiscal year until all of the public retirement systems have a funded ratio equal to or greater than seventy percent (70%).

F. The provisions of this section shall be applicable for any fiscal year during which the funded ratio of any of the public retirement systems is less than seventy percent (70%).

G. After all of the public retirement systems have a funded ratio of at least seventy percent (70%), any dedicated revenue shall be apportioned in the manner otherwise provided by law prior to the reallocation required by this section.

SECTION 15. AMENDATORY 11 O.S. 2001, Section 49-100.3, is amended to read as follows:

Section 49-100.3 A. There shall be an Oklahoma Firefighters Pension and Retirement Board which shall be composed of ~~thirteen~~ (13) fourteen (14) members as follows:

1. ~~Five~~ Four members shall be appointed by the Board of Trustees of the Oklahoma Firefighters Association;

2. One member shall be the President of the Professional Fire Fighters of Oklahoma or his designee. The designee shall be a member of the Professional Fire Fighters of Oklahoma;

3. One member shall be the President of the Oklahoma State Retired Fire Fighters Association or his designee. The designee

shall be a member of the Oklahoma State Retired Fire Fighters Association;

4. ~~One member~~ Two members shall be appointed by the Speaker of the House of Representatives and neither person shall be either an active member or a retired member of the System. Appointments made by the Speaker of the House of Representatives pursuant to this act on or after November 1, 2004, shall be made after the official selection of legislative officers occurring after the general election in November 2004;

5. ~~One member~~ Two members shall be appointed by the President Pro Tempore of the Senate and neither person shall be either an active member or a retired member of the System. Appointments made by the President Pro Tempore of the Senate pursuant to this act on or after November 1, 2004, shall be made after the official selection of legislative officers occurring after the general election in November 2004;

6. ~~Two members~~ One member shall be appointed by the Governor and such person shall not be an active member or a retired member of the System. Appointments made by the Governor pursuant to this act shall be made after the Governor takes the oath of office administered in January 2007;

7. One member shall be appointed by the President of the Oklahoma Municipal League and such person shall not be either an active member or a retired member of the System;

~~7.~~ 8. One member shall be the State Insurance Commissioner or ~~his~~ designee and such designee shall not be either an active member or a retired member of the System; and

~~8.~~ 9. One member shall be the Director of State Finance or ~~his~~ designee, who shall be an ex officio and nonvoting member of the Board.

B. 1. ~~The terms of office of the members appointed to the State Board by the President of the Oklahoma Municipal League who~~

~~are members of the State Board on the operative date of this act shall expire on July 1, 1989. The members appointed to fill the positions that expire on July 1, 1989, shall serve initial terms of office as follows:~~

- ~~a. the term of office of one of the members appointed by the President of the Oklahoma Municipal League shall expire on July 1, 1990; and~~
- ~~b. the term of office of one of the members appointed by the President of the Oklahoma Municipal League shall expire on July 1, 1992.~~

~~Thereafter,~~ The terms of office of the members of the State Board appointed by the President of the Oklahoma Municipal League shall be four (4) years.

2. ~~The term of office of the member~~ members appointed to the State Board by the Speaker of the House of Representatives and ~~the term of office of the member~~ members appointed to the State Board by the President Pro Tempore of the Senate ~~who are members of the State Board on the operative date of this act shall expire on January 3, 1989. The members thereafter appointed shall serve terms of office of four (4) years.~~

3. The term of office of the member appointed to the State Board by the Governor shall be for a period of four (4) years and shall be coterminous with the term of office of the appointing authority.

4. Vacancies shall be filled for the unexpired term of office in the same manner as the original appointment was made.

C. Those members appointed to the State Board by the President of the Oklahoma Municipal League, the Speaker of the House of Representatives, and the President Pro Tempore of the Senate, the Governor or who are designees of an ex officio member of the State Board shall:

1. Have demonstrated professional experience in investment or funds management, public funds management, public or private pension fund management or retirement system management; or

2. Have demonstrated experience in the banking profession and have demonstrated professional experience in investment or funds management; or

3. Be licensed to practice law in this state and have demonstrated professional experience in commercial matters; or

4. Be licensed by the Oklahoma State Board of Public Accountancy to practice in this state as a public accountant or a certified public accountant.

The appointing authorities, in making appointments that conform to the requirements of this subsection, shall give due consideration to balancing the appointments among the criteria specified in paragraphs 1 through 4 of this subsection.

D. No member of the State Board shall be a lobbyist registered in this state as provided by law.

E. ~~Notwithstanding any of the provisions of this section to the contrary, any person serving as an appointed member of the State Board on the operative date of this act shall be eligible for reappointment when the term of office of the member expires. All persons serving a term of office on the effective date of this act shall be allowed to serve the remainder of such term.~~

F. The State Board shall elect one of its members as ~~Chairman~~ Chair at its annual meeting. The ~~Chairman~~ Chair shall preside over meetings of the State Board and perform such other duties as may be required by the State Board. The State Board shall also elect another member to serve as Vice ~~Chairman~~ Chair, and the Vice ~~Chairman~~ Chair shall perform duties of ~~Chairman~~ the Chair in the absence of the latter or upon the ~~Chairman's~~ Chair's inability or refusal to act.

~~G. Prior to February 6, 1995, the State Board shall be prevented from making any payment or granting any benefit, with the exception of disability benefits for which provisions are otherwise made in Section 49-100.1 et seq. of this title, the actuarial liability for which has not been included in such Board's annual actuarial report prior to May 1, 1994.~~

SECTION 16. AMENDATORY 11 O.S. 2001, Section 50-103.1, as amended by Section 1, Chapter 51, O.S.L. 2003 (11 O.S. Supp. 2003, Section 50-103.1), is amended to read as follows:

Section 50-103.1 A. There shall be an Oklahoma Police Pension and Retirement Board which shall be composed of ~~thirteen (13)~~ fourteen (14) members as follows:

1. ~~Seven~~ Six members shall be elected as follows:

- a. One member shall be elected to represent State Board District 1. State Board District 1 shall include that area of the state, except for any area comprising Oklahoma City, that is north of Interstate Highway 40 and west of Interstate Highway 35;
- b. One member shall be elected to represent State Board District 2. State Board District 2 shall include that area of the state, except for any area comprising Oklahoma City, that is south of Interstate Highway 40 and west of Interstate Highway 35;
- c. One member shall be elected to represent State Board District 3. State Board District 3 shall include that area of the state, except for any area comprising Oklahoma City or Tulsa, that is north of Interstate Highway 40 and east of Interstate Highway 35;
- d. One member shall be elected to represent State Board District 4. State Board District 4 shall include that area of the state, except for any area comprising

Oklahoma City, that is south of Interstate Highway 40 and east of Interstate Highway 35;

- e. One member shall be elected to represent State Board District 5. State Board District 5 shall include that area of the state comprising the City of Tulsa; and
- f. One member shall be elected to represent State Board District 6. State Board District 6 shall include that area of the state comprising the City of Oklahoma City; ~~and~~
- ~~g. One member shall be elected to represent State Board District 7. State Board District 7 shall include the entire area of the state.~~

The members elected to represent State Board Districts 1 through 6 shall be active members of the System and work for a participating municipality whose police department is physically located within the State Board District. ~~The member elected to represent State Board District 7 shall be a retired member of the System.~~ Elections for the State Board Districts shall be held within six (6) months of the date of the expiration of the term of office of a member or of the date a vacancy occurs on such dates that are set by the State Board. The initial term of office for State Board Districts 2, 5 and 7 shall begin on July 1, 1989. The initial term of office for State Board Districts 3 and 6 shall begin on July 1, 1990. The initial term of office for State Board Districts 1 and 4 shall begin on July 1, 1991. The term of office of the elected members shall be three (3) years. Only members of the System working for a participating municipality whose police department is physically located within the respective State Board Districts may participate in the election process for State Board Districts 1 through 6. ~~Only retired members of the System may participate in the election process for State Board District 7.~~

2. ~~One member~~ Two members shall be appointed by the Speaker of the House of Representatives and neither person shall be either an active member or a retired member of the System. Appointments made by the Speaker of the House of Representatives pursuant to this act on or after November 1, 2004, shall be made after the official selection of legislative officers occurring after the general election in November 2004;

3. ~~One member~~ Two members shall be appointed by the President Pro Tempore of the Senate and neither person shall be either an active member or a retired member of the System. Appointments made by the President Pro Tempore of the Senate pursuant to this act on or after November 1, 2004, shall be made after the official selection of legislative officers occurring after the general election in November 2004;

4. One member shall be appointed by the Governor and such person shall not be an active member or a retired member of the System. Appointments made by the Governor pursuant to this act shall be made after the Governor takes the oath of office administered in January 2007;

5. One member shall be appointed by the President of the Oklahoma Municipal League and such person shall not be an active member or a retired member of the System;

6. One member shall be the State Insurance Commissioner or ~~his~~ designee and such designee shall not be an active member or a retired member of the System; and

7. One member shall be the Director of State Finance or ~~his~~ designee, who shall be an ex officio and nonvoting member of the Board.

B. 1. ~~The term of office of the member appointed to the State Board by the Speaker of the House of Representatives and the term of office of the member appointed to the State Board by the President Pro Tempore of the Senate who are members of the State Board on the~~

~~operative date of this act, shall expire on January 3, 1989.~~ The members ~~thereafter~~ appointed by the Speaker of the House of Representatives and by the President Pro Tempore of the Senate shall serve terms of office of four (4) years.

2. ~~The term of office of the member appointed by the Governor who is a member of the State Board on the operative date of this act shall expire on January 14, 1991.~~ The members ~~thereafter~~ appointed by the Governor shall serve a term of office of four (4) years which is coterminous with the term of office of the office of the appointing authority.

3. ~~The initial term of office of the member appointed by the President of the Oklahoma Municipal League shall expire on July 1, 1990.~~ The members ~~thereafter~~ appointed by the President of the Oklahoma Municipal League shall serve terms of office of four (4) years.

4. Any vacancy that occurs shall be filled for the unexpired term in the same manner as the office was previously filled.

C. The members appointed to the State Board by the Speaker of the House of Representatives, the President Pro Tempore of the Senate, the Governor and the President of the Oklahoma Municipal League or who are designees of an ex officio member of the State Board shall:

1. Have demonstrated professional experience in investment or funds management, public funds management, public or private pension fund management or retirement system management;

2. Have demonstrated experience in the banking profession and have demonstrated professional experience in investment or funds management;

3. Be licensed to practice law in this state and have demonstrated professional experience in commercial matters; or

4. Be licensed by the Oklahoma Accountancy Board to practice in this state as a public accountant or a certified public accountant.

The appointing authorities, in making appointments that conform to the requirements of this subsection, shall give due consideration to balancing the appointments among the criteria specified in paragraphs 1 through 4 of this subsection.

D. No member of the State Board shall be a lobbyist registered in this state as provided by law.

E. ~~Notwithstanding any of the provisions of this section to the contrary, any person serving as an appointed member of the State Board on the operative date of this act shall be eligible for reappointment when the term of office of the member expires. All persons serving a term of office on the effective date of this act shall be allowed to serve the remainder of such term.~~

F. The State Board shall elect one of its members as ~~Chairman~~ Chair at its annual meeting. The ~~Chairman~~ Chair shall preside over meetings of the State Board and perform such other duties as may be required by the State Board. The State Board shall also elect another member to serve as Vice ~~Chairman~~ Chair, and the Vice ~~Chairman~~ Chair shall perform duties of ~~Chairman~~ the Chair in the absence of the latter or upon the ~~Chairman's~~ Chair's inability or refusal to act.

SECTION 17. AMENDATORY 47 O.S. 2001, Section 2-303, is amended to read as follows:

Section 2-303. A. There shall be an "Oklahoma Law Enforcement Retirement Board" to administer the fund of the System. The Board shall be composed of ~~the Assistant Commissioner of Public Safety,~~ the:

1. The Director of State Finance or his designee, ~~three (3) who~~ shall be an ex officio and nonvoting member of the Board;

2. Three members to be appointed by the Governor ~~one~~ none of whom shall be an active member or a retired member of the System,
~~one (1) member;~~

3. Two members to be appointed by the Speaker of the House of Representatives, ~~one (1) member~~ neither of whom shall be an active member or a retired member of the System. Appointments made by the Speaker of the House of Representatives pursuant to this act on or after November 1, 2004, shall be made after the official selection of legislative officers occurring after the general election in November 2004;

4. Two members to be appointed by the President Pro Tempore of the Senate, ~~two (2)~~ neither of whom shall be an active member or a retired member of the System. Appointments made by the President Pro Tempore of the Senate pursuant to this act on or after November 1, 2004, shall be made after the official selection of legislative officers occurring after the general election in November 2004;

5. Two members of the Highway Patrol Division ~~and one (1);~~

6. One member of the Communication Division of the Department of Public Safety, ~~one (1);~~

7. One member of the Oklahoma State Bureau of Investigation, ~~one (1);~~

8. One member of the Oklahoma State Bureau of Narcotics and Dangerous Drugs Control ~~and one (1);~~ and

9. One member of the Alcoholic Beverage Laws Enforcement Commission. All members specified pursuant to paragraphs 5 through 9, inclusive, of this subsection shall be elected by and from the membership of the System.

~~The terms of elected members of the Board now serving shall expire on June 30, 1980. The present Board shall conduct an election for the selection of elected members of the Board, prior to the operative date of this act. One member of the Oklahoma Highway Patrol and the member of the Oklahoma State Bureau of Investigation,~~

~~initially elected, shall serve through June 30, 1982, the member of the Oklahoma Alcoholic Beverage Control Board, initially elected, shall serve through June 30, 1984, and the remaining elected members shall serve through June 30, 1983. Members subsequently elected to the Board pursuant to paragraphs 5 through 9 of this subsection shall serve for terms of three (3) years.~~

B. 1. ~~The initial term of office of the member appointed to the Board by the Speaker of the House of Representatives and the member appointed to the Board by the President Pro Tempore of the Senate shall expire on January 3, 1989. The members thereafter appointed by the Speaker of the House of Representatives and by the President Pro Tempore of the Senate shall serve terms of office of four (4) years.~~

2. ~~The member appointed by the Governor serving on the Board on the operative date of this act shall serve the remainder of the unexpired term of the member. The member appointed by the Governor to fill that position after the expiration of the term of office of the member serving on the operative date of this act shall serve through January 13, 1991. The members thereafter appointed by the Governor shall serve a term of office of four (4) years which is coterminous with the term of office of the office of the appointing authority.~~

3. ~~The initial term of office of the two additional appointments to the Board by the Governor shall expire on January 14, 1991. The members thereafter appointed by the Governor shall serve terms of office of four (4) years which are coterminous with the term of office of the office of the appointing authority.~~

~~4. Vacancies shall be filled for the unexpired term of office in the same manner as the original appointment was made.~~

C. The members appointed to the Board by the Speaker of the House of Representatives, by the President Pro Tempore of the Senate

and by the Governor or a member who is a designee of an ex officio member of the Board shall:

1. Have demonstrated professional experience in investment or funds management, public funds management, public or private pension fund management or retirement system management; or

2. Have demonstrated experience in the banking profession and have demonstrated professional experience in investment or funds management; or

3. Be licensed to practice law in this state and have demonstrated professional experience in commercial matters; or

4. Be licensed by the Oklahoma State Board of Public Accountancy to practice in this state as a public accountant or a certified public accountant.

The appointing authorities, in making appointments that conform to the requirements of this subsection, shall give due consideration to balancing the appointments among the criteria specified in paragraphs 1 through 4 of this subsection.

D. No member of the Board shall be a lobbyist registered in this state as provided by law.

E. ~~Notwithstanding any of the provisions of this section to the contrary, any person serving as an appointed member of the Board on the operative date of this act shall be eligible for reappointment when the term of office of the member expires.~~ All persons serving a term of office on the effective date of this act shall be allowed to serve the remainder of such term.

F. Every two (2) years, one of the members of the Board shall be selected by the Board as president and another member as secretary of the Board.

G. Any member of the Board elected by the membership of the System may be recalled for cause at a special election held for that purpose by the members of the System. Such an election shall be called and held by the president and secretary of the Board upon a

written request therefor signed by not less than one-third (1/3) of the members of the System and shall be held pursuant to notice given to all members of the System stating the date for such election which shall not be less than ten (10) days from the date of the issuance of such notice. All members of the System shall be entitled to vote by secret ballot and, if two-thirds (2/3) or more of the membership of the System vote for his recall, the elected member of the Board designated in such request, notice and secret ballot shall cease to be a member of the Board and the president and secretary of the Board shall call and hold a special election by the members of the System to fill the remainder of the term of the member so recalled.

H. The Oklahoma Law Enforcement Retirement System shall retain an Executive Director and shall establish the Executive Director's compensation. The Executive Director shall be the managing and administrative officer of the System and as such shall have charge of the office, records and supervision and direction of the employees of the System. The Executive Director shall be responsible for the overall operations and to perform duties specified in Section 2-300 of this title and as specified by the Board. The Executive Director shall be subject to the policy directions of the Board and may employ such persons as are deemed necessary to administer the System.

SECTION 18. AMENDATORY 70 O.S. 2001, Section 17-106, is amended to read as follows:

Section 17-106. (1) The general administration and responsibility for the proper operation of the retirement system and for making effective the provisions of the act are hereby vested in a Board of Trustees which shall be known as the Board of Trustees and shall be organized immediately after a majority of the trustees provided for in this section shall have qualified and taken the oath of office.

(2) The Board shall consist of the following members:

~~(a) The State Superintendent of Public Instruction, ex officio.~~

~~(b) The Director of State Finance or a designee, who shall be an ex officio and nonvoting member of the Board.~~

~~(c) The Director of the Oklahoma Department of Career and Technology Education, ex officio, or his or her designee.~~

~~(d) One member~~ (b) Five members to be appointed by the Governor whose initial term of office shall expire on January 14, 1991, none of whom shall be either active or retired members of the retirement system. Appointments made by the Governor pursuant to this act shall be made after the Governor takes the oath of office administered in January 2007. The members thereafter appointed by the Governor shall serve a term of office of four (4) years which is coterminous with the term of office of the office of the appointing authority.

~~(e) Two members shall be appointed by the Governor of the State of Oklahoma and approved by the Senate. The two members shall be:~~

~~1.~~ (c) Four members to be appointed by the President Pro Tempore of the Senate. Of the four appointments, one of the members shall be a representative of a state-supported school of higher education in Oklahoma whose term of office shall initially be one (1) year, and
~~2.~~ Of the remaining appointments, the appointees shall either be active or retired members of the retirement system. Appointments made by the President Pro Tempore of the Senate pursuant to this act on or after November 1, 2004 shall be made after the official selection of legislative officers occurring after the general election in November, 2004. The term of office for such appointee shall be for a period of four (4) years.

(d) Four members to be appointed by the Speaker of the House of Representatives. Of the four appointments one of the members shall be a member of the System of the nonclassified optional personnel status whose initial term of office shall be two (2) years. After

~~the said initial terms of office the terms of said members shall be four (4) years. Of the remaining appointments, the appointees shall either be active or retired members of the retirement system.~~

~~Appointments made by the Speaker of the House of Representatives pursuant to this act on or after November 1, 2004, shall be made after the official selection of legislative officers occurring after the general election in November 2004. The term of office for such appointee shall be for a period of four (4) years.~~

~~(f) Upon the expiration of the term of office of the stockbroker member of the Board, the Governor shall appoint a member to the Board whose initial term of office shall expire on January 14, 1991. The members thereafter appointed by the Governor shall serve a term of office of four (4) years which is coterminous with the term of office of the office of the appointing authority.~~

~~(g) Upon the expiration of the term of office of the representative of the insurance industry member of the Board, the Governor shall appoint a member to the Board whose initial term of office shall expire on January 14, 1991. The members thereafter appointed by the Governor shall serve a term of office of four (4) years which is coterminous with the term of office of the office of the appointing authority.~~

~~(h) Upon the expiration of the term of office of the investment counselor member of the Board, the Governor shall appoint a member to the Board whose initial term of office shall expire on January 14, 1991. The members thereafter appointed by the Governor shall serve a term of office of four (4) years which is coterminous with the term of office of the office of the appointing authority.~~

~~(i) Upon the expiration of the term of office of the active classroom teacher member of the Board, the President Pro Tempore of the Senate shall appoint a member to the Board, who shall be an active classroom teacher and whose initial term of office shall expire on January 8, 1991. The members thereafter appointed by the~~

~~President Pro Tempore of the Senate shall serve a term of office of four (4) years.~~

~~(j) Upon the expiration of the term of office of the retired classroom teacher member of the Board, the Speaker of the House of Representatives shall appoint a member to the Board, who shall be a retired member of the System and whose initial term of office shall expire on January 8, 1991. The members thereafter appointed by the Speaker of the House of Representatives shall serve a term of office of four (4) years.~~

~~(k) The Speaker of the House of Representatives shall appoint a member to the Board, who shall be an active classroom teacher and whose initial term of office shall expire on January 3, 1989. The members thereafter appointed by the Speaker of the House of Representatives shall serve a term of office of four (4) years.~~

~~(l) The President Pro Tempore of the Senate shall appoint a member to the Board, who shall be a retired member of the System and whose initial term of office shall expire on January 3, 1989. The members thereafter appointed by the President Pro Tempore of the Senate shall serve a term of office of four (4) years.~~

(3) Persons who are appointed to the Board of Trustees by the Governor, one of the persons appointed by the Speaker of the House of Representatives and one of the persons appointed by the President Pro Tempore of the Senate pursuant to paragraphs (b), (c) and (d), ~~(f), (g) and (h)~~ of subsection (2) of this section shall:

(a) have demonstrated professional experience in investment or funds management, public funds management, public or private pension fund management or retirement system management; or

(b) have demonstrated experience in the banking profession and have demonstrated professional experience in investment or funds management; or

(c) be licensed to practice law in this state and have demonstrated professional experience in commercial matters; or

(d) be licensed by the Oklahoma State Board of Public Accountancy to practice in this state as a public accountant or a certified public accountant.

The appointing authorities, in making appointments that conform to the requirements of this subsection, shall give due consideration to balancing the appointments among the criteria specified in paragraphs (a) through (d) of this subsection.

(4) No member of the Board of Trustees shall be a lobbyist registered in this state as provided by law.

(5) ~~Notwithstanding any of the provisions of this section to the contrary, any person serving as an appointed member of the Board of Trustees on the operative date of this act shall be eligible for reappointment when the term of office of the member expires.~~ All persons serving a term of office on the effective date of this act shall be allowed to serve the remainder of such term.

(6) If a vacancy occurs in the office of a trustee, the vacancy shall be filled for the unexpired term in the same manner as the office was previously filled.

(7) Each of the trustees, except those who are state officials serving ex officio, shall receive travel expenses in accordance with the State Travel Reimbursement Act.

(8) Each trustee shall, within ten (10) days after his appointment or election, take an oath of office that, so far as it devolves upon him, he will diligently and honestly administer the affairs of the Board of Trustees and that he will not knowingly violate or willingly permit to be violated any of the provisions of law applicable to the retirement system. Such oath shall be subscribed to by the member making it, certified by the officer before whom it is taken, and immediately filed in the office of the Secretary of State.

(9) Each trustee shall be entitled to one vote on the Board of Trustees. Seven votes shall be necessary for a decision by the trustees at any meeting of said Board.

(10) Subject to the limitations of this act, the Board of Trustees shall, from time to time, establish rules and regulations for the administration of the funds created by this act and for the transaction of its business. Provided that such rules and regulations may include rules and regulations providing for the withholding from the retirement allowance due a retired person under the provisions of this act an amount requested in writing by the retiree for the purpose of paying:

(a) monthly premiums on group hospital and surgical insurance programs to which such retiree belongs, and for the transmitting of the sums so withheld to the insurance carrier designated by the retiree; and

(b) membership dues in any statewide association limited to retired educator membership with a minimum membership of one thousand (1,000) dues-paying members and for the transmitting of the sums so withheld.

(11) The Board of Trustees shall elect from its membership a chairman, and by a majority vote of all of its members shall appoint a secretary-treasurer, who may be, but need not be, one of its members. The Board shall employ an executive secretary and shall engage such actuarial and other service as shall be required to transact the business of the retirement system. The compensation of all persons engaged by the Board and all other expenses of the Board necessary for the operation of the retirement system shall be paid at such rates and in such amounts as the Board shall approve.

(12) The members of the Board of Trustees, the Executive Secretary and the employees of the System shall not accept gifts or gratuities from an individual organization with a value in excess of Fifty Dollars (\$50.00) per year. The provisions of this section

shall not be construed to prevent the members of the Board of Trustees, the Executive Secretary or the employees of the System from attending educational seminars, conferences, meetings or similar functions which are paid for, directly or indirectly, by more than one organization.

(13) The Board of Trustees shall keep in convenient form such data as shall be necessary for actuarial valuation of the various funds of the retirement system and for checking the experience of the system.

(14) The Board of Trustees shall keep a record of all of its proceedings which shall be open to public inspection. It shall publish annually a report showing the fiscal transactions of the retirement system for the preceding school year, the amount of the accumulated cash and securities of the system, and the last balance sheet showing the financial condition of the system by means of an actuarial valuation of the assets and liabilities of the retirement system and a detailed accounting of its administrative expenses.

(15) The Board of Trustees shall retain an attorney who is licensed to practice law in this state. The attorney shall serve at the pleasure of the Board of Trustees for such compensation as may be provided by the Board of Trustees. The attorney shall advise the Board of Trustees and perform legal services for the Board of Trustees with respect to any matters properly before the Board of Trustees. When requested by the Board of Trustees, the Attorney General of the state also shall render legal services to the Board of Trustees. In addition to the above, the Board of Trustees may employ hearing examiners to conduct administrative grievance hearings under the provisions of the Oklahoma Administrative Procedures Act, Sections 301 through 325 of Title 75 of the Oklahoma Statutes.

(16) Suitable offices shall be furnished by the Department of Central Services. Upon the failure or inability of the Department

of Central Services to provide adequate facilities, the Board of Trustees may contract for necessary office space in suitable quarters.

(17) The Board of Trustees shall designate a Medical Board to be composed of three physicians not eligible to participate in the retirement system. The physicians so appointed by the Board of Trustees shall be legally qualified to practice medicine in Oklahoma and shall be physicians of good standing in the medical profession. If required, other physicians may be employed to report on special cases. The Medical Board shall pass upon all medical examinations required under the provisions of this act and shall investigate all essential statements and certificates by or on behalf of a member in connection with an application for disability retirement and shall report in writing to the Board of Trustees its conclusion and recommendation upon all the matters referred to it. The Board of Trustees shall adopt such rules and regulations as may be necessary to properly administer this benefit.

(18) The Board of Trustees shall designate an actuary who shall be the technical advisor of the Board of Trustees on matters regarding the operation of funds created by the provisions of this act and shall perform such other duties as are required in connection therewith.

(19) At least once each five (5) years the actuary shall make an actuarial investigation of the experience of the retirement system, including the mortality, service and compensation experience of members and beneficiaries. Based on the results of such investigation the actuary shall recommend for adoption by the Board of Trustees such tables and rates as are required for the operation of the retirement system and for the preparation of annual actuarial valuations.

(20) On the basis of such tables and rates as the Board of Trustees shall adopt, the actuary shall prepare an annual actuarial

valuation of the assets and liabilities of the retirement system and certify the rates of contribution payable by the state under the provisions of law concerning the Teachers' Retirement System.

(21) Subject to the funds available under the provisions of Section 1004 of Title 68 of the Oklahoma Statutes, the employer contributions to the retirement system for the fiscal year beginning July 1, 1987, and for each fiscal year thereafter, shall be determined by the Board of Trustees on the basis of the most recent actuarial valuation, which amount shall be calculated as the sum of the normal cost for the fiscal year plus the payment required to amortize the unfunded accrued liability at a rate of level dollar payments not to exceed forty (40) years.

SECTION 19. AMENDATORY 74 O.S. 2001, Section 905, is amended to read as follows:

Section 905. (1) There shall be a Board of Trustees which shall consist of ~~thirteen (13)~~ fourteen (14) members as follows:
~~The Chairman of the Corporation Commission, the Administrator of the Office of Personnel Management, the State Insurance Commissioner,~~
~~the~~

(a) The Director of State Finance or a designee who shall be an ex officio and nonvoting member of the Board, a member of the State Tax Commission selected by the State Tax Commission, three;

(b) Three members appointed by the Governor, ~~one~~ none of whom shall be either an active member or a retired member of the System;

(c) One member appointed by the Supreme Court, ~~two~~;

(d) Two members appointed by the Speaker of the House of Representatives ~~and two~~, none of whom shall be either an active member or a retired member of the System. Appointments made by the Speaker of the House of Representatives pursuant to this act on or after November 1, 2004, shall be made after the selection of legislative officers occurring after the general election in November 2004;

(e) Two members appointed by the President Pro Tempore of the State Senate, neither of whom shall be either an active member or a retired member of the System. One member appointed by the Governor shall be an active member of the System. One member appointed by the Speaker shall be an active member of the System. One member appointed by the President Pro Tempore shall be a retired member of the System. Appointments made by the President Pro Tempore of the Senate pursuant to this act on or after November 1, 2004, shall be made after the selection of legislative officers occurring after the general election in November 2004;

(f) One member to be selected by the active employees of the Department of Human Services;

(g) One member to be selected by the active employees of the Department of Corrections;

(h) One member to be selected by the active employees of the State Department of Health;

(i) One member to be selected by the active employees of the Department of Transportation; and

(j) One member to be selected by the Oklahoma Public Employees Association to represent state employees at large.

~~(2) The member of the Board of Trustees on the operative date of this act who was appointed by the Supreme Court shall complete the term of office for which the member was appointed. The members thereafter appointed by the Supreme Court shall serve terms of office of four (4) years.~~

~~(3) Members of the Board of Trustees on the operative date of this act who were appointed by the Speaker of the House of Representatives or by the President Pro Tempore of the Senate shall complete their term of office for which they were appointed. The initial term of office of members appointed thereafter shall expire on January 8, 1991. The members thereafter appointed by the Speaker~~

of the House of Representatives and by the President Pro Tempore of the Senate shall serve terms of office of four (4) years.

(4) ~~The initial term of office of the members appointed by the Governor shall expire on January 14, 1991.~~ The members thereafter appointed by the Governor shall serve a term of office of four (4) years which is coterminous with the term of office of the office of the appointing authority.

(5) ~~One of the~~ The members appointed to the Board by the Speaker of the House of Representatives, ~~and~~ by the President Pro Tempore of the Senate and ~~two members appointed to the Board~~ by the Governor shall:

(a) have demonstrated professional experience in investment or funds management, public funds management, public or private pension fund management or retirement system management;

(b) have demonstrated experience in the banking profession and have demonstrated professional experience in investment or funds management;

(c) be licensed to practice law in this state and have demonstrated professional experience in commercial matters; or

(d) be licensed by the Oklahoma State Board of Public Accountancy to practice in this state as a public accountant or a certified public accountant.

The appointing authorities, in making appointments that conform to the requirements of this subsection, shall give due consideration to balancing the appointments among the criteria specified in paragraphs (a) through (d) of this subsection.

(6) No member of the Board of Trustees shall be a lobbyist registered in this state as provided by law.

(7) Any vacancy that occurs on the Board of Trustees shall be filled for the unexpired term in the same manner as the office was previously filled.

(8) ~~Notwithstanding any of the provisions of this section to the contrary, any person serving as an appointed member of the Board on the operative date of this act shall be eligible for reappointment when the term of office of the member expires.~~

All persons serving a term of office on the effective date of this act shall be allowed to serve the remainder of such term.

(9) The Board shall elect one of its members as ~~Chairman~~ Chair of the Board at its annual meeting. ~~He~~ The Chair shall preside over meetings of the Board and perform such other duties as may be required by the Board.

(10) The Board shall also elect another member to serve as Vice ~~Chairman~~ Chair, and the Vice ~~Chairman~~ Chair shall perform duties of ~~Chairman~~ the Chair in the absence of the latter or upon ~~his~~ the Chair's inability or refusal to act.

SECTION 20. This act shall become effective July 1, 2004.

SECTION 21. 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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