

ENGROSSED SENATE AMENDMENT
TO
(2ND EXTRAORDINARY SESSION)
ENGROSSED HOUSE
BILL NO. 1179

By: Bengé and Newport of the
House

and

Morgan and Crutchfield of
the Senate

An Act relating to supplemental funding of the Oklahoma Indigent Defense System; making an appropriation to the Oklahoma Indigent Defense System; stating purpose; and declaring an emergency.

AUTHOR: Add the following House Coauthor: Auffet

AMENDMENT NO. 1. Strike the title, enacting clause and entire bill and insert

"An Act relating to public retirement systems; enacting the Education Employees Service Incentive Plan (EESIP); defining terms; providing for applicability of definitions; providing method for computation of retirement benefits using certain years of service; providing for use of average salary in benefit computation; providing benefit computation without regard to certain maximum compensation levels; requiring performance of service on or after date as of which eligible members reach normal retirement age; prescribing effect of service upon inclusion of pre-cap removal service in benefit computation; requiring payment of contribution deficit amounts; specifying method for computation of deficit amounts; prescribing method for effect of payment upon inclusion of pre-cap removal years of service in benefit computation; prescribing procedures with respect to payment of contribution deficits; prohibiting payment of contribution deficit amounts after retirement; authorizing certain election with respect to certain maximum compensation level; providing for effect of election; prohibiting payment of contribution deficit amounts by employers; prohibiting retired members from making contribution deficit payments; specifying time period when certain retirement benefit shall be payable; amending 70 O.S. 2001, Sections 17-101, as last amended by Section 118, Chapter 1, O.S.L. 2005 and 17-108.1 (70 O.S. Supp. 2005, Section 17-101), which relate to the Teachers' Retirement System; modifying definitions; modifying employer contribution amounts; providing increase in employer contribution rate contingent upon certain appropriation levels; requiring expenditure of certain appropriated funds to the extent available for purposes of employer contributions; providing for employer contribution

rate applicable to certain institutions within The Oklahoma State System of Higher Education; authorizing retirement benefit increases for certain members of the Oklahoma Firefighters Pension and Retirement System, the Oklahoma Police Pension and Retirement System, the Uniform Retirement System for Justices and Judges, the Oklahoma Law Enforcement Retirement System, the Teachers' Retirement System of Oklahoma, and the Oklahoma Public Employees Retirement System; amending 11 O.S. 2001, Sections 49-100.7, 49-100.9, as amended by Section 3, Chapter 391, O.S.L. 2002, 49-109, as amended by Section 4, Chapter 546, O.S.L. 2004, 49-113, as last amended by Section 2, Chapter 203, O.S.L. 2005 and 49-118 (11 O.S. Supp. 2005, Sections 49-100.9, 49-109 and 49-113), which relate to the Oklahoma Firefighters Pension and Retirement System; modifying authorized actions by State Board with respect to declaratory relief; modifying certain report date; modifying provisions related to certain disability benefit; modifying reference; amending 11 O.S. 2001, Section 50-107, as amended by Section 6, Chapter 51, O.S.L. 2003 (11 O.S. Supp. 2005, Section 50-107), which relates to the Oklahoma Police Pension and Retirement System; specifying that failure to submit certain required documents shall not be deemed an error for purposes of payments to members; amending 36 O.S. 2001, Section 312.1, as last amended by Section 1, Chapter 381, O.S.L. 2005 (36 O.S. Supp. 2005, Section 312.1), which relates to the distribution of insurance premium taxes; modifying certain apportionment to the Oklahoma Firefighters Pension and Retirement Fund; amending 47 O.S. 2001, Sections 2-300, as last amended by Section 1, Chapter 142, O.S.L. 2005, 2-305, as last amended by Section 2, Chapter 542, O.S.L. 2004, 2-305.2, as last amended by Section 3, Chapter 542, O.S.L. 2004, 2-305.4, as last amended by Section 3, Chapter 142, O.S.L. 2005, 2-307, as last amended by Section 4, Chapter 142, O.S.L. 2005, 2-307.1, as amended by Section 9, Chapter 406, O.S.L. 2003, 2-307.2, 2-307.3, as amended by Section 10, Chapter 406, O.S.L. 2003, 2-307.4, as last amended by Section 3, Chapter 302, O.S.L. 2004, 2-307.5, as last amended by Section 5, Chapter 142, O.S.L. 2005, 2-307.7, as last amended by Section 7, Chapter 542, O.S.L. 2004 and 2-310.1, as last amended by Section 7, Chapter 418, O.S.L. 2004 (47 O.S. Supp. 2005, Sections 2-300, 2-305, 2-305.2, 2-305.4, 2-307, 2-307.1, 2-307.3, 2-307.4, 2-307.5, 2-307.7 and 2-310.1), which relate to the Oklahoma Law Enforcement Retirement System; modifying definition; providing procedures related to the application for certain disability benefits; including certain service credit as participating service for certain purposes; clarifying permissive service provisions; specifying forms for payment for purchase of certain credits; providing procedures for purchase of certain service credit; providing for accrual of leave benefits and service credit under certain circumstances; requiring deduction of certain payments from certain leave; allowing certain members of the Oklahoma Law Enforcement Retirement System to be placed on administrative leave under certain

circumstances; requiring the use of other leave under certain circumstances; providing procedures relating to the temporary disability benefit of such member; amending 70 O.S. 2001, Sections 17-106.1, as last amended by Section 18, Chapter 536, O.S.L. 2004 and 17-108.1 (70 O.S. Supp. 2005, Section 17-106.1), which relate to the Teachers' Retirement System of Oklahoma; modifying reporting responsibilities of participating employers with respect to compensation; providing for reports as required by Teachers' Retirement System; modifying certain reporting date; amending 74 O.S. 2001, Sections 918, as last amended by Section 98, Chapter 3, O.S.L. 2003 and 919.1, as last amended by Section 5, Chapter 539, O.S.L. 2004 (74 O.S. Supp. 2005, Sections 918 and 919.1), which relate to the Oklahoma Public Employees Retirement System; modifying provisions applicable to certain retirement benefit option; modifying employee contribution rates; providing for codification; providing for noncodification; 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 not to be codified in the Oklahoma Statutes reads as follows:

Sections 1 through 4 of this act shall be known and may be cited as the "Education Employees Service Incentive Plan (EESIP)".

SECTION 2. NEW LAW A new section of law to be codified in the Oklahoma Statutes as Section 17-116.2C of Title 70, unless there is created a duplication in numbering, reads as follows:

A. As used in this section:

1. "Contribution deficit" means the amount of money computed for an eligible employee by multiplying the employee contribution rate in effect for any period of service performed on or after July 1, 1987, through June 30, 1995, multiplied by the amount of salary earned by the member in excess of the applicable maximum compensation level of the member for such period with interest at the rate of ten percent (10%) per year compounded annually; provided, that for the designated fiscal years prescribed by subparagraphs a and b of this paragraph, the contribution deficit payment shall be adjusted to:

- a. fifty percent (50%) of the total amount of the computation otherwise prescribed by this paragraph for the fiscal year ending June 30, 2007,
- b. seventy-five percent (75%) of the total amount of the computation otherwise prescribed by this paragraph for the fiscal year ending June 30, 2008, and
- c. one hundred percent (100%) of the total amount of the computation otherwise prescribed by this paragraph for the fiscal year ending June 30, 2009, and for each fiscal year thereafter;

2. "Eligible employee" means a member of the System who has not retired prior to the effective date of this act and who has performed service at any time prior to June 30, 1995, and who fulfills the requirements of this act with respect to inclusion of pre-cap removal years of service in a retirement benefit computation and:

- a. who has already reached a normal retirement age prior to the effective date of this act and has not retired prior to the effective date of this act,
- b. who reaches a normal retirement age on or after the effective date of this act, and
- c. who is employed by an institution within The Oklahoma State System of Higher Education that is not a comprehensive university or a regional institution offering a four-year degree program as designated or authorized by the Oklahoma State Regents for Higher Education;

3. "Maximum average salary amount" means:

- a. Sixty Thousand Dollars (\$60,000.00) regardless of any otherwise applicable maximum compensation level for the fiscal year ending June 30, 2007,

- b. Eighty Thousand Dollars (\$80,000.00) regardless of any otherwise applicable maximum compensation level for the fiscal year ending June 30, 2008, and
- c. the full amount of the average salary without any limitation for the fiscal year ending June 30, 2009, and for each fiscal year thereafter;

4. "Maximum compensation level" means either:

- a. Twenty-five Thousand Dollars (\$25,000.00) if a member did not elect to make employee contributions on a higher salary amount for any pre-cap removal years of service, or
- b. Forty Thousand Dollars (\$40,000.00) if a member did elect to make employee contributions upon actual salary not in excess of such amount for any pre-cap removal years of service;

5. "Pre-cap removal service" means any service performed by an active member prior to June 30, 1995; and

6. "System" means the Teachers' Retirement System of Oklahoma;

B. Unless otherwise expressly provided by this section, any definition contained in Section 17-101 of Title 70 of the Oklahoma Statutes otherwise applicable to computation of benefits for retired members of the Teachers' Retirement System of Oklahoma shall have the same meaning for purposes of this section.

C. Effective July 1, 2006, any eligible member of the Teachers' Retirement System of Oklahoma, who, as of July 1, 2006, has already reached a normal retirement age or who on or after July 1, 2006, reaches a normal retirement age as defined by paragraph 24 of Section 17-101 of Title 70 of the Oklahoma Statutes, shall be eligible to have a retirement benefit computed as provided by this section. If a member is eligible for the benefit computation authorized by this section, the average salary used to compute the retirement benefit of the member shall be governed by the provisions

of this section and such provisions shall govern in the event of conflict between this section and the provisions of Section 17-116.2 of Title 70 of the Oklahoma Statutes.

D. An eligible employee who performs service in the manner prescribed by subsection E of this section and who makes payment of the applicable contribution deficit amount may have a retirement benefit computed as otherwise authorized by Section 17-105 of Title 70 of the Oklahoma Statutes, but shall have such benefit computed without regard to any maximum compensation level that would otherwise be applicable to the compensation of the member for any period of pre-cap removal service.

E. In order to have retirement benefits computed as authorized by subsection C of this section, and in addition to the payment of the contribution deficit amount required by this section, in order to have any pre-cap removal service included in the retirement benefit computation of the member using the average salary earned during such period of participating service subject to the maximum average salary amount, the member shall be required to perform one (1) year of participating service on or after the date as of which the member reaches a normal retirement age, for each two (2) years of service performed prior to July 1, 1995. For purposes of this section, any year of service performed prior to the effective date of this act after a member reached a normal retirement age shall qualify for purposes of the retirement benefit computation authorized by this section.

F. One (1) year of participating service performed by an eligible member who, prior to the effective date of this act has reached a normal retirement age or, who on or after July 1, 2006, reaches a normal retirement age, shall result in the inclusion of the two (2) years of participating service immediately preceding July 1, 1995, in a retirement benefit computation using the average salary of the member, subject to the maximum average salary amount.

For each additional year of participating service performed by the eligible member thereafter, whether such service has been performed prior to the effective date of this act or whether such service is performed on or after the effective date of this act, the two (2) next succeeding years of pre-cap removal service performed prior to the end of the preceding two-year period may be included in the benefit computation without regard to the maximum compensation level of the member that would otherwise be applicable to such pre-cap removal service.

G. The eligible member shall be required to make payment to the Teachers' Retirement System of Oklahoma of the contribution deficit amount for any year of service performed on or after July 1, 1987, but not later than June 30, 1995, as prescribed by subsections H through K of this section in order to have any years of pre-cap removal service included in the retirement benefit computation using the average salary of the member subject to the maximum average salary amount.

H. In order to have years of service included in the benefit computation using average salary subject to the maximum average salary amount, the member shall be required to make payment of the contribution deficit for the following years of service and in the sequence prescribed by subsection I of this section according to the adjustments required by subparagraphs a and b of paragraph 1 of subsection A of this section:

1. July 1, 1987, through June 30, 1988;
2. July 1, 1988, through June 30, 1989;
3. July 1, 1989, through June 30, 1990;
4. July 1, 1990, through June 30, 1991;
5. July 1, 1991, through June 30, 1992;
6. July 1, 1992, through June 30, 1993;
7. July 1, 1993, through June 30, 1994; and
8. July 1, 1994, through June 30, 1995.

I. For each year of service performed by the eligible member prior to the effective date of this act and after having reached a normal retirement age, or for each year of service performed by the member after reaching a normal retirement age on or after the effective date of this act, the member shall be required to make payment of the contribution deficit amount for each year of service beginning with the years described in paragraphs 7 and 8 of subsection H of this section. For each additional year of service performed by the eligible member after the normal retirement age of the member, the member shall make payment of the contribution deficit amount for each of the next two (2) years of service as described in:

1. Paragraphs 5 and 6 of subsection H of this section;
2. Paragraphs 3 and 4 of subsection H of this section; and
3. Paragraphs 1 and 2 of subsection H of this section.

J. After making payment of all required contribution deficit amounts for all periods of service described in paragraphs 1 through 8 of subsection H of this section, an eligible member who has performed any additional years of service after having reached a normal retirement age, or for each year of service performed by the member after reaching a normal retirement age on or after the effective date of this act, the member may then include any additional two-year period of service performed prior to July 1, 1987, using the average salary of the member, subject to the maximum average salary amount, in the retirement benefit computation for such years of service by performing one (1) additional year of service.

K. No contribution deficit payments shall be required of the eligible member with respect to years of service performed prior to July 1, 1987, if such years of service are included in the retirement benefit computation of the member using average salary as

otherwise authorized by this section, subject to the maximum average salary amount.

L. An eligible member may make the payment of the contribution deficit amount required by this section at any time prior to the retirement of the member from the System; however, no years of pre-cap removal service for which full payment of the required contribution deficit has not been made pursuant to the requirements of this section may be included in the retirement benefit computation of the otherwise eligible member using the average salary of the member for such period, subject to the maximum average salary amount.

M. Any pre-cap removal years of service for which the required contribution deficit payment has not been made to the System shall only be included in a retirement benefit computation using the maximum compensation level in effect for the member at the time such years of service were performed.

N. All payments to the System for pre-cap removal service shall be made prior to the date as of which a member retires. No payments to the System for pre-cap removal service otherwise authorized by this section shall be made after a member retires from the System and begins to receive benefits.

O. Any eligible member who, prior to the effective date of this act, has not previously made an election for payment of employee contributions on a maximum compensation level of Twenty-five Thousand Dollars (\$25,000.00) for pre-cap removal service may file an election with the System to make payment of the required contribution deficit amount pursuant to this section. Such an election shall be irrevocable.

P. No participating employer of the System shall make payment of any required contribution deficit amount on behalf of any otherwise eligible member, whether directly or indirectly, in order

for the member to have retirement benefits computed according to the provisions of this section.

Q. No member of the System who has retired prior to July 1, 2006, shall be eligible to make any payments of the contribution deficit amount and no such member shall have the ability to have a retirement benefit recomputed as a result of the provisions of this section.

R. The additional retirement benefit attributable to the provisions of this section may be computed for members who retire on or after July 1, 2006, but prior to January 1, 2007, but the additional retirement benefit attributable to the provisions of this section shall not be payable until January 1, 2007. On and after January 1, 2007, the additional retirement benefit attributable to the provisions of this section shall be added to the retirement benefit amount of any member who retires on or after July 1, 2006, and prior to January 1, 2007, and such increased benefit amount shall be payable to the member or any beneficiary of the member as otherwise provided pursuant to the provisions of Section 17-101 of Title 70 of the Oklahoma Statutes in the same manner as other retirement benefits are payable.

SECTION 3. AMENDATORY 70 O.S. 2001, Section 17-101, as last amended by Section 118, Chapter 1, O.S.L. 2005 (70 O.S. Supp. 2005, Section 17-101), is amended to read as follows:

Section 17-101. The following words and phrases as used in this act, unless a different meaning is clearly required by the context, shall have the following meanings:

(1) "Retirement system" shall mean the Teachers' Retirement System of Oklahoma, as defined in Section 17-102 of this title.

(2) "Public school" shall mean a school district, a state college or university, the State Board of Education, the State Board of Career and Technology Education and any other state educational entity conducted within the state supported wholly or partly by

public funds and operating under the authority and supervision of a legally constituted board or agency having authority and responsibility for any function of public education.

(3) "Classified personnel" shall mean any teacher, principal, superintendent, supervisor, administrator, librarian, certified or registered nurse, college professor, or college president whose salary is paid wholly or in part from public funds. An employee of any state department, board, board of regents or board of trustees, who is in a supervisory or an administrative position, the function of which is primarily devoted to public education, shall be considered classified personnel under the meaning of this act, at the discretion of the Board of Trustees of the Teachers' Retirement System. The term "teacher" shall also include instructors and counselors employed by the Department of Corrections and holding valid teaching certificates issued by the State Department of Education. Provided, that a person employed by the Department of Corrections as an instructor or counselor shall have been actively engaged in the teaching profession for a period of not less than three (3) years prior to employment to be eligible to participate in the Oklahoma Teachers' Retirement System. The Department of Corrections shall contribute the employer's share to the Oklahoma Teachers' Retirement System.

(4) "Nonclassified optional personnel" shall include cooks, janitors, maintenance personnel not in a supervisory capacity, bus drivers, noncertified or nonregistered nurses, noncertified librarians, and clerical employees of the public schools, state colleges, universities or any state department, board, board of regents or board of trustees, the functions of which are primarily devoted to public education and whose salaries are paid wholly or in part from public funds.

(5) "Employer" shall mean the state and any of its designated agents or agencies with responsibility and authority for public

education, such as boards of education of elementary and independent school districts, boards of regents, boards of control or any other agency of and within the state by which a person may be employed for service in public education.

(6) "Member" shall mean any teacher or other employee included in the membership of the system as provided in Section 17-103 of this title.

(7) "Board of Trustees" shall mean the board provided for in Section 17-106 of this title to administer the retirement system.

(8) "Service" shall mean service as a classified or nonclassified optional employee in the public school system, or any other service devoted primarily to public education in the state.

(9) "Prior service" shall mean service rendered prior to July 1, 1943.

(10) "Membership service" shall mean service as a member of the classified or nonclassified personnel as defined in paragraphs (3) and (4) of this section.

(11) "Creditable service" shall mean membership service plus any prior service authorized under this title.

(12) "Annuitant" shall mean any person in receipt of a retirement allowance as provided in this title.

(13) "Accumulated contributions" shall mean the sum of all amounts deducted from the compensation of a member and credited to his individual account in the Teacher Savings Fund, together with interest as of June 30, 1968.

(14) "Earnable compensation" shall mean the full rate of the compensation that would be payable to a member if he worked the full normal working time.

(15) "Average salary":

- (a) for those members who joined the System prior to July 1, 1992, shall mean the average of the salaries for the three (3) years on which the highest contributions

to the Teachers' Retirement System was paid not to exceed the maximum contribution level specified in Section 17-116.2 of this title or the maximum compensation level specified in subsection (28) of this section. Provided, no member shall retire with an average salary in excess of Twenty-five Thousand Dollars (\$25,000.00) unless the member has made the required election and paid the required contributions on such salary in excess of Twenty-five Thousand Dollars (\$25,000.00), or unless an eligible member fulfills the requirements of Section 2 of this act in order to have pre-cap removal service included in the retirement benefit computation of the member using the regular annual compensation of the member for any pre-cap removal year of service so included subject to the maximum average salary amount, and

- (b) for those members who join the System after June 30, 1992, shall mean the average of the salaries for five (5) consecutive years on which the highest contribution to the Teachers' Retirement System was paid. Only salary on which required contributions have been made may be used in computing average salary.

(16) "Annuity" shall mean payments for life derived from the "accumulated contributions" of a member. All annuities shall be payable in equal monthly installments.

(17) "Pension" shall mean payments for life derived from money provided by the employer. All pensions shall be payable in equal monthly installments.

(18) "Monthly retirement allowance" is one-twelfth (1/12) of the annual retirement allowance which shall be payable monthly.

(19) "Retirement Benefit Fund" shall mean the fund from which all retirement benefits shall be paid based on such mortality tables as shall be adopted by the Board of Trustees.

(20) "Actuary" shall mean a person especially skilled through training and experience in financial calculation respecting the expectancy and duration of life.

(21) "Actuarial equivalent" shall mean a benefit of equal value when computed upon the basis of such mortality and other tables as shall be adopted by the Board of Trustees.

(22) The masculine pronoun, whenever used, shall include the feminine.

(23) "Actuarially determined cost" shall mean the single sum which is actuarially equivalent in value to a specified pension amount as determined on the basis of mortality and interest assumptions adopted by the Board of Trustees.

(24) "Normal retirement age" means age sixty-two (62) or the age at which the sum of a member's age and number of years of creditable service total eighty (80) or ninety (90), for those who became a member after June 30, 1992, pursuant to Section 17-105 of this title, whichever occurs first.

(25) "Regular annual compensation" means salary plus fringe benefits, excluding the flexible benefit allowance pursuant to Section 26-105 of this title and for purposes pursuant to Section 17-101 et seq. of this title. For purposes of this definition, regular annual compensation shall include all payments as provided in subsection D of Section 17-116.2 of this title.

(26) "Teacher" means classified personnel and nonclassified optional personnel.

(27) "Active classroom teacher" means a person employed by a school district to teach students specifically identified classes for specifically identified subjects during the course of a semester, and who holds a valid certificate or license issued by and

in accordance with the rules and regulations of the State Board of Education.

(28) "Maximum compensation level" shall, except as otherwise authorized pursuant to the provisions of Section 2 of this act,

mean:

- (a) Twenty-five Thousand Dollars (\$25,000.00) for creditable service authorized and performed prior to July 1, 1995, for members not electing a higher maximum compensation level,
- (b) Forty Thousand Dollars (\$40,000.00) for creditable service authorized and performed prior to July 1, 1995, for members electing a maximum compensation level in excess of Twenty-five Thousand Dollars (\$25,000.00),
- (c) Twenty-seven Thousand Five Hundred Dollars (\$27,500.00) for members who, as of June 30, 1995, had elected to have a maximum compensation level not in excess of Twenty-five Thousand Dollars (\$25,000.00), and who were employed by an entity or institution within The Oklahoma State System of Higher Education for creditable service authorized and performed on or after July 1, 1995, but not later than June 30, 1996, if such member does not elect a higher maximum compensation level for this period as authorized by Section 17-116.2A of this title,
- (d) Thirty-two Thousand Five Hundred Dollars (\$32,500.00) for members employed by a comprehensive university if the member meets the requirements imposed by Section 17-116.2A of this title and the member elects to impose a higher maximum compensation level for service performed on or after July 1, 1995, but not later than June 30, 1996,

- (e) Forty-four Thousand Dollars (\$44,000.00) for members who, as of June 30, 1995, had elected to have a maximum compensation level in excess of Twenty-five Thousand Dollars (\$25,000.00), and who were employed by an entity or institution within The Oklahoma State System of Higher Education for creditable service authorized and performed on or after July 1, 1995, but not later than June 30, 1996, if such member does not elect a higher maximum compensation level for this period as authorized by Section 17-116.2A of this title,
- (f) Forty-nine Thousand Dollars (\$49,000.00) for members employed by a comprehensive university if the member meets the requirements imposed by Section 17-116.2A of this title and the member elects to impose a higher maximum compensation level for service performed on or after July 1, 1995, but not later than June 30, 1996,
- (g) the following amounts for creditable service authorized and performed by members employed by a comprehensive university, based upon the election of the member in effect as of June 30, 1995:
1. for members who elected a maximum compensation level not in excess of Twenty-five Thousand Dollars (\$25,000.00):
 - (i) Thirty-two Thousand Five Hundred Dollars (\$32,500.00) for service authorized and performed on or after July 1, 1996, but not later than June 30, 1997,
 - (ii) Thirty-seven Thousand Five Hundred Dollars (\$37,500.00) for service authorized and performed on or after July 1, 1997, but not later than June 30, 1998,

- (iii) Forty-two Thousand Five Hundred Dollars
(\$42,500.00) for service authorized and
performed on or after July 1, 1998, but not
later than June 30, 2000,
- (iv) Forty-seven Thousand Five Hundred Dollars
(\$47,500.00) for service authorized and
performed on or after July 1, 2000, but not
later than June 30, 2001,
- (v) Fifty-two Thousand Five Hundred Dollars
(\$52,500.00) for service authorized and
performed on or after July 1, 2001, but not
later than June 30, 2002,
- (vi) Fifty-seven Thousand Five Hundred Dollars
(\$57,500.00) for service authorized and
performed on or after July 1, 2002, but not
later than June 30, 2003,
- (vii) Sixty-two Thousand Five Hundred Dollars
(\$62,500.00) for service authorized and
performed on or after July 1, 2003, but not
later than June 30, 2004,
- (viii) Sixty-seven Thousand Five Hundred Dollars
(\$67,500.00) for service authorized and
performed on or after July 1, 2004, but not
later than June 30, 2005,
- (ix) Seventy-two Thousand Five Hundred Dollars
(\$72,500.00) for service authorized and
performed on or after July 1, 2005, but not
later than June 30, 2006,
- (x) Seventy-seven Thousand Five Hundred Dollars
(\$77,500.00) for service authorized and
performed on or after July 1, 2006, but not
later than June 30, 2007,

- (xi) the full amount of regular annual compensation for service authorized and performed on or after July 1, 2007, and
2. for members who elected a maximum compensation level in excess of Twenty-five Thousand Dollars (\$25,000.00):
- (i) Forty-nine Thousand Dollars (\$49,000.00) for service authorized and performed on or after July 1, 1996, but not later than June 30, 1997,
 - (ii) Fifty-four Thousand Dollars (\$54,000.00) for service authorized and performed on or after July 1, 1997, but not later than June 30, 1998,
 - (iii) Fifty-nine Thousand Dollars (\$59,000.00) for service authorized and performed on or after July 1, 1998, but not later than June 30, 2000,
 - (iv) Sixty-four Thousand Dollars (\$64,000.00) for service authorized and performed on or after July 1, 2000, but not later than June 30, 2001,
 - (v) Sixty-nine Thousand Dollars (\$69,000.00) for service authorized and performed on or after July 1, 2001, but not later than June 30, 2002,
 - (vi) Seventy-four Thousand Dollars (\$74,000.00) for service authorized and performed on or after July 1, 2002, but not later than June 30, 2003,
 - (vii) Seventy-nine Thousand Dollars (\$79,000.00) for service authorized and performed on or

after July 1, 2003, but not later than June 30, 2004,

(viii) Eighty-four Thousand Dollars (\$84,000.00) for service authorized and performed on or after July 1, 2004, but not later than June 30, 2005,

(ix) Eighty-nine Thousand Dollars (\$89,000.00) for service authorized and performed on or after July 1, 2005, but not later than June 30, 2006,

(x) Ninety-four Thousand Dollars (\$94,000.00) for service authorized and performed on or after July 1, 2006, but not later than June 30, 2007,

(xi) the full amount of regular annual compensation for service authorized and performed on or after July 1, 2007,

(h) the full amount of regular annual compensation of:

1. a member of the retirement system not employed by an entity or institution within The Oklahoma State System of Higher Education for all creditable service authorized and performed on or after July 1, 1995,
2. a member of the retirement system first employed on or after July 1, 1995, by an entity or institution within The Oklahoma State System of Higher Education for all creditable service authorized and performed on or after July 1, 1995, but not later than June 30, 1996,
3. a member of the retirement system employed by an entity or institution within The Oklahoma State System of Higher Education, other than a

- comprehensive university, if the member elects to impose a higher maximum compensation level for service performed on or after July 1, 1995, but not later than June 30, 1996, pursuant to subsection B of Section 17-116.2A of this title,
4. a member of the retirement system who is first employed on or after July 1, 1996, by any entity or institution within The Oklahoma State System of Higher Education, including a comprehensive university, for creditable service authorized and performed on or after July 1, 1996,
 5. a member of the retirement system who, as of July 1, 1996, is subject to a maximum compensation level pursuant to paragraph (g) of this subsection if the member terminates service with a comprehensive university and is subsequently reemployed by a comprehensive university, ~~or~~
 6. a member of the retirement system employed by a comprehensive university for all service performed on and after July 1, 2007, or
 7. an eligible member of the retirement system who fulfills the requirements of Section 2 of this act with respect to pre-cap removal service included in the retirement benefit computation of the member at the average salary of the member subject to the maximum average salary amount.

(29) "Comprehensive university" shall mean:

- (a) the University of Oklahoma and all of its constituent agencies, including the University of Oklahoma Health Sciences Center, the University of Oklahoma Law Center and the Geological Survey, and

(b) Oklahoma State University and all of its constituent agencies, including the Oklahoma State University Agricultural Experiment Station, the Oklahoma State University Agricultural Extension Division, the Oklahoma State University College of Veterinary Medicine, the Oklahoma State University Center for Health Sciences, the Technical Branch at Oklahoma City, the Technical Branch at Okmulgee and Oklahoma State University-Tulsa.

SECTION 4. AMENDATORY 70 O.S. 2001, 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%) 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~~ December 31, 2006, ~~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;

6. Beginning January 1, 2007, through June 30, 2007, seven and six-tenths percent (7.6%) of the regular annual compensation of the member not in excess of any applicable maximum compensation level of the member;

7. Beginning July 1, 2007, through June 30, 2008, seven and eighty-five hundredths percent (7.85%) of the regular annual compensation of the member not in excess of any applicable maximum compensation level of the member; and

8. Beginning July 1, 2008, through June 30, 2009, and for each fiscal year thereafter, eight percent (8.0%) of the regular annual compensation of the member not in excess of any applicable maximum compensation level of the member. The employer contribution rate increase that would otherwise be effective as provided by paragraphs 6, 7 and 8 of this subsection, shall not become effective as law unless appropriation levels to each of the affected participating employers within the Oklahoma Teachers' Retirement System are increased so that the additional employer contribution obligation is funded through such appropriation levels instead of requiring the additional employer contribution to be paid for from existing budgetary resources of such participating employers. The participating employers shall use any monies specifically appropriated for purposes of making employer contributions for such purpose and to the extent of the funds appropriated for that purpose. Beginning January 1, 2007, through June 30, 2007, and for each fiscal year thereafter, a participating employer that employs an employee of a comprehensive university or a regional institution offering a four-year degree program as designated or authorized by the Oklahoma State Regents for Higher Education shall make contributions to the System with respect to such employees at the

rate of seven and five-hundredths percent (7.05%) of the regular annual compensation of the member not in excess of any applicable maximum compensation level.

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 Career and Technology 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 Career and Technology 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 Career and Technology Education, or other state agency.

SECTION 5. NEW LAW A new section of law to be codified in the Oklahoma Statutes as Section 49-143.5 of Title 11, unless there is created a duplication in numbering, reads as follows:

A. Except as provided in subsection B of this section and except for persons receiving benefits pursuant to Section 49-101 of Title 11 of the Oklahoma Statutes, effective July 1, 2006, any person receiving benefits from the Oklahoma Firefighters Pension and Retirement System as of June 30, 2005, who continues to receive benefits on or after July 1, 2006, shall receive a four-percent increase in said benefits beginning in July 2006.

B. Any increase in benefits a person is eligible to receive pursuant to repealed Section 49-136 of Title 11 of the Oklahoma Statutes after June 30, 2004, shall be used to offset the increase in benefits provided in subsection A of this section.

C. Effective July 1, 2006, any persons receiving benefits pursuant to Section 49-101 of Title 11 of the Oklahoma Statutes shall each receive a monthly benefit equal to Seven Dollars and twenty-four cents (\$7.24) for each year of credited service not to exceed thirty (30) years of service.

SECTION 6. NEW LAW A new section of law to be codified in the Oklahoma Statutes as Section 50-136.7 of Title 11, unless there is created a duplication in numbering, reads as follows:

A. Except as provided in subsection B of this section, any person receiving benefits from the Oklahoma Police Pension and Retirement System as of June 30, 2005, who continues to receive benefits on or after July 1, 2006, shall receive a four-percent increase in said benefits beginning in July 2006.

B. Any increase in benefits a person is eligible to receive pursuant to repealed Section 50-120 of Title 11 of the Oklahoma Statutes, after June 30, 2004, shall be offset by the increase in benefits, if any, provided by this section.

SECTION 7. NEW LAW A new section of law to be codified in the Oklahoma Statutes as Section 1104I of Title 20, unless there is created a duplication in numbering, reads as follows:

Any person receiving benefits from the Uniform Retirement System for Justices and Judges as of June 30, 2005, who continues to receive benefits on or after July 1, 2006, shall receive a four-percent increase in said benefits beginning in July 2006.

SECTION 8. NEW LAW A new section of law to be codified in the Oklahoma Statutes as Section 2-305.10 of Title 47, unless there is created a duplication in numbering, reads as follows:

A. Except as provided in subsection B of this section, any person receiving benefits from the Oklahoma Law Enforcement Retirement System as of June 30, 2005, who continues to receive benefits on or after July 1, 2006, shall receive a four-percent increase in said benefits beginning in July 2006.

B. Any increase in benefits a person is eligible to receive pursuant to subsection B, C or D of Section 2-305 of Title 47 of the Oklahoma Statutes, after June 30, 2006, shall be offset by the increase in benefits, if any, provided by this section.

SECTION 9. NEW LAW A new section of law to be codified in the Oklahoma Statutes as Section 17-116.20 of Title 70, unless there is created a duplication in numbering, reads as follows:

A. Any person receiving benefits from the Teachers' Retirement System of Oklahoma as of June 30, 2005, other than those benefits specified in subsection B of this section, who continues to receive benefits on or after July 1, 2006, shall receive a two-percent increase in said benefits beginning in July 2006.

B. Any person receiving benefits pursuant to subsection (3) of Section 17-105 of Title 70 of the Oklahoma Statutes whose benefits commenced prior to July 1, 2005, and who continues to receive benefits on or after July 1, 2006, shall receive a two-percent increase in said benefits beginning in July 2006.

SECTION 10. NEW LAW A new section of law to be codified in the Oklahoma Statutes as Section 930.9 of Title 74, unless there is created a duplication in numbering, reads as follows:

Any person receiving benefits from the Oklahoma Public Employees Retirement System as of June 30, 2005, who continues to receive benefits on or after July 1, 2006, shall receive a four-percent increase in said benefits beginning in July 2006.

SECTION 11. AMENDATORY 11 O.S. 2001, Section 49-100.7, is amended to read as follows:

Section 49-100.7 A. The State Board shall be responsible for the policies and rules for the general administration of the System, subject to the provisions of this article.

B. The State Board shall establish rules and regulations for the administration of the System and for the transaction of its business consistent with law, which rules and regulations shall be filed with the Secretary of State.

C. The State Board shall be responsible for the installation or provision of a complete and adequate system of accounts and records.

D. All meetings of the State Board shall be open to the public. The State Board shall keep a record of its proceedings.

E. The State Board may adopt all necessary actuarial tables to be used in the operation of the System as recommended by the actuary and may compile such additional data as may be necessary for required actuarial valuation calculations.

F. All decisions of the State Board as to questions of fact shall be final and conclusive on all persons except for the right of review as provided by law and except for fraud or such gross mistake of fact as to have effect equivalent to fraud.

G. The State Board shall take all necessary action upon applications for pensions, disability benefits, refund of accumulated contributions and shall take action on all other matters deemed necessary by the State Board, including bringing actions for declaratory relief in the district courts in the state to enforce the provisions of applicable state law.

SECTION 12. AMENDATORY 11 O.S. 2001, Section 49-100.9, as amended by Section 3, Chapter 391, O.S.L. 2002 (11 O.S. Supp. 2005, Section 49-100.9), is amended to read as follows:

Section 49-100.9 A. The Oklahoma Firefighters Pension and Retirement Board shall discharge their duties with respect to the System solely in the interest of the participants and beneficiaries and:

1. For the exclusive purpose of:

- a. providing benefits to participants and their beneficiaries, and
- b. defraying reasonable expenses of administering the System;

2. With the care, skill, prudence, and diligence under the circumstances then prevailing that a prudent person acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of a like character and with like aims;

3. By diversifying the investments of the System so as to minimize the risk of large losses, unless under the circumstances it is clearly prudent not to do so; and

4. In accordance with the laws, documents and instruments governing the System.

B. The State Board may procure insurance indemnifying the members of the State Board from personal loss or accountability from liability resulting from a member's action or inaction as a member of the State Board.

C. The State Board may establish an investment committee. The investment committee shall be composed of not more than five (5) members of the State Board appointed by the chairman of the State Board. The committee shall make recommendations to the full State Board on all matters related to the choice of custodians and managers of the assets of the System, on the establishment of investment and fund management guidelines, and in planning future investment policy. The committee shall have no authority to act on behalf of the State Board in any circumstances whatsoever. No recommendation of the committee shall have effect as an action of the State Board nor take effect without the approval of the State Board as provided by law.

D. The Board shall retain qualified investment managers to provide for the investment of the monies of the System. The

investment managers shall be chosen by a solicitation of proposals on a competitive bid basis pursuant to standards set by the State Board. Subject to the overall investment guidelines set by the State Board, the investment managers shall have full discretion in the management of those monies of the System allocated to the investment managers. The State Board shall manage those monies not specifically allocated to the investment managers. The monies of the System allocated to the investment managers shall be actively managed by the investment managers, which may include selling investments and realizing losses if such action is considered advantageous to longer term return maximization. Because of the total return objective, no distinction shall be made for management and performance evaluation purposes between realized and unrealized capital gains and losses.

E. Funds and revenues for investment by the investment managers or the State Board shall be placed with a custodian selected by the State Board. The custodian shall be a bank or trust company offering pension fund master trustee and master custodial services. The custodian shall be chosen by a solicitation of proposals on a competitive bid basis pursuant to standards set by the State Board. In compliance with the investment policy guidelines of the State Board, the custodian bank or trust company shall be contractually responsible for ensuring that all monies of the System are invested in income-producing investment vehicles at all times. If a custodian bank or trust company has not received direction from the investment managers of the System as to the investment of the monies of the System in specific investment vehicles, the custodian bank or trust company shall be contractually responsible to the State Board for investing the monies in appropriately collateralized short-term interest-bearing investment vehicles.

F. By November 1, 1988, and prior to August 1 of each year thereafter, the State Board shall develop a written investment plan for the System.

G. The State Board shall compile a quarterly financial report of all the funds of the System on a fiscal year basis. The report shall be compiled pursuant to uniform reporting standards prescribed by the Oklahoma State Pension Commission for all state retirement systems. The report shall include several relevant measures of investment value, including acquisition cost and current fair market value with appropriate summaries of total holdings and returns. The report shall contain combined and individual rate of returns of the investment managers by category of investment, over periods of time. The State Board shall include in the quarterly reports all commissions, fees or payments for investment services performed on behalf of the State Board. The report shall be distributed to the Governor, the Oklahoma State Pension Commission, the Legislative Service Bureau, the Speaker of the House of Representatives and the President Pro Tempore of the Senate.

H. After July 1 and before ~~October 1~~ December 1 of each year, the State Board shall publish widely an annual report presented in simple and easily understood language pursuant to uniform reporting standards prescribed by the Oklahoma State Pension Commission for all state retirement systems. The report shall be submitted to the Governor, the Speaker of the House of Representatives, the President Pro Tempore of the Senate, the Oklahoma State Pension Commission and the members of the System. The annual report shall cover the operation of the System during the past fiscal year, including income, disbursements, and the financial condition of the System at the end of the fiscal year. The annual report shall also contain the information issued in the quarterly reports required pursuant to subsection G of this section as well as a summary of the results of the most recent actuarial valuation to include total assets, total

liabilities, unfunded liability or over funded status, contributions and any other information deemed relevant by the State Board. The annual report shall be written in such a manner as to permit a readily understandable means for analyzing the financial condition and performance of the System for the fiscal year. In order to standardize the information and analysis of the financial condition of the System, the Board shall provide information regarding the financial and actuarial condition of the System using assumptions or requirements as hereinafter required for the report stating the condition of the System as of July 1, 2002, and for each subsequent reporting date, which information shall be contained in an appendix or addendum to the annual report. For purposes other than the reporting requirements contained in the appendix or addendum, all actuarial and economic assumptions shall be those assumptions adopted by the System in its annual actuarial valuation. The appendix or addendum shall contain a statement of the financial condition of the System:

1. Using an assumed rate of return of seven and one-half percent (7.5%), net of investment expenses, per annum, compounded annually;

2. Using an actuarial assumption regarding cost-of-living adjustments for the System of two percent (2%) annually;

3. That relies upon the use of appropriate preretirement, postretirement and disability retirement information using generational projections taken from the RP-2000 Mortality Tables, published by the Society of Actuaries;

4. Which accurately and completely summarizes all sources of system assets, other than employee contributions, which shall include, but not be limited to, the total of all employer contributions, any dedicated tax or fee revenue of whatever kind or however denominated, and the total amount of any other source of revenue which accrues to the System, other than return on

investments, such as federal monies used for the purpose of making employer contributions; and

5. Using an assumption that the unfunded actuarial accrued liabilities of the System are amortized over a period of thirty (30) years, in a manner consistent with the Governmental Accounting Standards Board Statement Number 25.

I. Effective July 1, 2000, the State Board is hereby authorized to do all acts and things necessary and proper to carry out the purpose of the System and to make the least costly amendments and changes, if any, as may be necessary to qualify the System under the applicable sections of the Internal Revenue Code of 1986, as amended.

SECTION 13. AMENDATORY 11 O.S. 2001, Section 49-109, as amended by Section 4, Chapter 546, O.S.L. 2004 (11 O.S. Supp. 2005, Section 49-109), is amended to read as follows:

Section 49-109. A. Whenever any firefighter serving in any capacity in a regularly constituted fire department of a municipality shall become so physically or mentally disabled while in, or in consequence of, the performance of the firefighter's duty as to prevent the effective performance of the firefighter's duties, the State Board may, upon the firefighter's written request, or without such request if the State Board deems it for the good of the department, retire the firefighter from active service, and if so retired, shall direct that the firefighter be paid from the System a monthly pension equal to the greater of:

1. Fifty percent (50%) of the average monthly salary which was paid to the firefighter during the last thirty (30) months of the firefighter's service; or

2. Two and one-half percent (2 1/2%) of the firefighter's final average salary multiplied by the member's years of credited service, not to exceed thirty (30) years, provided such firefighter has completed twenty (20) or more years of credited service; ~~provided,~~

~~that whenever such disability shall cease such disability pension shall cease; provided further, that if.~~

B. If the disability ceases within two (2) years from the date of the firefighter's disability retirement and before the firefighter's normal retirement date, the formerly disabled person shall be restored to active service at the salary attached to the rank the firefighter held at the time of the firefighter's disability retirement provided the firefighter is capable of performing the duties of a firefighter; ~~provided further that if.~~
Whenever such disability shall cease, such disability pension provided pursuant to paragraph 1 of subsection A of this section shall cease. If a firefighter participates in the Oklahoma Firefighters Deferred Option Plan pursuant to Section 49-106.1 of this title, the firefighter's disability pension provided pursuant to this subsection shall be reduced to account for the firefighter's participation in the Oklahoma Firefighters Deferred Option Plan.

~~B.~~ C. Whenever any firefighter, who has served in any capacity in a regularly constituted fire department of a municipality of the state, and who has served less than the firefighter's normal retirement date, shall become so physically or mentally disabled from causes not arising in the line of duty as to prevent the effective performance of the firefighter's duties, the firefighter shall be entitled to a pension during the continuance of said disability based upon the firefighter's service period which shall be fifty percent (50%) of the average monthly salary which was paid to the firefighter during the last sixty (60) months of the firefighter's service.

~~C.~~ D. No firefighter shall accrue additional service time while receiving a disability pension; provided further, that nothing herein contained shall affect the eligibility of any firefighter to apply for and receive a retirement pension after the firefighter's normal retirement date; provided further, that no firefighter shall

receive retirement benefits from the System during the time the firefighter is receiving disability benefits from the System. Any member or beneficiary eligible to receive a monthly benefit pursuant to this section may make an election to waive all or a portion of monthly benefits.

SECTION 14. AMENDATORY 11 O.S. 2001, Section 49-113, as last amended by Section 2, Chapter 203, O.S.L. 2005 (11 O.S. Supp. 2005, Section 49-113), is amended to read as follows:

Section 49-113. A. 1. In the event of the death of a firefighter who at the time of the firefighter's death was drawing a pension, other than a disability pension, or who at the time of the firefighter's death (whether death occurred while on duty, but not in or in consequence of the performance of duty, or while on vacation or off duty) was eligible, upon written request, to retire and draw a pension, other than a disability pension, the beneficiary of such person shall be paid an amount not to exceed one hundred percent (100%) of said pension.

2. In the event of the death of a firefighter who at the time of the firefighter's death was drawing, or eligible to draw, a disability pension for a physical or mental disability that occurred while in, or in consequence of, the performance of the firefighter's duty, and which prevented the effective performance of the firefighter's duties, and which caused the State Board to retire the firefighter from active service, the beneficiary of such person shall be paid an amount not to exceed one hundred percent (100%) of the pension paid in accordance with subsection A of Section 49-109 of this title.

3. In the event of the death of a firefighter who at the time of the firefighter's death was drawing, or eligible to draw, a disability pension for a physical or mental disability from causes not arising in the line of duty and which prevented the effective performance of the firefighter's duties, the beneficiary of such

person shall be paid an amount not to exceed one hundred percent (100%) of the pension paid in accordance with subsection ~~B~~ C of Section 49-109 of this title.

4. Effective March 1, 1997, if a firefighter to whom a retirement or disability benefit has been awarded, or who is eligible therefore, dies prior to the date as of which the total amount of retirement or disability benefit paid equals the total amount of the employee contributions paid by or on behalf of the member and the member does not have a surviving beneficiary, the total benefits paid as of the date of the member's death shall be subtracted from the accumulated employee contribution amount and the balance, if greater than ~~zero (0)~~ Zero Dollars (\$0.00), shall be paid to the member's estate.

5. Any person eligible to receive a payment pursuant to this section may make an election to waive all or a portion of monthly payments.

B. In the event of the death of the surviving spouse, the pension shall cease, and should there then be but one living child same shall receive an amount equal to one hundred percent (100%) of said pension, but if there then be more than one living child, one hundred percent (100%) of said pension shall be divided equally between the children until each child reaches the age of eighteen (18) years or until the age of twenty-two (22) years if the child is enrolled full time and regularly attending a public or private school or any institution of higher education. Provided, that in the event the State Board finds that such a child who is not married at the time of death of the member or the member's surviving spouse and who at the time the child attains or attained the age of eighteen (18) years is either physically or mentally disabled, the pension thereof shall continue so long as such disability remains; provided, that upon the death of the firefighter and surviving spouse, if any, said physically or mentally disabled child shall be

entitled to have paid to the child's trustee of a trust, whether inter vivos or testamentary, which trust provides for the receipt of the pension benefits to be held and administered for the sole benefit of said physically or mentally disabled child, or if there is no trust, to the child's legally appointed guardian, an amount not to exceed one hundred percent (100%) of said pension. The money so paid to the guardian or trustee shall be used solely for the benefit of the disabled child and it shall be reported annually to the State Board. The payment so provided shall be calculated after payments have been made to all eligible children as provided in this section; provided further, that beneficiaries now receiving pensions under the provisions of Sections 49-112 or 49-113 of this title shall, upon application to the State Board, thereafter be entitled to a pension equal to the amount which they would have received if this act were in effect at the time the right to said pension accrued.

C. In the event a surviving spouse of a member remarried prior to June 7, 1993, the surviving spouse shall be eligible to receive the pension benefits provided for in this section. To receive the pension benefits provided for in this section the surviving spouse falling within this section shall submit a written request for such benefits to the Oklahoma Firefighters Pension and Retirement System. The Oklahoma Firefighters Pension and Retirement System shall approve requests by surviving spouses meeting the requirements of this section. Upon approval by the Oklahoma Firefighters Pension and Retirement System, the surviving spouse shall be entitled to the pension benefits provided for in this section beginning from the date of approval forward. Pension benefits provided to surviving spouses falling within this section shall not apply to alter any amount of pension benefits paid or due prior to the Oklahoma Firefighters Pension and Retirement System's approval of the remarried surviving spouse's written request for benefits.

D. No surviving spouse shall receive benefits from this section, Section 50-117 of this title, or Section 2-306 of Title 47 of the Oklahoma Statutes as the surviving spouse of more than one member of the Oklahoma Firefighters Pension and Retirement System, the Oklahoma Police Pension and Retirement System, or the Oklahoma Law Enforcement Retirement System. The surviving spouse of more than one member shall elect which member's benefits he or she will receive.

E. Upon the death of a retired member, the benefit payment for the month in which the retired member died, if not previously paid, shall be made to the beneficiary of the member or to the member's estate if there is no beneficiary. Such benefit payment shall be made in an amount equal to a full monthly benefit payment regardless of the day of the month in which the retired member died.

F. Upon the death of an unmarried firefighter, or a firefighter whose spouse does not meet the qualifications of beneficiary who has one or more children, said child or children shall receive pension benefits as provided in subsection B of this section as if the surviving spouse had died; provided, that upon the death of the firefighter, said child or children shall be entitled to have the System pay to the child's or children's trustee of a trust, whether inter vivos or testamentary, which trust provides for the receipt of the pension benefits to be held and administered for the sole benefit of said child, or if there is no trust, to the child's or children's legally appointed guardian, the pension benefits as provided in subsection B of this section in an amount not to exceed one hundred percent (100%) of said pension. The money so paid to the guardian or trustee shall be used solely for the benefit of the child and it shall be reported annually to the State Board.

SECTION 15. AMENDATORY 11 O.S. 2001, Section 49-118, is amended to read as follows:

Section 49-118. The State Board shall, in addition to other powers herein granted, have power, to wit:

1. To compel witnesses to attend and testify before it upon all matters connected with the operations of this article, and in the same manner as is or may be provided by law for the taking of testimony before notaries public; and its president or any member of said board may administer oaths to such witnesses;

2. To provide for the payment from the Fund of all its necessary expenses and printing; ~~and~~

3. To make all rules and regulations needful for its guidance in conformity with the provisions of this article; and

4. To bring any action for declaratory relief in the district courts in the state to enforce any provisions of this article or any other applicable state statute.

SECTION 16. AMENDATORY 11 O.S. 2001, Section 50-107, as amended by Section 6, Chapter 51, O.S.L. 2003 (11 O.S. Supp. 2005, Section 50-107), is amended to read as follows:

Section 50-107. All monies provided for the Fund of the System by this article, or by appropriation by any municipality, or by contribution from members, shall be paid over to and received by the State Board for the use and benefit of the System to be disbursed and handled as provided in this article. Should any error in any records of the Oklahoma Police Pension and Retirement System result in any payee receiving more or less than the payee would have been entitled had the records been correct, the State Board shall correct such error and shall pay any underpayments or recover any overpayments. An error does not include a member's failure to submit required documents, including proof of military service, prior to the effective date of retirement, which date includes the member's entry into the Oklahoma Police Deferred Option Plan. If a member submits documents after the effective date of retirement, no adjustment in retirement benefits shall be made.

SECTION 17. AMENDATORY 36 O.S. 2001, Section 312.1, as last amended by Section 1, Chapter 381, O.S.L. 2005 (36 O.S. Supp. 2005, Section 312.1), is amended to read as follows:

Section 312.1 A. For the fiscal year ending June 30, 2004, the Insurance Commissioner shall report and disburse one hundred percent (100%) of the fees and taxes collected under Section 624 of this title to the State Treasurer to be deposited to the credit of the Education Reform Revolving Fund created pursuant to Section 41.29b of Title 62 of the Oklahoma Statutes. The Insurance Commissioner shall keep an accurate record of all such funds and make an itemized statement and furnish same to the State Auditor and Inspector, as to all other departments of this state. The report shall be accompanied by an affidavit of the Insurance Commissioner or the Chief Clerk of such office certifying to the correctness thereof.

B. For the fiscal year beginning July 1, 2006, and for each fiscal year thereafter, the Insurance Commissioner shall apportion an amount of the taxes and fees received from Section 624 of this title, which shall be at least One Million Two Hundred Fifty Thousand Dollars (\$1,250,000.00) each year, but which shall also be computed on an annual basis by the Commissioner as the amount of insurance premium tax revenue loss attributable to the provisions of subsection H of Section 625.1 of this title and increased if necessary to reflect the annual computation, and which shall be apportioned before any other amounts, to the following pension systems and in the following amounts:

1. Sixty-five percent (65%) to the Oklahoma Firefighters Pension and Retirement Fund in the manner provided for in Sections 49-119, 49-120 and 49-123 of Title 11 of the Oklahoma Statutes;

2. Twenty-six percent (26%) to the Oklahoma Police Pension and Retirement System pursuant to the provisions of Sections 50-101 through 50-136 of Title 11 of the Oklahoma Statutes; and

3. Nine percent (9%) to the Law Enforcement Retirement Fund.

C. After the apportionment required by subsection B of this section, for the fiscal years beginning July 1, 2004, and ending June 30, 2009, the Insurance Commissioner shall report and disburse all of the fees and taxes collected under Section 624 of this title and Section ~~61~~ 2204 of this ~~act~~ title, and the same are hereby apportioned as follows:

1. ~~Forty-one and seven-tenths percent (41.7%)~~ Thirty-four percent (34%) of the taxes collected on premiums shall be allocated and disbursed for the Oklahoma Firefighters Pension and Retirement Fund, in the manner provided for in Sections 49-119, 49-120 and 49-123 of Title 11 of the Oklahoma Statutes;

2. Seventeen percent (17%) of the taxes collected on premiums shall be allocated and disbursed to the Oklahoma Police Pension and Retirement System pursuant to the provisions of Sections 50-101 through 50-136 of Title 11 of the Oklahoma Statutes;

3. Six and one-tenth percent (6.1%) of the taxes collected on premiums shall be allocated and disbursed to the Law Enforcement Retirement Fund; and

4. All the balance and remainder of the taxes and fees provided in Section 624 of this title shall be paid to the State Treasurer to the credit of the General Revenue Fund of the state to provide revenue for general functions of state government. The Insurance Commissioner shall keep an accurate record of all such funds and make an itemized statement and furnish same to the State Auditor and Inspector, as to all other departments of this state. The report shall be accompanied by an affidavit of the Insurance Commissioner or the Chief Clerk of such office certifying to the correctness thereof.

D. After the apportionment required by subsection B of this section, for the fiscal year ending June 30, 2010, and for each fiscal year thereafter the Insurance Commissioner shall report and disburse all of the fees and taxes collected under Section 624 of

this title and Section 2204 of this title, and the same are hereby apportioned as follows:

1. Thirty-four percent (34%) of the taxes collected on premiums shall be allocated and disbursed for the Oklahoma Firefighters Pension and Retirement Fund, in the manner provided for in Sections 49-119, 49-120 and 49-123 of Title 11 of the Oklahoma Statutes;

2. Fourteen percent (14%) of the taxes collected on premiums shall be allocated and disbursed to the Oklahoma Police Pension and Retirement System pursuant to the provisions of Sections 50-101 through 50-136 of Title 11 of the Oklahoma Statutes;

3. Five percent (5%) of the taxes collected on premiums shall be allocated and disbursed to the Law Enforcement Retirement Fund; and

4. All the balance and remainder of the taxes and fees provided in Section 624 of this title shall be paid to the State Treasurer to the credit of the General Revenue Fund of the state to provide revenue for general functions of state government. The Insurance Commissioner shall keep an accurate record of all such funds and make an itemized statement and furnish same to the State Auditor and Inspector, as to all other departments of this state. The report shall be accompanied by an affidavit of the Insurance Commissioner or the Chief Clerk of such office certifying to the correctness thereof.

E. The disbursements provided for in subsections A, B, C and D of this section shall be made monthly. The Insurance Commissioner shall report annually to the Governor, the Speaker of the House of Representatives, the President Pro Tempore of the Senate and the State Auditor and Inspector, the amounts collected and disbursed pursuant to this section.

SECTION 18. AMENDATORY 47 O.S. 2001, Section 2-300, as last amended by Section 1, Chapter 142, O.S.L. 2005 (47 O.S. Supp. 2005, Section 2-300), is amended to read as follows:

Section 2-300. As used in Section 2-300 et seq. of this title:

1. "System" means the Oklahoma Law Enforcement Retirement System;
2. "Act" means Section 2-300 et seq. of this title;
3. "Board" means the Oklahoma Law Enforcement Retirement Board of the System;
4. "Executive Director" means the managing officer of the System employed by the Board;
5. "Fund" means the Oklahoma Law Enforcement Retirement Fund;
6. "Member" means all law enforcement officers of the Oklahoma Highway Patrol and the State Capitol Division of the Department of Public Safety who have obtained certification from the Council on Law Enforcement Education and Training, law enforcement officers and criminalists of the Oklahoma State Bureau of Investigation, law enforcement officers of the Oklahoma State Bureau of Narcotics and Dangerous Drugs Control and the Oklahoma Alcoholic Beverage Laws Enforcement Commission designated to perform duties in the investigation and prevention of crime and the enforcement of the criminal laws of this state, and members of the Communications Division to include radio technicians, tower technicians and commissioned officers of the Lake Patrol Division of the Oklahoma Department of Public Safety, park rangers of the Oklahoma Tourism and Recreation Department and inspectors of the Oklahoma State Board of Pharmacy, and any park manager or park supervisor of the Oklahoma Tourism and Recreation Department who was employed in such a position prior to July 1, 1985, and who elects on or before September 1, 1996, to participate in the System. Effective July 1, 1987, a member does not include a "leased employee" as defined under Section 414(n)(2) of the Internal Revenue Code of 1986, as amended. Effective July 1, 1999, any individual who agrees with the participating employer that the individual's services are to be performed as a leased employee or an independent contractor shall

not be a member regardless of any classification as a common-law employee by the Internal Revenue Service or any other governmental agency, or any court of competent jurisdiction, provided that all persons who shall be offered a position of a law enforcement officer shall participate in the System upon the person meeting the requisite post-offer-pre-employment physical examination standards which shall be subject to the following requirements:

- a. all such persons shall be of good moral character, free from deformities, mental or physical conditions, or disease and alcohol or drug addiction which would prohibit the person from performing the duties of a law enforcement officer,
- b. said physical-medical examination shall pertain to age, sight, hearing, agility and other conditions the requirements of which shall be established by the Board,
- c. the person shall be required to meet the conditions of this subsection prior to the beginning of actual employment but after an offer of employment has been tendered by a participating employer,
- d. the Board shall have authority to deny or revoke membership of any person submitting false information in such person's membership application, and
- e. the Board shall have final authority in determining eligibility for membership in the System, pursuant to the provisions of this subsection;

7. "Normal retirement date" means the date at which the member is eligible to receive the unreduced payments of the member's accrued retirement benefit. Such date shall be the first day of the month coinciding with or following the date the member:

- a. completes twenty (20) years of vesting service, or

- b. attains sixty-two (62) years of age with ten (10) years of vesting service, or
- c. attains sixty-two (62) years of age, if:
 - (1) the member has been transferred to this System from the Oklahoma Public Employees Retirement System on or after July 1, 1981, and
 - (2) the member would have been vested had the member continued to be a member of the Oklahoma Public Employees Retirement System.

With respect to distributions under the System made for calendar years beginning on or after January 1, 2005, the System shall apply the minimum distribution incidental benefit requirements, incidental benefit requirements, and minimum distribution requirements of Section 401(a)(9) of the Internal Revenue Code of 1986, as amended, in accordance with the final regulations under Section 401(a)(9) of the Internal Revenue Code of 1986, as amended, which were issued in April 2002 and June 2004, notwithstanding any provision of the System to the contrary. With respect to distributions under the System made for calendar years beginning on or after January 1, 2001, through December 31, 2004, the System shall apply the minimum distribution requirements and incidental benefit requirements of Section 401(a)(9) of the Internal Revenue Code of 1986, as amended, in accordance with the regulations under Section 401(a)(9) of the Internal Revenue Code of 1986, as amended, which were proposed in January 2001, notwithstanding any provision of the System to the contrary.

Effective July 1, 1989, notwithstanding any other provision contained herein to the contrary, in no event shall commencement of distribution of the accrued retirement benefit of a member be delayed beyond April 1 of the calendar year following the later of:

- (1) the calendar year in which the member reaches seventy and one-half (70 1/2) years of age; or
- (2) the actual retirement date of the

member. The preceding sentence does not allow deferral of benefit commencement beyond the age of sixty-five (65).

A member who was required to join the System effective July 1, 1980, because of the transfer of the employing agency from the Oklahoma Public Employees Retirement System to the System, and was not a member of the Oklahoma Public Employees Retirement System on the date of such transfer shall be allowed to receive credit for prior law enforcement service rendered to this state, if the member is not receiving or eligible to receive retirement credit or benefits for such service in any other public retirement system, upon payment to the System of the employee contribution the member would have been subject to had the member been a member of the System at the time, plus five percent (5%) interest. Service credit received pursuant to this paragraph shall be used in determining the member's retirement benefit, and shall be used in determining years of service for retirement or vesting purposes;

8. "Actual paid base salary" means the salary received by a member, excluding payment for any accumulated leave or uniform allowance. Salary shall include any amount of nonelective salary reduction under Section 414(h) of the Internal Revenue Code of 1986;

9. "Final average salary" means the average of the highest thirty (30) consecutive complete months of actual paid gross salary. Gross salary shall include any amount of elective salary reduction under Section 457 of the Internal Revenue Code of 1986, as amended, and any amount of nonelective salary reduction under Section 414(h) of the Internal Revenue Code of 1986, as amended. Effective July 1, 1992, gross salary shall include any amount of elective salary reduction under Section 125 of the Internal Revenue Code of 1986, as amended. Effective July 1, 1998, gross salary shall include any amount of elective salary reduction not includable in the gross income of the member under Section 132(f)(4) of the Internal Revenue Code of 1986, as amended. Effective July 1, 1998, for purposes of

determining a member's compensation, any contribution by the member to reduce his or her regular cash remuneration under Section 132(f)(4) of the Internal Revenue Code of 1986, as amended, shall be treated as if the member did not make such an election. Only salary on which required contributions have been made may be used in computing the final average salary.

In addition to other applicable limitations, and notwithstanding any other provision to the contrary, for plan years beginning on or after July 1, 2002, the annual gross salary of each "Noneligible Member" taken into account under the System shall not exceed the Economic Growth and Tax Relief Reconciliation Act of 2001 ("EGTRRA") annual salary limit. The EGTRRA annual salary limit is Two Hundred Thousand Dollars (\$200,000.00), as adjusted by the Commissioner for increases in the cost of living in accordance with Section 401(a)(17)(B) of the Internal Revenue Code of 1986, as amended. The annual salary limit in effect for a calendar year applies to any period, not exceeding twelve (12) months, over which salary is determined ("determination period") beginning in such calendar year. If a determination period consists of fewer than twelve (12) months, the EGTRRA salary limit will be multiplied by a fraction, the numerator of which is the number of months in the determination period, and the denominator of which is twelve (12). For purposes of this section, a "Noneligible Member" is any member who first became a member during a plan year commencing on or after July 1, 1996.

For plan years beginning on or after July 1, 2002, any reference in the System to the annual salary limit under Section 401(a)(17) of the Internal Revenue Code of 1986, as amended, shall mean the EGTRRA salary limit set forth in this provision;

10. "Credited service" means the period of service used to determine the amount of benefits payable to a member. Credited service shall consist of the period during which the member

participated in the System or the predecessor Plan as an active employee in an eligible membership classification, plus any service prior to the establishment of the predecessor Plan which was credited under the predecessor Plan and for law enforcement officers and criminalists of the Oklahoma State Bureau of Investigation and the Oklahoma State Bureau of Narcotics and Dangerous Drugs Control who became members of the System on July 1, 1980, any service credited under the Oklahoma Public Employees Retirement System as of June 30, 1980, and for members of the Communications and Lake Patrol Divisions of the Oklahoma Department of Public Safety, who became members of the System on July 1, 1981, any service credited under the predecessor Plan or the Oklahoma Public Employees Retirement System as of June 30, 1981, and for law enforcement officers of the Alcoholic Beverage Laws Enforcement Commission who became members of the System on July 1, 1982, any service credited under the Oklahoma Public Employees Retirement System as of June 30, 1982, and for park rangers of the Oklahoma Tourism and Recreation Department who became members of the System on July 1, 1985, any service credited under the Oklahoma Public Employees Retirement System as of June 30, 1985, and for inspectors of the Oklahoma State Board of Pharmacy who became members of the System on July 1, 1986, any service credited under the Oklahoma Public Employees Retirement System as of June 30, 1986, for law enforcement officers of the Oklahoma Capitol Patrol Division of the Department of Public Safety who became members of the System effective July 1, 1993, any service credited under the Oklahoma Public Employees Retirement System as of June 30, 1993, and for all commissioned officers in the Gunsmith/Ammunition Reloader Division of the Department of Public Safety who became members of the System effective July 1, 1994, any service credited under the Oklahoma Public Employees Retirement System as of June 30, 1994, and for the park managers or park supervisors of the Oklahoma Tourism and Recreation Department who were employed in such a position prior

to July 1, 1985, and who elect to become members of the System effective September 1, 1996, any service transferred pursuant to subsection C of Section 2-309.6 of this title and any service purchased pursuant to subsection B of Section 2-307.2 of this title. Effective August 5, 1993, an authorized leave of absence shall include a period of absence pursuant to the Family and Medical Leave Act of 1993;

11. "Disability" means a physical or mental condition which, in the judgment of the Board, totally and presumably permanently prevents the member from engaging in the usual and customary duties of the occupation of the member and thereafter prevents the member from performing the duties of any occupation or service for which the member is qualified by reason of training, education or experience. A person is not under a disability when capable of performing a service to the employer, regardless of occupation, providing the salary of the employee is not diminished thereby;

12. "Limitation year" means the year used in applying the limitations of Section 415 of the Internal Revenue Code of 1986, which year shall be the calendar year;

13. "Line of duty" means any action which a member whose primary function is crime control or reduction or enforcement of the criminal law is obligated or authorized by rule, regulations, condition of employment or service, or law to perform, including those social, ceremonial, or athletic functions to which the member is assigned, or for which the member is compensated, by the agency the member serves;

14. "Personal injury" or "injury" means any traumatic injury as well as diseases which are caused by or result from such an injury, but not occupational diseases;

15. "Catastrophic nature" means consequences of an injury that permanently prevent an individual from performing any gainful work;

16. "Traumatic injury" means a wound or a condition of the body caused by external force, including injuries inflicted by bullets, explosives, sharp instruments, blunt objects or other physical blows, chemicals, electricity, climatic conditions, infectious diseases, radiation, and bacteria, but excluding stress and strain; and

17. "Beneficiary" means the individual designated by the member on a beneficiary designation form supplied by the Oklahoma Law Enforcement Retirement System, or if there is no designated beneficiary or if the designated beneficiary predeceases the member, the estate of the member. If the member's spouse is not designated as the sole primary beneficiary, the member's spouse must sign a consent.

SECTION 19. AMENDATORY 47 O.S. 2001, Section 2-305, as last amended by Section 2, Chapter 542, O.S.L. 2004 (47 O.S. Supp. 2005, Section 2-305), is amended to read as follows:

Section 2-305. A. Except as otherwise provided in this title, at any time after attaining normal retirement date, any member of the Oklahoma Law Enforcement Retirement System upon application for unreduced retirement benefits made and approved, may retire, and, during the remainder of the member's lifetime, receive annual retirement pay, payable in equal monthly payments, equal to two and one-half percent (2 1/2%) of the final average salary times years of credited service. If such retired member is reemployed by a state agency in a position which is not covered by the System, such retired member shall continue to receive in-service distributions from the System. Prior to September 19, 2002, if such retired member was reemployed by a state agency in a position which is covered by the System, such member shall continue to receive in-service distributions from the System and shall not accrue any further credited service. If such a member is reemployed by a state agency in a position which is covered by the System on or after

September 19, 2002, such member's monthly retirement payments shall be suspended until such member retires and is not reemployed by a state agency in a position which is covered by the System. No member shall be required to retire for length of service unless and until the member shall have reached the age of sixty (60) years, but any member of the System who shall have reached the age of sixty (60) years and who shall also have completed twenty (20) years or more of credited service shall be retired by the Board unless, after application to the Board and such examination and showing as the Board may deem proper, the Board shall determine that such member of the System is physically and mentally able to continue to perform duties or service as required of a member. Unless such application be made by a member of the System within thirty (30) days after reaching the age of sixty (60) years and completing twenty (20) years or more of credited service or if, after such application and examination, the Board shall determine that such member of the System is not physically or mentally able to continue to perform services as required of the employer, the Board shall by resolution order his or her retirement with retirement pay for length of service as provided herein.

B. Beginning July 1, 1994, members who retired or were eligible to retire prior to July 1, 1980 or their surviving spouses shall receive annual retirement pay, payable in equal monthly payments, equal to the greater of their current retirement pay, or two and one-half percent (2 1/2%) of the actual paid gross salary being currently paid to a highway patrol officer, at the time each such monthly retirement payment is made, multiplied by the retired member's years of credited service.

C. Members of the System whose salary is set by statute who have retired after completion of the mandatory twenty (20) years of service, and those members with statutory salaries who retire after reaching the mandatory twenty-year retirement, shall receive an

annual retirement pay, payable in equal monthly installments, based upon the greater of either:

1. The top base pay currently paid to an active member, at the time each such monthly retirement payment is made, multiplied by two and one-half percent (2 1/2%) multiplied by the number of years of credited service and fraction thereof for the following positions:

- a. Oklahoma Highway Patrolman,
 - b. Communications Dispatcher,
 - c. Capitol Patrolman,
 - d. Lake Patrolman,
 - e. Oklahoma State Bureau of Investigation—Special Agent;
- or

2. The member's final average salary as set forth in paragraph 9 of Section 2-300 of this title, multiplied by two and one-half percent (2 1/2%), and multiplied by the number of years of credited service and fraction thereof.

No member of the System retired prior to July 1, 2002, shall receive a benefit less than the amount the member is receiving as of June 30, 2002.

D. Other members of the System whose retirement benefit is not otherwise prescribed by this section who have retired after completion of the mandatory twenty (20) years of service, and those members who retire after reaching the mandatory twenty-year retirement, shall receive an annual retirement pay, payable in equal monthly payments, based upon the greater of either:

1. The actual average salary currently paid to the highest nonsupervisory position in the participating agency, at the time each such monthly payment is made, multiplied by two and one-half percent (2 1/2%), multiplied by the number of years of credited service and fraction thereof for the following positions:

- a. Alcoholic Beverage Laws Enforcement Commission—ABLE
Commission Agent III,

- b. Oklahoma State Bureau of Narcotics and Dangerous Drugs Control—Narcotics Agent III,
- c. Oklahoma Tourism and Recreation Department—Park Ranger II,
- d. Oklahoma State Board of Pharmacy—Pharmacy Inspector,
- e. University of Oklahoma—Police Officer,
- f. Oklahoma State University—Police Officer; or

2. The other member's final average salary as set forth in paragraph 9 of Section 2-300 of this title, multiplied by two and one-half percent (2 1/2%), multiplied by the number of years of credited service and fraction thereof.

No member of the System retired prior to July 1, 2002, shall receive a benefit less than the amount the member is receiving as of June 30, 2002. The participating employer must certify to the System in writing the actual average gross salary currently paid to the highest nonsupervisory position. The Board of Trustees shall promulgate such rules as are necessary to implement the provisions of this section.

E. A member who meets the definition of disability as defined in paragraph 11 of Section 2-300 of this title by direct reason of the performance of the member's duties as an officer shall receive a monthly benefit equal to the greater of fifty percent (50%) of final average salary or two and one-half percent (2 1/2%) of final average salary multiplied by the number of years of the member's credited service. If such member participates in the Oklahoma Law Enforcement Deferred Option Plan pursuant to Section 2-305.2 of this title, then such member's disability pension provided pursuant to this subsection shall be reduced to account for such member's participation in the Oklahoma Law Enforcement Deferred Option Plan.

F. A member who meets the definition of disability as defined in paragraph 11 of Section 2-300 of this title and whose disability is by means of personal and traumatic injury of a catastrophic

nature and in the line of duty, shall receive a monthly benefit equal to:

1. Two and one-half percent (2 1/2%);
2. Multiplied by:
 - a. twenty (20) years of service, regardless of the actual number of years of credited service performed by the member prior to the date of disability, if the member had performed less than twenty (20) years of service, or
 - b. the actual number of years of service performed by the member if the member had performed twenty (20) or more years of service;
3. Multiplied by a final average salary equal to:
 - a. the salary which the member would have received pursuant to statutory salary schedules in effect upon the date of the disability for twenty (20) years of service prior to disability. The final average salary for a member who performed less than twenty (20) years of service prior to disability shall be computed assuming that the member was paid the highest salary allowable pursuant to the law in effect at the time of the member's disability based upon twenty (20) years of service and with an assumption that the member was eligible for any and all increases in pay based upon rank during the entire period. If the salary of a member is not prescribed by a specific salary schedule upon the date of the member's disability, the final average salary for the member shall be computed by the member's actual final average salary or the highest median salary amount for a member whose salary was prescribed by a specific salary schedule upon the date

of the member's disability, whichever final average salary amount would be greater, or

- b. the actual final average salary of the member if the member had performed twenty (20) or more years of service prior to disability.

If such member participates in the Oklahoma Law Enforcement Deferred Option Plan pursuant to Section 2-305.2 of this title, such member's disability pension provided pursuant to this subsection shall be adjusted as provided in Section 2-305.2 of this title to account for such member's participation in the Oklahoma Law Enforcement Deferred Option Plan.

G. A member who meets the definition of disability as defined in Section 2-300 of this title and whose disability occurred prior to the member's normal retirement date but after completing three (3) years of vesting service and not by reason of the performance of the member's duties as an officer or as a result of the member's willful negligence shall receive a monthly benefit equal to two and one-half percent (2 1/2%) of final average salary multiplied by the number of years of the member's credited service.

H. Payment of a disability pension shall commence as of the first day of the month coinciding or next following the date of retirement and shall continue as long as the member meets the definition of total and permanent disability provided in this section.

I. For the purpose of determining the member's disability under subsection E, F or G of this section, the member shall be required by the Board to be examined by a minimum of two recognized physicians selected by the Board to determine the extent of the member's injury or illness. The examining physicians shall furnish the Board a detailed written report of the injury or illness of the examined member establishing the extent of disability and the possibilities of the disabled member being returned to his or her

regular duties or an alternate occupation or service covered by the System after a normal recuperation period. The Board shall require all retired disabled members who have not attained their normal retirement date to submit to a physical examination once each year for a minimum of three (3) years following retirement. The Board shall select a minimum of two physicians to examine the retired members and pay for their services from the fund. Any retired disabled member found no longer disabled by the examining physicians to perform the occupation of the member or an alternate occupation or service covered by the System shall be required to return to duty and complete twenty (20) years of service as provided in subsection A of this section, or forfeit all his or her rights and claims under this act.

J. The disability benefit under this section shall be for the lifetime of the member unless such member is found no longer disabled pursuant to subsection I of this section. Such member shall not be entitled to the retirement benefit pursuant to subsection A of this section unless such member returns to active duty and is eligible for a retirement benefit as provided in subsection A of this section.

K. At the postoffer, preemployment physical examination required under paragraph 6 of Section 2-300 of this title, the physician selected by the Board shall determine the extent to which a new member is disabled. If a member is determined to be partially disabled, the physician shall assign a percentage of disability to such partial disability. If such member then becomes entitled to a disability benefit under either subsection E or subsection G of this section, the benefit payable shall be reduced by the percentage which such member was determined to be disabled at the postoffer, preemployment physical unless the Board makes a determination that the initially determined percentage of disability at the preemployment physical examination is unrelated to the reason for

the disability currently sought pursuant to subsection E or subsection G of this section. Upon employment, the member shall disclose to the Board any disability payments received from any source. The amount of disability to be paid to any member cannot exceed one hundred percent (100%) disability from all sources. The provisions of this subsection shall apply only to members whose effective date of membership is on or after July 1, 2000.

L. In addition to the pension provided for under subsection F of this section, if said member has one or more children under the age of eighteen (18) years or under the age of twenty-two (22) years if the child is enrolled full time in and is regularly attending a public or private school or any institution of higher education, Four Hundred Dollars (\$400.00) a month shall be paid from said Fund for the support of each surviving child to the member or person having the care and custody of such children until each child reaches the age of eighteen (18) years or reaches the age of twenty-two (22) years if the child is enrolled full time in and is regularly attending a public or private school or any institution of higher education.

M. Notwithstanding any other provisions in Section 2-300 through 2-315 of this title, in order to be eligible to receive disability benefits, a member who meets the definition of disability as defined in paragraph 11 of Section 2-300 of this title shall file the member's completed application for disability benefits with the System before such member's date of termination from service and provide such additional information that the System's rules require within six (6) months of the System's receipt of such application. If the member's completed application for disability benefits is not filed with the System before the member's date of termination from service or such additional information as is required under the System's rules is not provided within six (6) months of the System's receipt of such application, such member shall be eligible only for

such other benefits as are available to members of the System and shall not be eligible to receive any disability benefits.

SECTION 20. AMENDATORY 47 O.S. 2001, Section 2-305.2, as last amended by Section 3, Chapter 542, O.S.L. 2004 (47 O.S. Supp. 2005, Section 2-305.2), is amended to read as follows:

Section 2-305.2 A. In lieu of terminating employment and accepting a service retirement pension pursuant to Section 2-305 of this title, any member of the Oklahoma Law Enforcement Retirement System who has not less than twenty (20) years of participating service and who is eligible to receive a service retirement pension may elect to participate in the Oklahoma Law Enforcement Deferred Option Plan and defer the receipts of benefits in accordance with the provisions of this section.

B. For purposes of this section, participating service shall include service credit recognized pursuant to paragraphs (c) and (d) of Section 2-307, subsection B of Section 2-307.2, and Sections 2-309.1, 2-309.2, 2-309.3, 2-309.4, 2-309.5, 2-309.6 and 2-309.7 of this title but for eligibility purposes only.

C. The duration of participation in the Oklahoma Law Enforcement Deferred Option Plan for a member shall not exceed five (5) years. Participation in the Oklahoma Law Enforcement Deferred Option Plan must begin the first day of a month and end on the last day of the month. At the conclusion of a member's participation in the Oklahoma Law Enforcement Deferred Option Plan, the member shall terminate employment as a member of the Oklahoma Law Enforcement Retirement System, and shall start receiving the member's accrued monthly retirement benefit from the System. Such a member may continue to receive in-service distributions of such member's accrued monthly retirement benefit from the System if the member is reemployed by a state agency only if such reemployment is in a position not covered under the System.

D. When a member begins participation in the Oklahoma Law Enforcement Deferred Option Plan, the contribution of the member shall cease. The employer contributions shall continue to be paid in accordance with Section 2-304 of this title. Employer contributions for members who elect the Oklahoma Law Enforcement Deferred Option Plan shall be credited equally to the Oklahoma Law Enforcement Retirement System and to the member's Oklahoma Law Enforcement Deferred Option Plan account. The monthly retirement benefits that would have been payable had the member elected to cease employment and receive a service retirement shall be paid into the member's Oklahoma Law Enforcement Deferred Option Plan account.

E. 1. A member who participates in this plan shall be eligible to receive cost of living increases.

2. A member who participates in this plan shall earn interest at a rate of two percentage points below the rate of return of the investment portfolio of the System, but no less than the actuarial assumed interest rate as certified by the actuary in the yearly evaluation report of the actuary. The interest shall be credited to the individual account balance of the member on an annual basis.

F. A member in the Oklahoma Law Enforcement Deferred Option Plan shall receive, at the option of the member:

1. A lump-sum payment from the account equal to the option account balance of the member, payable to the member;

2. A lump-sum payment from the account equal to the option account balance of the member, payable to the annuity provider which shall be selected by the member as a result of the research and investigation of the member; or

3. Any other method of payment if approved by the Board.

If a member meets the definition of disability as defined in paragraph 11 of Section 2-300 of this title by direct reason of the performance of the member's duties, the payment from the account shall be an in-line-of-duty disability payment.

G. If the member dies during the period of participation in the Oklahoma Law Enforcement Deferred Option Plan, a lump-sum payment equal to the account balance of the member shall be paid to the designated beneficiary as defined in paragraph 17 of Section 2-300 of this title, or if there is no designated beneficiary or the designated beneficiary predeceases the member, to the estate of the member. If such member was receiving, or eligible to receive, an in-line-of-duty disability pension pursuant to subsection E or F of Section 2-305 of this title at the time of death, payment of the account balance shall be an in-line-of-duty disability payment.

H. In lieu of participating in the Oklahoma Law Enforcement Deferred Option Plan pursuant to subsections A, B, C, D, E and F of this section, a member may elect to participate in the Oklahoma Law Enforcement Deferred Option Plan pursuant to this subsection as follows:

1. For purposes of this subsection, the following definitions shall apply:

- a. "back drop date" means the date selected by the member which is up to five (5) years before the member elects to participate in the Oklahoma Law Enforcement Deferred Option Plan, but not before the date at which the member completes twenty (20) years of participating service,
- b. "termination date" means the date the member elects to participate in the Oklahoma Law Enforcement Deferred Option Plan pursuant to this subsection and the date the member terminates employment and starts receiving the member's accrued monthly retirement benefit from the System. Such termination has at all times included reemployment of a member by a state agency, but only in a position not covered under the System,

- c. "earlier attained participating service" means the participating service earned by a member as of the back drop date. Earlier attained participating service cannot be reduced to less than twenty (20) years of participating service, and
- d. "deferred benefit balance" means all retirement benefits that would have been paid from the back drop date to the termination date, and one half (1/2) of the employer contributions from the back drop date to the termination date, with interest based on how the benefit would have accumulated on a compound annual basis as if the member had participated in the Oklahoma Law Enforcement Deferred Option Plan pursuant to subsections A, B, C, D and E of this section from the back drop date to the termination date;

2. At the termination date, a member's monthly pension benefit shall be determined based on the earlier attained participating service and on the final average salary as of the back drop date. The member's individual deferred option account shall be credited with an amount equal to the deferred benefit balance; the member shall terminate employment and shall start receiving the member's accrued monthly retirement benefit from the System. The member shall, upon application filed with the Board, be refunded from the fund an amount equal to the accumulated contributions the member made to the fund from the back drop date to the termination date, but excluding any interest. Such termination has at all times included reemployment of a member by a state agency, but only in a position not covered under the System. The provisions of subsections B, C, E, F and G of this section shall apply to this subsection; and

3. A member may participate in the Oklahoma Law Enforcement Deferred Option Plan pursuant to this subsection even if the member

has elected to participate in the Oklahoma Law Enforcement Deferred Option Plan pursuant to subsections A, B, C, D, E and F of this section. Such a member may select a back drop date which is up to five (5) years prior to the termination date, but not before the date at which the member completes twenty (20) years of participating service. Such a member's participation in the Oklahoma Law Enforcement Deferred Option Plan may not exceed five (5) years when combined with such a member's prior period of participation in the Oklahoma Law Enforcement Deferred Option Plan. The provisions of subsections B, C, E, F and G of this section shall apply to this subsection.

SECTION 21. AMENDATORY 47 O.S. 2001, Section 2-305.4, as last amended by Section 3, Chapter 142, O.S.L. 2005 (47 O.S. Supp. 2005, Section 2-305.4), is amended to read as follows:

Section 2-305.4 A. Notwithstanding any other provision contained herein to the contrary, the benefits payable to a member in the Oklahoma Law Enforcement Retirement System shall be subject to the limitations of Section 415 of the Internal Revenue Code of 1986, as amended, in accordance with the provisions of subsections B and C of this section.

B. Except as provided in paragraphs 3 through 7 of this subsection, any accrued retirement benefit payable to a member shall not exceed the lesser of:

1. One Hundred Sixty Thousand Dollars (\$160,000.00), effective January 1, 2002, adjusted for increases in the cost of living, as prescribed by the Secretary of the Treasury or ~~his~~ the Secretary's delegate, effective January 1 of each calendar year and applicable to the limitation year ending with or within such calendar year; or

2. For limitation years beginning prior to January 1, 1995, one hundred percent (100%) of the average earnings of the member for the three (3) consecutive calendar years, while a member in the System, in which the member's earnings were the highest. For purposes of

this paragraph, earnings for any limitation year shall be the earned income of the member, wages, salaries, fees for professional services, and other amounts received for personal services actually rendered in the course of employment with a participating employer, provided such amounts are actually paid or includable in gross income during such year. Earnings shall exclude the following:

- a. contributions by a participating employer to a plan of deferred compensation which are not included in the gross income of the member for the taxable year in which contributed or any distributions from a funded plan of deferred compensation, and
- b. other amounts which received special tax benefits, or contributions made by a participating employer, whether or not under a salary reduction agreement, towards the purchase of an annuity described in Section 403(b) of the Internal Revenue Code of 1986, whether or not the amounts are actually excludable from the gross income of the member;

3. Except as provided in paragraph 5 of this subsection, the limitations specified in paragraphs 1 and 2 of this subsection shall not be applicable with respect to any member whose total annual accrued retirement benefit payable from the System is less than Ten Thousand Dollars (\$10,000.00) and who has not at any time participated in any contribution plan, within the meaning of Section 415(k) of the Internal Revenue Code of 1986, as amended, maintained by a participating employer;

4. If a member has less than ten (10) years of participation in the System and all predecessor pension and retirement systems, the dollar limitation otherwise applicable under paragraph 1 of this subsection shall be reduced by multiplying such limitation by a fraction, the numerator of which is the number of the years of participation in the System of the member, but never less than one

(1), and the denominator of which is ten (10). This paragraph, to the extent required by the Secretary of the Treasury, shall be applied separately to each change in benefit structure hereunder;

5. Effective for limitation years beginning on or after January 1, 1995, if a member has been credited with less than ten (10) years of credited service, the dollar amount otherwise applicable under paragraph 3 of this subsection shall be reduced by multiplying such dollar amount by a fraction, the numerator of which is the number of the years of credited service of the member, but never less than one (1), and the denominator of which is ten (10);

6. The limitations specified in this section shall apply to a straight life annuity with no ancillary benefits and to an annuity that constitutes a qualified joint and survivor annuity. If payment is in a different form, the amount thereof shall be adjusted to be the actuarial equivalent of a single life annuity and the limitations shall be applied to such adjusted amount. Such adjustment shall be based on the mortality tables and interest rates described in divisions (1), (2) and (3) of subparagraph a and subparagraph c of this paragraph.

- a. If payment begins before the member reaches sixty-two (62) years of age, the limitation in paragraph 1 of this subsection shall be reduced on an actuarially equivalent basis; provided however, prior to January 1, 2002, if such payment begins after the member reaches fifty-five (55) years of age, the reduced limit shall not be less than Seventy-five Thousand Dollars (\$75,000.00) and, if payment begins prior to the member reaching fifty-five (55) years of age, the reduced limit shall not be less than the actuarial equivalent of the Seventy-five Thousand Dollar (\$75,000.00) limit for age fifty-five (55); provided further, that in no event shall such amount be reduced

below Fifty Thousand Dollars (\$50,000.00), adjusted for increases in the cost of living, as prescribed by the Secretary of Treasury, or ~~his~~ the Secretary's delegate.

- (1) For limitation years beginning before January 1, 1999, the interest rate to be used to determine such actuarial equivalent amount in this subparagraph shall be the rate specified in the actuarial tables adopted by the Board as described in subparagraph c of this paragraph; however, the interest rate used in determining an actuarially equivalent pre-age-sixty-two (62) amount shall not be less than five percent (5%).
- (2) Effective for limitation years beginning on or after January 1, 1999, the actuarial equivalent adjustments in this subparagraph shall be determined using the prevailing Commissioner's standard table (described in Section 807(d)(5)(A) of the Internal Revenue Code of 1986, as amended), without regard to any other subparagraph of Section 807(d)(5), used to determine reserves for group annuity contracts issued on the date as of which the payment is being determined. Notwithstanding any other System provisions to the contrary, for distributions with annuity starting dates on or after December 31, 2002, the applicable mortality table used for purposes of adjusting any benefit or limitation under Sections 415(b)(2)(B), (C) or (D) of the Internal Revenue Code of 1986, as amended, is the table described in Rev. Rul.

2001-62. The interest rate shall be five percent (5%).

(3) For limitation years beginning on or after January 1, 1997, if payment begins before the member reached age sixty-two (62), the reductions in the limitations in this subparagraph shall not apply to a member who is a "qualified participant" as defined in Section 415(b)(2)(H) of the Internal Revenue Code of 1986, as amended.

b. If payment begins after the member reaches sixty-five (65) years of age, the limitation in paragraph 1 of this subsection shall be the actuarial equivalent of such amount otherwise applicable at the member reaching sixty-five (65) years of age.

(1) For limitation years beginning before January 1, 1999, the interest rate to be used to determine such actuarial equivalent amount in this subparagraph shall be the rate specified in the actuarial tables adopted by the Board as described in subparagraph c of this paragraph; however, the interest rate used in determining an actuarially equivalent post-age-sixty-five (65) amount shall not be greater than five percent (5%).

(2) Effective for limitation years beginning on or after January 1, 1999, the actuarial equivalent adjustments in this subparagraph shall use the mortality and interest rate basis provided in division (2) of subparagraph a of this paragraph.

c. The actuarial tables adopted by the Board for limitation years beginning before January 1, 1999, for purposes of adjusting any benefit under Sections

415(b)(2)(B), (C) or (D) shall be based on an interest rate of seven percent (7%) and the 1983 Group Annuity Mortality Table.

7. In no event shall the maximum annual accrued retirement benefit of a member allowable under this section be less than the annual amount of such accrued retirement benefit, including early pension and qualified joint and survivor annuity amounts, duly accrued by the member as of the last day of the limitation year beginning in 1982, or as of the last day of the limitation year beginning in 1986, whichever is greater, disregarding any plan changes or cost-of-living adjustments occurring after July 1, 1982, as to the 1982 accrued amount, and May 5, 1986, as to the 1986 accrued amount.

8. Effective for years beginning after December 31, 1997, if a member purchases service under ~~Section 2-307.5 and/or Section 2-307.7~~ of this title, which qualifies as "permissive service credit" pursuant to Section 415(n) of the Internal Revenue Code of 1986, as amended, the limitations of Section 415 of the Internal Revenue Code of 1986, as amended, may be met by either:

- a. treating the accrued benefit derived from such contributions as an annual benefit under this section, or
- b. treating all such contributions as annual additions for purposes of Section 415(c) of the Internal Revenue Code of 1986, as amended.

9. Effective for years beginning after December 31, 1997, if a member repays to the System any amounts received because of ~~his~~ the member's prior termination pursuant to paragraph 3 of subsection (b) of Section 2-307 of this title, such repayment shall not be taken into account for purposes of Section 415 of the Internal Revenue Code of 1986, as amended, pursuant to Section 415(k)(3) of the Internal Revenue Code of 1986, as amended.

For limitation years beginning on or after January 1, 1995, paragraphs 4, 5 and 6 of this subsection shall not apply to a benefit paid under the System as a result of the member becoming disabled by reason of personal injuries or sickness, or amounts received by the beneficiaries, survivors or estate of the member as the result of the death of the member.

C. For distributions made in limitation years beginning on or after January 1, 2000, the combined limit of repealed Section 415(e) of the Internal Revenue Code of 1986, as amended, shall not apply.

D. The Board is hereby authorized to revoke the special election previously made under Internal Revenue Code Section 415(b)(10).

SECTION 22. AMENDATORY 47 O.S. 2001, Section 2-307, as last amended by Section 4, Chapter 142, O.S.L. 2005 (47 O.S. Supp. 2005, Section 2-307), is amended to read as follows:

Section 2-307. (a) In the event a member of the System obtains a leave of absence, of not to exceed ninety (90) days at any one time, because of injury or illness or for any personal reason other than the acceptance of other employment, ~~his~~ the member's membership in the System shall not terminate and the period of such leave shall be counted toward retirement for length of service if, during such leave of absence or at the end thereof, ~~he~~ the member shall pay to the Fund an amount equal to the contributions which would have been deducted from ~~his~~ the member's salary during such period if such leave of absence had not been obtained, but if such contributions are not paid during such leave or made up within thirty (30) days after the end of such leave, or if such leave of absence extends for more than ninety (90) days at any one time, the period of such leave shall not be counted toward length of service for retirement nor in computing the amount of any pension or any retirement pay or any other benefits hereunder.

(b) In the event a member of the System obtains a leave of absence for the purpose of accepting other employment, or if a member resigns and during such resignation accepts other employment, ~~his~~ the member's membership in the System shall terminate as of the date of the beginning of such leave. Provided, that if the membership of a member of the System shall have been terminated either by such leave of absence or by termination of employment, and such former member is reemployed, the Board, upon application therefor made in the same manner as an original application for membership in the System, may reinstate such membership. Such reinstated member shall be allowed full credit toward retirement for all service credit accrued up to the time of termination of membership if, but only if:

1. Such application for reinstatement is made within three (3) years from the date of such termination of such membership; and

2. Such reinstated member remains a member of the System for a period of five (5) consecutive years after reinstatement of membership; and

3. Such reinstated member reimburses the Fund, at the time application for reinstatement is made, with the amount of any portion of ~~his~~ the membership contribution which has been refunded to ~~him~~ the member under the provisions of Section 2-308 of this title; and

4. ~~Effective January 1, 2002, a~~ A lump-sum payment for repayment of any amount received because of a member's prior termination may be repaid by:

a. a cash lump-sum payment,

b. a trustee-to-trustee ~~transfers~~ transfer from a Section 403(b) annuity or custodial account, an eligible deferred compensation plan described in Code Section 457(b) ~~plan~~ which is maintained by an eligible

employer described in Code Section 457(e)(1)(A),
and/or a Code Section 401(a) qualified plan,

- c. a direct rollover of tax-deferred funds from a Code
Section 403(b) annuity or custodial account, an
eligible deferred compensation plan described in Code
Section 457(b) which is maintained by an eligible
employer described in Code Section 457(e)(1)(A), a
Code Section 401(a) qualified plan, and/or a Code
Section 408(a) or 408(b) traditional or conduit
Individual Retirement Account or Annuity (IRA). Roth
IRAs, Coverdell Education Savings Accounts and after-
tax contributions shall not be used to purchase such
service credit, or
- d. any combination of the above methods of payment.

The provisions of this subsection shall not apply to absences caused by such military service as may be considered as service for retirement for length of service under the provisions of subsection (c) of this section.

(c) In determining the eligibility of a member for retirement based upon length of service, any service in the Armed Forces of the United States or any component thereof between the 16th day of September, 1940, and the 30th day of June, 1954, and any service in the Armed Forces of the United States or any component thereof upon call of the President of the United States or of the Governor of the State of Oklahoma, together with such prior service, as would have been otherwise considered as service for retirement for length of service, shall be considered as service for length of service, provided that the member returns and files application for reinstatement as a member of the System within ninety (90) days after ~~his~~ the member's release, or opportunity for release, from such Armed Forces or component thereof. If such member shall have been refunded any portion of ~~his~~ the membership contributions as

provided in Section 2-308 of this title, ~~he~~ the member shall be required to reimburse the Fund with the same amount at the time of ~~his~~ the member's application for reinstatement in the System, before the reinstated member is given credit for accrued prior service. Provided, that in no event shall a member of the System who has entered such Armed Forces or component thereof prior to retirement be or become eligible for retirement for length of service unless ~~he~~ the member shall thereafter have been reinstated as a member of the System as provided for herein, and thereafter remained a member for at least one (1) year after such reinstatement.

(d) Time spent on involuntary furlough by members pursuant to the rules of the Office of Personnel Management shall be credited.

(e) Notwithstanding any provisions herein to the contrary, contributions, benefits and service credit with respect to qualified military service shall be provided in accordance with Section 414(u) of the Internal Revenue Code of 1986, as amended, which is in accordance with the Uniformed Service Employment and Reemployment Rights Act of 1994, as amended (USERRA). The employer's contributions to the System for a member covered by USERRA are due when such a member makes up his or her contributions that were missed due to his or her qualified military service.

SECTION 23. AMENDATORY 47 O.S. 2001, Section 2-307.1, as amended by Section 9, Chapter 406, O.S.L. 2003 (47 O.S. Supp. 2005, Section 2-307.1), is amended to read as follows:

Section 2-307.1 A. A member may receive service credit for not to exceed five (5) years of participating service accumulated by the member while an employee of a state agency if the member is not receiving or eligible to receive retirement benefits or credit for said service from the Oklahoma Public Employees Retirement System. To receive credit for said service prior to January 1, 1991, the employee and employer contributions for those years of service and interest of not to exceed five percent (5%) as determined by the

Board shall be paid to the Board. Effective January 1, 1991, to receive credit for said service, the member shall pay the amount determined by the Board of Trustees pursuant to Section 19 of Enrolled Senate Bill No. 810 of the 2nd Session of the 42nd Oklahoma Legislature. Such service credit shall not be used in determining the eligibility of the member for retirement based upon length of service.

B. To receive credit for such service:

1. A member who became a member of the system prior to July 1, 1988, shall make application to the Board for such service prior to January 1, 1989; and

2. A member who becomes a member of the system after June 30, 1988, shall make application to the Board for such service within two (2) years of the date the member became a member of the system.

C. ~~Effective January 1, 2002, such~~ Such service credit may be paid ~~for through~~ by:

1. A cash lump-sum payment;

2. A trustee-to-trustee ~~transfers~~ transfer from a Section 403(b) annuity or custodial account, an eligible deferred compensation plan described in Section 457(b) ~~plan~~ which is maintained by an eligible employer described in Code Section 457(e) (1) (A), and/or a Code Section 401(a) qualified plan;

3. A direct rollover of tax-deferred funds from a Code Section 403(b) annuity or custodial account, an eligible deferred compensation plan described in Code Section 457(b) which is maintained by an eligible employer described in Code Section 457(3) (1) (A), a Code Section 401(a) qualified plan, and/or a Code Section 408(a) or 408(b) traditional or conduit Individual Retirement Account or Annuity (IRA). Roth IRAs, Coverdell Education Savings Accounts and after-tax contributions shall not be used to purchase such service credit; or

4. Any combination of the above methods of payment.

SECTION 24. AMENDATORY 47 O.S. 2001, Section 2-307.2, is amended to read as follows:

Section 2-307.2 A. The total service credit of a member who retires or terminates employment and elects a vested benefit shall include not to exceed one hundred thirty (130) days of unused sick leave accumulated while a member of the System. Such credit shall be added in terms of whole months. Twenty (20) days of unused sick leave shall equal one (1) month for purposes of service credit. If unused sick leave entitles a member to an additional year or fraction thereof of service credit, the member's employer shall reimburse the System for the cost of funding the additional reserve by paying the amount determined by the Board pursuant to Section 25 of this act. Each employer shall provide the System with adequate and timely information necessary to determine additional benefits and its cost under this section. This section shall apply to members retiring or vesting on or after July 1, 1985, and shall not be retroactive.

B. Whenever any member is unable to perform the member's duties because of sickness or temporary disability caused or sustained while in the discharge of the member's duty as a member, is receiving a temporary total disability benefit under Section 1 et seq. of Title 85 of the Oklahoma Statutes, and does not purchase service credit as described below, such member shall only receive prorated service credit based on the contributions made by the member and the member's employer while the member is receiving a temporary total disability benefit under Section 1 et seq. of Title 85 of the Oklahoma Statutes. Whenever any member is unable to perform the member's duties because of sickness or temporary disability caused or sustained while in the discharge of the member's duty as a member and is receiving a temporary disability benefit under Section 1 et seq. of Title 85 of the Oklahoma Statutes, such member shall have the option to purchase service

credit for the time related to such leave of absence for such sickness or temporary disability.

1. The payment for such purchase must be completed no later than three (3) years from the date the member commenced receipt of a temporary total disability benefit.

2. The purchase price shall be:

- a. the actual paid base salary that the member was entitled to immediately prior to the member's sickness or temporary disability minus any vacation or sick leave payments received by the member during such sickness or temporary disability, multiplied by,
- b. the following percent:
 - (1) eighteen percent (18%) for members who are suspended without pay, or
 - (2) eight percent (8%) for members who are not suspended without pay.

If such member has not been suspended without pay, the employer shall contribute, within three (3) months of the completion of the member's purchase of service credit, ten percent (10%) of the actual paid base salary that the member was entitled to immediately prior to the member's sickness or temporary disability minus any vacation or sick leave payments received by the member during such sickness or temporary disability.

3. The member may purchase such service credit through:

- a. a cash lump-sum payment,
- b. a trustee-to-trustee transfer from a Code Section 403(b) annuity or custodial account, an eligible deferred compensation plan described in Code Section 457(b) which is maintained by an eligible employer described in Code Section 457(e)(1)(A), and/or a Code Section 401(a) qualified plan,

- c. a direct rollover of tax-deferred funds from a Code Section 403(b) annuity or custodial account, an eligible deferred compensation plan described in Code Section 457(b) which is maintained by an eligible employer described in Code Section 457(e) (1) (A), a Code Section 401(a) qualified plan, and/or a Code Section 408(a) or 408(b) traditional or conduit Individual Retirement Account or Annuity (IRA). Roth IRAs, Coverdell Education Savings Accounts and after-tax contributions shall not be used to purchase such service credit, or
- d. any combination of the above methods of payment.

SECTION 25. AMENDATORY 47 O.S. 2001, Section 2-307.3, as amended by Section 10, Chapter 406, O.S.L. 2003 (47 O.S. Supp. 2005, Section 2-307.3), is amended to read as follows:

Section 2-307.3 A. Prior to January 1, 1991, upon payment to the Oklahoma Law Enforcement Retirement System of the employee contribution the member would have been subject to had the member been a member of the ~~system~~ System at the time, plus five percent (5%) interest, any member of the System shall receive credit for not to exceed five (5) years of prior law enforcement service rendered in this state, if the member is not receiving or eligible to receive retirement credit or benefits for such service in any other public retirement system. Effective January 1, 1991, to receive credit for not to exceed five (5) years of prior law enforcement service rendered in this state, if the member is not receiving or eligible to receive retirement credit or benefits for such service in any other public retirement system, the member shall pay the amount determined by the Board pursuant to Section 2-307.5 of this title. Service credit received pursuant to this section shall be used in determining the member's retirement benefit but shall not be used in determining years of service for retirement or vesting purposes.

To receive credit for such service:

1. A member who became a member of the ~~system~~ System prior to July 1, 1988, shall make application to the Board for such service prior to January 1, 1989; and

2. A member who becomes a member of the ~~system~~ System after June 30, 1988, shall make application to the Board for such service within two (2) years of the date the member became a member of the ~~system~~ System.

B. Upon payment to the Oklahoma Law Enforcement Retirement System of a sum equal to the employee contribution the member would have been subject to had the member been a member of the ~~system~~ System at the time, plus five percent (5%) interest prior to January 1, 1991, or effective January 1, 1991, upon payment to the System of the amount determined by the Board pursuant to Section 2-307.5 of this title, any member of the ~~system~~ System shall receive credit for not to exceed five (5) years of prior law enforcement service rendered in another state or with a federal law enforcement agency, either as a commissioned law enforcement officer or in a scientific or technical field, if the member is not receiving or eligible to receive retirement credit or benefits for such service in any other public retirement system. Service credit received pursuant to this section shall be used in determining the member's retirement benefit but shall not be used in determining years of service for retirement or vesting purposes.

To receive credit for such service:

1. A member who became a member of the ~~system~~ System prior to July 1, 1990, shall make application to the Board for such service prior to January 1, 1991; and

2. A member who became a member of the ~~system~~ System after June 30, 1990, shall make application to the Board for such services within two (2) years of the date the member became a member of the ~~system~~ System.

C. ~~Effective January 1, 2002, such~~ Such service credit may be paid ~~for through~~ by:

1. A cash lump-sum payment;

2. A trustee-to-trustee ~~transfers~~ transfer from a Code Section 403(b) annuity or custodial account, an eligible deferred compensation plan described in Code Section 457(b) plan, which is maintained by an eligible employer described in Code Section 457(e) (1) (A) and/or a Code Section 401(a) qualified plan;

3. A direct rollover of tax-deferred funds from a Code Section 403(b) annuity or custodial account, an eligible deferred compensation plan described in Code Section 457(b) which is maintained by an eligible employer described in Code Section 457(e) (1) (A), a Code Section 401(a) qualified plan, and/or a Code Section 408(a) or 408(b) traditional or conduit Individual Retirement Account or Annuity (IRA). Roth IRAs, Coverdell Education Savings Accounts and after-tax contributions shall not be used to purchase such service credit; or

4. Any combination of the above methods of payment.

SECTION 26. AMENDATORY 47 O.S. 2001, Section 2-307.4, as last amended by Section 3, Chapter 302, O.S.L. 2004 (47 O.S. Supp. 2005, Section 2-307.4), is amended to read as follows:

Section 2-307.4 A. Any member of the Oklahoma Law Enforcement Retirement System shall be entitled to prior service credit, not to exceed five (5) years, for those periods of military service on active duty prior to membership in the Oklahoma Law Enforcement Retirement System. Any active member of the Oklahoma Law Enforcement Retirement System whose initial membership in the System began on or after July 1, 2000, may receive up to five (5) years of prior military service credit as otherwise provided in this section, only upon payment of the amount determined by the Board in the manner as provided in Section 2-307.5 of this title. For members of the System hired on or after July 1, 2003, if the military service

credit authorized by this subsection is used to compute the retirement benefit of the member and the member retires from the System, such military service credit shall not be used to compute the retirement benefit in any other retirement system created pursuant to the Oklahoma Statutes and the member may receive credit for such service only in the retirement system from which the member first retires.

B. For purposes of this section, "military service" means service in the Armed Forces of the United States by honorably discharged persons during the following time periods, as reflected on such person's Defense Department Form 214, as follows:

1. During the following periods, including the beginning and ending dates, and only for the periods served, from:

- a. April 6, 1917, to November 11, 1918, commonly referred to as World War I,
- b. September 16, 1940, to December 7, 1941, as a member of the 45th Division,
- c. December 7, 1941, to December 31, 1946, commonly referred to as World War II,
- d. June 27, 1950, to January 31, 1955, commonly referred to as the Korean Conflict or the Korean War,
- e. February 28, 1961, to May 7, 1975, commonly referred to as the Vietnam era, except that:
 - (1) for the period from February 28, 1961, to August 4, 1964, military service shall only include service in the Republic of Vietnam during that period, and
 - (2) for purposes of determining eligibility for education and training benefits, such period shall end on December 31, 1976, or
- f. August 1, 1990, to December 31, 1991, commonly referred to as the Gulf War, the Persian Gulf War, or

Operation Desert Storm, but excluding any person who served on active duty for training only, unless discharged from such active duty for a service-connected disability;

2. During a period of war or combat military operation other than a conflict, war or era listed in paragraph 1 of this subsection, beginning on the date of Congressional authorization, Congressional resolution, or Executive Order of the President of the United States, for the use of the Armed Forces of the United States in a war or combat military operation, if such war or combat military operation lasted for a period of ninety (90) days or more, for a person who served, and only for the period served, in the area of responsibility of the war or combat military operation, but excluding a person who served on active duty for training only, unless discharged from such active duty for a service-connected disability, and provided that the burden of proof of military service during this period shall be with the member, who must present appropriate documentation establishing such service.

C. An eligible member under subsection B of this section shall include only those persons who shall have served during the times or in the areas prescribed in subsection B of this section, and only if such person provides appropriate documentation in such time and manner as required by the System to establish such military service prescribed in this section, or for service pursuant to division (1) of subparagraph e of paragraph 1 of subsection B of this section, those persons who were awarded service medals, as authorized by the United States Department of Defense as reflected in the veteran's Defense Department Form 214, related to the Vietnam Conflict for service prior to August 5, 1964.

D. Service credit received pursuant to this section shall be used in determining the member's retirement benefit but shall not be

used in determining years of service for retirement or vesting purposes.

E. ~~Effective January 1, 2002, such~~ Such service credit may be paid ~~for through~~ by:

1. A cash lump-sum payment;

2. A trustee-to-trustee ~~transfers~~ transfer from a Code Section 403(b) annuity or custodial account, an eligible deferred compensation plan described in Code Section 457(b) ~~plan~~ which is maintained by an eligible employer described in Code Section 457(e) (1) (A), and/or a Code Section 401(a) qualified plan;

3. A direct rollover of tax-deferred funds from a Code Section 403(b) annuity or custodial account, an eligible deferred compensation plan described in Code Section 457(b) which is maintained by an eligible employer described in Code Section 457(e) (1) (A), a Code Section 401(a) qualified plan, and/or a Code Section 408(a) or 408(b) traditional or conduit Individual Retirement Account or Annuity (IRA). Roth IRAs, Coverdell Education Savings Accounts and after-tax contributions shall not be used to purchase such service credit; or

4. Any combination of the above methods of payment.

SECTION 27. AMENDATORY 47 O.S. 2001, Section 2-307.5, as last amended by Section 5, Chapter 142, O.S.L. 2005 (47 O.S. Supp. 2005, Section 2-307.5), is amended to read as follows:

Section 2-307.5 A. The Board shall adopt rules for computation of the purchase price for transferred credited service. These rules shall base the purchase price for each year purchased on the actuarial cost of the incremental projected benefits to be purchased. The purchase price shall represent the present value of the incremental projected benefits discounted according to the member's age at the time of purchase. Incremental projected benefits shall be the difference between the projected benefit said member would receive without purchasing the transferred credited

service and the projected benefit after purchase of the transferred credited service computed as of the earliest age at which the member would be able to retire. Said computation shall assume an unreduced benefit and be computed using interest and mortality assumptions consistent with the actuarial assumptions adopted by the Board for purposes of preparing the annual actuarial evaluation.

B. In the event that the member is unable to pay the purchase price provided for in this section by the due date, the Board shall permit the members to amortize the purchase price over a period not to exceed sixty (60) months. Said payments shall be made by payroll deductions unless the Board permits an alternate payment source. The amortization shall include interest in an amount not to exceed the actuarially assumed interest rate adopted by the Board for investment earnings each year. Any member who ceases to make payment, terminates, retires or dies before completing the payments provided for in this section shall receive prorated service credit for only those payments made, unless the unpaid balance is paid by said member, his or her estate or successor in interest within six (6) months after said member's death, termination of employment or retirement, provided no retirement benefits shall be payable until the unpaid balance is paid, unless said member or beneficiary affirmatively waives the additional six-month period in which to pay the unpaid balance. Notwithstanding anything herein to the contrary, lump-sum payments for a transferred credited service purchase may be made by a cash lump-sum payment; a trustee-to-trustee transfer from a Code Section 403(b) annuity or custodial account, an eligible deferred compensation plan described in Code Section 457(b) which is maintained by an eligible employer described in Code Section 457(e) (1) (A), and/or a Code Section 401(a) qualified plan; or a direct rollover of tax-deferred funds from a Code Section 403(b) annuity or custodial account, an eligible deferred compensation plan described in Code Section 457(b) which is

maintained by an eligible employer described in Code Section 457(e) (1) (A), a Code Section 401(a) qualified plan, and/or a Code Section 408(a) or 408(b) traditional or conduit Individual Retirement Account or Annuity (IRA); or a combination of the foregoing methods. Roth IRAs ~~and,~~ Coverdell Education Savings Accounts and after-tax contributions shall not be used to purchase transferred credited service.

A member making installment payments shall have the option of making a ~~cash~~ lump-sum payment for the balance of the actuarial purchase price with interest due through the date of payment by a cash lump-sum payment; a trustee-to-trustee transfer from a Code Section 403(b) annuity or custodial account, an eligible deferred compensation plan described in Code Section 457(b) which is maintained by an eligible employer described in Code Section 457(e) (1) (A), and/or a Code Section 401(a) qualified plan; ~~or~~ a direct rollover of tax-deferred funds from a Code Section 403(b) annuity or custodial account, an eligible deferred compensation plan described in Code Section 457(b) which is maintained by an eligible employer described in Code Section 457(e) (1) (A), a Code Section 401(a) qualified plan, and/or a Code Section 408(a) or 408(b) traditional or conduit Individual Retirement Account or Annuity (IRA); or a combination of the foregoing methods. Roth IRAs ~~and,~~ Coverdell Education Savings Accounts and after-tax contributions shall not be used to purchase transferred credited service. The Board shall promulgate such rules as are necessary to implement the provisions of this subsection.

SECTION 28. AMENDATORY 47 O.S. 2001, Section 2-307.7, as last amended by Section 7, Chapter 542, O.S.L. 2004 (47 O.S. Supp. 2005, Section 2-307.7), is amended to read as follows:

Section 2-307.7 A. A member of the Oklahoma Law Enforcement Retirement System who has ten (10) or more years of full-time-equivalent employment with a participating employer, and who is

terminated by a state agency or other state governmental entity because the member's position is eliminated through a reduction-in-force after July 1, 1998, and is within three (3) years of a normal retirement date as defined in paragraph 7 of Section 2-300 of this title may purchase termination credit of a period not to exceed the lesser of three (3) years or the number of years or months or both years and months required in order for the member to reach normal retirement date in the same period of time and with the same service credit which would have otherwise accrued if the termination had not occurred.

B. In order to receive the termination credit authorized by this section, the member shall be required to file an election with the System indicating an intent to purchase the credit. The member shall have a period of six (6) months from the date the member is terminated as described in subsection A of this section within which to file the election.

C. To purchase the termination credit, the member shall be required to make payment to the System of an amount equal to both the employer and employee contributions which would have been paid to the System based upon the actual paid base salary as defined in paragraph 8 of Section 2-300 of this title, which was received by the member in the last full month that the member was employed by the state agency or other state governmental entity multiplied by the number of months required in order for the combination of the participating service and member's age to equal the amount required for the member to reach normal retirement date with an unreduced benefit as if the member had not been terminated.

D. The member must make full payment to the System of all required contribution amounts within sixty (60) days of filing the election to purchase the credit. The member must vest his or her benefits with a declared future retirement date as of the first month the member is eligible for normal retirement. Failure to make

the full payment to the System of the required contribution amounts, for any reason, within the time prescribed, shall result in cancellation of the election provided pursuant to this section, and return of the purchase amount tendered, without interest.

Notwithstanding anything herein to the contrary, ~~effective January 1, 2002, lump-sum payments for~~ termination credit purchases may be made by:

1. A cash lump-sum payment;

2. A trustee-to-trustee ~~transfers from a Section 403(b) annuity, an eligible Section 457(b) plan, and/or a~~ transfer from a Code Section 401(a) qualified plan;

3. A direct rollover of tax-deferred funds from a Code Section 403(b) annuity or custodial account, an eligible deferred compensation plan described in Code Section 457(b) which is maintained by an eligible employer described in Code Section 457(e) (1) (A), a Code Section 401(a) qualified plan, and/or a Code Section 408(a) or 408(b) traditional or conduit Individual Retirement Account or Annuity (IRA). Roth IRAs, Coverdell Education Savings Accounts and after-tax contributions shall not be used to purchase such service credit; or

4. Any combination of the above methods of payment.

E. Purchased termination credit may only be used as service credit to qualify the member for normal retirement.

F. If the member chooses to retire at any time prior to the member's normal retirement date or returns to employment with a participating employer of the System at any time prior to retirement, the purchase of termination credit pursuant to this section shall be void and the System will return the purchase amount tendered, without interest.

G. In the event of the death of the member prior to retirement, the member's spouse, if otherwise eligible for benefits pursuant to Section 2-306 of this title, may elect to receive benefits which

include the termination credit on the member's declared future retirement date, or may elect to receive a return of the purchase amount tendered, without interest.

SECTION 29. AMENDATORY 47 O.S. 2001, Section 2-310.1, as last amended by Section 7, Chapter 418, O.S.L. 2004 (47 O.S. Supp. 2005, Section 2-310.1), is amended to read as follows:

Section 2-310.1 A. Whenever any member currently working in a position identified by subsection 6 of Section 2-300 of this title or Section 2-314 of this title and enrolled in the Oklahoma Law Enforcement Retirement System is injured in the line of duty, an Injury Review Board consisting of one member to be appointed by the member's employer, one member to be appointed by the Administrator of the Office of Personnel Management and one member to be appointed by the Governor shall convene to determine if the injured member was actually injured in the line of duty and whether the injured member should be granted leave because of the injury. The Injury Review Board may, in its discretion, grant the injured member leave when necessary, not to exceed one hundred sixty-five (165) working days for the illness or injury.

B. For the purpose of this section, "illness or injury" shall include any serious illness or serious injury caused by or contracted during the performance of the member's duty. Every state agency which employs persons eligible for membership in the Oklahoma Law Enforcement Retirement System shall participate in the joint promulgation of a rule which shall set out mutually agreeable guidelines for the categorization of an illness or injury as serious. Upon promulgation of the rule, each of the state agencies shall individually adopt the rule. The wording of the rule, as adopted and as amended by the agencies from time to time, shall remain in conformity for each of the state agencies.

C. The three-member Injury Review Board shall be convened following a written request submitted by the injured member to the

injured member's employer. The employer shall forward the request to the Administrator of the Office of Personnel Management. The employer may submit the request on behalf of an injured member. The Administrator's appointee shall then convene and chair the Injury Review Board. The Injury Review Board may request the injured member to submit to an examination by a physician selected by the Board at the employer's expense to assist the Board in making a decision. A decision to grant or deny such paid leave shall be determined by concurrence in writing of not less than two Injury Review Board members. If granted, said leave shall be paid by the employing agency.

D. While such leave is being paid, the employee shall continue to accrue leave and service credit at the same rate as before the illness or injury. The employee's portion of health, dental, life and disability insurance premiums and the employee's contribution to the Oklahoma Law Enforcement Retirement System shall be deducted by the employing agency from the paid leave and remitted to the appropriate agencies, in the same manner as before the illness or injury.

SECTION 30. NEW LAW A new section of law to be codified in the Oklahoma Statutes as Section 840-2.21A of Title 74, unless there is created a duplication in numbering, reads as follows:

Whenever any member of the Oklahoma Law Enforcement Retirement System currently working in a position identified by paragraph 6 of Section 2-300 of Title 47 of the Oklahoma Statutes who is enrolled in the Oklahoma Law Enforcement Retirement System is unable to perform the member's duties because of sickness or temporary disability caused or sustained while in the discharge of the member's duty as such member, notwithstanding the provisions of Section 840-2.21 of Title 74 of the Oklahoma Statutes or the provisions of Sections 11 and 12 of Title 85 of the Oklahoma Statutes, the member may be placed on administrative leave with pay

by the employing agency for a period of ninety (90) days with the employing agency having the option of extending the leave period for up to an additional ninety (90) days, not to exceed a total of one hundred eighty (180) days. The member's salary and benefits shall continue to be paid by the employing agency without any decrease or disruption of said salary and benefits. If the recovery period is longer than one hundred eighty (180) days, the member shall use sick leave, annual leave or other authorized leave. Should a member receiving a salary under this section be eligible to receive and should the salary of the member under this section exceed any temporary disability benefit paid to the member under Section 1 et seq. of Title 85 of the Oklahoma Statutes, the member shall transfer such temporary disability benefits under Section 1 et seq. of Title 85 of the Oklahoma Statutes to the employing agency while the member is sick or temporarily disabled.

SECTION 31. AMENDATORY 70 O.S. 2001, Section 17-106.1, as last amended by Section 18, Chapter 536, O.S.L. 2004 (70 O.S. Supp. 2005, Section 17-106.1), is amended to read as follows:

Section 17-106.1 A. The Board of Trustees of the Teachers' Retirement System of Oklahoma shall discharge their duties with respect to the System solely in the interest of the participants and beneficiaries and:

1. For the exclusive purpose of:
 - a. providing benefits to participants and their beneficiaries, and
 - b. defraying reasonable expenses of administering the System;

2. With the care, skill, prudence, and diligence under the circumstances then prevailing that a prudent person acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of a like character and with like aims;

3. By diversifying the investments of the System so as to minimize the risk of large losses, unless under the circumstances it is clearly prudent not to do so; and

4. In accordance with the laws, documents and instruments governing the System.

B. The Board of Trustees may procure insurance indemnifying the members of the Board of Trustees from personal loss or accountability from liability resulting from a member's action or inaction as a member of the Board.

C. The Board of Trustees may establish an investment committee. The investment committee shall be composed of not more than five (5) members of the Board of Trustees appointed by the chairman of the Board of Trustees. The committee shall make recommendations to the full Board of Trustees on all matters related to the choice of custodians and managers of the assets of the System, on the establishment of investment and fund management guidelines, and in planning future investment policy. The committee shall have no authority to act on behalf of the Board of Trustees in any circumstances whatsoever. No recommendation of the committee shall have effect as an action of the Board of Trustees nor take effect without the approval of the Board of Trustees as provided by law.

D. The Board of Trustees may retain qualified investment managers to provide for the investment of the monies of the System. The investment managers shall be chosen by a solicitation of proposals on a competitive bid basis pursuant to standards set by the Board of Trustees. Subject to the overall investment guidelines set by the Board of Trustees, the investment managers shall have full discretion in the management of those monies of the System allocated to the investment managers. The Board of Trustees shall manage those monies not specifically allocated to the investment managers. The monies of the System allocated to the investment managers shall be actively managed by the investment managers, which

may include selling investments and realizing losses if such action is considered advantageous to longer term return maximization.

Because of the total return objective, no distinction shall be made for management and performance evaluation purposes between realized and unrealized capital gains and losses.

E. Funds and revenues for investment by the investment managers or the Board of Trustees shall be placed with a custodian selected by the Board of Trustees. The custodian shall be a bank or trust company offering pension fund master trustee and master custodial services. The custodian shall be chosen by a solicitation of proposals on a competitive bid basis pursuant to standards set by the Board of Trustees. In compliance with the investment policy guidelines of the Board of Trustees, the custodian bank or trust company shall be contractually responsible for ensuring that all monies of the System are invested in income-producing investment vehicles at all times. If a custodian bank or trust company has not received direction from the investment managers of the System as to the investment of the monies of the System in specific investment vehicles, the custodian bank or trust company shall be contractually responsible to the Board of Trustees for investing the monies in appropriately collateralized short-term interest-bearing investment vehicles.

F. By November 1, 1988, and prior to August 1 of each year thereafter, the Board of Trustees shall develop a written investment plan for the System.

G. The Board of Trustees shall compile a quarterly financial report of all the funds of the System on a fiscal year basis. The report shall be compiled pursuant to uniform reporting standards prescribed by the Oklahoma State Pension Commission for all state retirement systems. The report shall include several relevant measures of investment value, including acquisition cost and current fair market value with appropriate summaries of total holdings and

returns. The report shall contain combined and individual rate of returns of the investment managers by category of investment, over periods of time. The Board of Trustees shall include in the quarterly reports all commissions, fees or payments for investment services performed on behalf of the Board. The report shall be distributed to the Governor, the Oklahoma State Pension Commission, the Legislative Service Bureau, the Speaker of the House of Representatives and the President Pro Tempore of the Senate.

H. After July 1 and before ~~October 1~~ December 1 of each year, the Board of Trustees shall publish widely an annual report presented in simple and easily understood language pursuant to uniform reporting standards prescribed by the Oklahoma State Pension Commission for all state retirement systems. The report shall be submitted to the Governor, the Speaker of the House of Representatives, the President Pro Tempore of the Senate, the Oklahoma State Pension Commission and the members of the System. The annual report shall cover the operation of the System during the past fiscal year, including income, disbursements, and the financial condition of the System at the end of the fiscal year. The annual report shall also contain the information issued in the quarterly reports required pursuant to subsection G of this section as well as a summary of the results of the most recent actuarial valuation to include total assets, total liabilities, unfunded liability or over funded status, contributions and any other information deemed relevant by the Board of Trustees. The annual report shall be written in such a manner as to permit a readily understandable means for analyzing the financial condition and performance of the System for the fiscal year. In order to standardize the information and analysis of the financial condition of the System, the Board shall provide information regarding the financial and actuarial condition of the System using assumptions or requirements as hereinafter required for the report stating the condition of the System as of

July 1, 2002, and for each subsequent reporting date, which information shall be contained in an appendix or addendum to the annual report. For purposes other than the reporting requirements contained in the appendix or addendum, all actuarial and economic assumptions shall be those assumptions adopted by the System in its annual actuarial valuation. The appendix or addendum shall contain a statement of the financial condition of the System:

1. Using an assumed rate of return of seven and one-half percent (7.5%), net of investment expenses, per annum, compounded annually;

2. Using an actuarial assumption regarding cost-of-living adjustments for the System of two percent (2%) annually;

3. That relies upon the use of appropriate preretirement, postretirement and disability retirement information using generational projections taken from the RP-2000 Mortality Tables, published by the Society of Actuaries;

4. Which accurately and completely summarizes all sources of system assets, other than employee contributions, which shall include, but not be limited to, the total of all employer contributions, any dedicated tax or fee revenue of whatever kind or however denominated, and the total amount of any other source of revenue which accrues to the System, other than return on investments, such as federal monies used for the purpose of making employer contributions; and

5. Using an assumption that the unfunded actuarial accrued liabilities of the System are amortized over a period of thirty (30) years, in a manner consistent with the Governmental Accounting Standards Board Statement Number 25.

I. The Board of Trustees shall adopt a cost of living adjustment actuarial assumption in its annual actuarial valuation report.

SECTION 32. AMENDATORY 70 O.S. 2001, 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%) of the regular annual compensation of the member not in excess of any applicable maximum compensation level of the member; and

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

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

B. For entities or institutions within The Oklahoma State System of Higher Education, the contributions to the retirement system specified in subsection A of this section shall be made on

regular annual compensation of a member who is an employee of such entity or institution not to exceed the maximum compensation level in effect for the member as prescribed by law.

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

D. Any school district, state college or university, State Board of Education, State Board of Career and Technology 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 Career and Technology 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 Career and Technology Education, or other state agency.

E. All participating employers shall provide a complete record of the total compensation paid to each employee, including any person who is a retired member of the retirement system, whether or not employer and employee contributions are made with respect to such compensation. The employer shall provide the report required by this subsection on a monthly basis on a form or using such method as the Teachers' Retirement System of Oklahoma may require.

SECTION 33. AMENDATORY 74 O.S. 2001, Section 918, as last amended by Section 98, Chapter 3, O.S.L. 2003 (74 O.S. Supp. 2005, Section 918), is amended to read as follows:

Section 918. (1) Except as otherwise provided for in this section and Section 918.1 of this title, a member may elect to have the retirement benefit paid under one of the options provided in this section in lieu of having it paid in the form stated in Section 915 of this title. The election of an option must be made at any time prior to retirement or prior to termination of service with a vested benefit. A specific person must be designated as joint annuitant at the time of election of Option A or B. Election of an option is available with respect to the vested benefit. All retirement benefits of a married member shall be paid pursuant to the Option A plan as provided for in this section unless the spouse

of a member consents in writing for the benefits to be paid as provided for in Section 915 of this title or pursuant to Option B or Option C as provided for in this section.

(2) The amount of retirement benefit payable under an option shall be based on the age and sex of the member and the age and sex of the joint annuitant, and shall be such amount as to be the actuarial equivalent of the retirement benefit otherwise payable under Section 915 of this title.

(3) The retirement options are:

Option A. Joint and one-half to joint annuitant survivor. A reduced retirement benefit is payable to the retirant during his or her lifetime with one-half (1/2) of that amount continued to the joint annuitant during such joint annuitant's remaining lifetime, if any, after the death of the retirant. If the named joint annuitant dies at any time after the member's retirement date, but before the death of the retirant, the retirant shall return to the retirement benefit, including any post retirement benefit increases the member would have received had the member not selected Option A. The benefit shall be determined at the date of death of the named joint annuitant or July 1, 1994, whichever is later. This increase shall become effective the first day of the month following the date of death of the named joint annuitant or July 1, 1994, whichever is later, and shall be payable for the retirant's remaining lifetime. The retirant shall notify the Oklahoma Public Employees Retirement System of the death of the named joint annuitant in writing. In the absence of the written notice being filed by the member notifying the Oklahoma Public Employees Retirement System of the death of the named joint annuitant within six (6) months of the date of death, nothing in this subsection shall require the Oklahoma Public Employees Retirement System to pay more than six (6) months of retrospective benefits increase.

Option B. Joint and survivor. A reduced retirement benefit is payable to the retirant during his or her lifetime with that amount continued to the joint annuitant during the joint annuitant's remaining lifetime, if any, after the death of the retirant. If the named joint annuitant dies at any time after the member's retirement date, but before the death of the retirant, the retirant shall return to the retirement benefit, including any post retirement benefit increases the member would have received had the member not selected Option B. The benefit shall be determined at the date of death of the named joint annuitant or July 1, 1994, whichever is later. This increase shall become effective the first day of the month following the date of death of the named joint annuitant or July 1, 1994, whichever is later, and shall be payable for the retirant's remaining lifetime. The retirant shall notify the Oklahoma Public Employees Retirement System of the death of the named joint annuitant in writing. In the absence of such written notice being filed by the member notifying the Oklahoma Public Employees Retirement System of the death of the named joint annuitant within six (6) months of the date of death, nothing in this subsection shall require the Oklahoma Public Employees Retirement System to pay more than six (6) months of retrospective benefits increase.

Option C. Life with ten (10) years certain. A reduced retirement benefit is payable to the retirant during his or her lifetime and if the retirant dies within the ten-year certain period, measured from the commencement of retirement benefits payments, such payments will be continued to the beneficiary during the balance of the ten-year certain period. If the retirant dies within the ten-year certain period, and there are no living designated beneficiaries, the person responsible for the estate of the retirant may elect for the estate to be paid the benefits for the remainder of the term or to receive the present value of the

remaining benefit payments according to rules adopted by the Board of Trustees of the System. If the retirant predeceases a designated beneficiary within the ten-year certain period, and the beneficiary dies after the beneficiary has begun to receive benefits, the person responsible for the estate of the beneficiary may elect for the estate to be paid the benefits for the remainder of the term or to receive the present value of the remaining benefit payments according to rules adopted by the Board of Trustees of the System.

(4) If the selection of a joint annuitant would violate the distribution requirements contained in Section 918.1 of this title, such selection will not be permitted.

(5) If a member who is eligible to retire in accordance with the provisions of Section 914 of this title but is not actually retired or is eligible to vest or has elected a vested benefit dies, the member's spouse may elect to receive benefits as a joint annuitant under Option B calculated as if the member retired on the date of death, in lieu of receiving the member's accumulated contributions. However, no benefits shall be payable before the date the deceased member would have met the requirements for a normal or early retirement. The provisions of this paragraph shall be applicable to a surviving spouse of a deceased member who died prior to the effective date of this act, but only if no benefits or distributions have been previously paid.

(6) Benefits payable to a joint annuitant shall accrue from the first day of the month following the death of a member or retirant and, in the case of Option A and Option B, shall end on the last day of the month in which the joint annuitant dies.

SECTION 34. AMENDATORY 74 O.S. 2001, Section 919.1, as last amended by Section 5, Chapter 539, O.S.L. 2004 (74 O.S. Supp. 2005, Section 919.1), is amended to read as follows:

Section 919.1 (1) Employee contributions to the System shall be:

- (a) for employees except as otherwise provided in paragraphs (b), (c), (d), and (e) ~~and (f)~~ of this subsection: beginning July 1, ~~1998~~ 2006, and thereafter, ~~three percent (3%)~~ three and one-half percent (3.5%) of allowable annual compensation ~~not in excess of Twenty-five Thousand Dollars (\$25,000.00);~~
- ~~(b) for all employees except as otherwise provided in paragraphs (a), (c), (d), (e) and (f) of this subsection: beginning July 1, 1998, and thereafter, three and one-half percent (3 1/2%) of allowable annual compensation of more than Twenty-five Thousand Dollars (\$25,000.00);~~
- ~~(e)~~ for correctional officers and probation and parole officers employed by the Department of Corrections: beginning July 1, 1998, and thereafter, and for correctional officers or probation and parole officers who are in such position on June 30, 2004, or who are hired after June 30, 2004, and who receive a promotion or change in job classification after June 30, 2004, to another position in the Department of Corrections, so long as such officers have at least five (5) years of service as a correctional officer or probation and parole officer, eight percent (8%) of allowable compensation as provided in paragraph (9) of Section 902 of this title;
- ~~(d)~~ (c) for fugitive apprehension agents who are employed with the Department of Corrections on or after July 1, 2002, and for fugitive apprehension agents who are in such position on June 30, 2004, or who are hired after June 30, 2004, and who receive a promotion or change in job classification after June 30, 2004, to another position in the Department of Corrections, so long as

such agents have at least five (5) years of service as a fugitive apprehension agent, eight percent (8%) of allowable compensation as provided in paragraph (9) of Section 902 of this title;

~~(e)~~ (d) for firefighters of the Oklahoma Military Department first employed beginning July 1, 2002, and thereafter, and such firefighters who performed service prior to July 1, 2002, for the Oklahoma Military Department and who make the election authorized by division (1) of subparagraph b of paragraph (9) of subsection A of Section 915 of this title who perform service on or after July 1, 2002, in such capacity, eight percent (8%) of allowable compensation as provided in subsection (9) of Section 902 of this title;

~~(f)~~ (e) for all employees except those who make contributions pursuant to paragraphs (b), (c), and (d) ~~and (e)~~ of this subsection who make an irrevocable written election pursuant to paragraph (2) of subsection A of Section 915 of this title: ~~five and ninety one one hundredths percent (5.91%) of allowable annual compensation not in excess of Twenty-five Thousand Dollars (\$25,000.00) and six and forty-one one hundredths percent (6.41%) of allowable annual compensation of more than Twenty-five Thousand Dollars (\$25,000.00).~~

The contributions required by paragraphs (b) and (c) ~~and (d)~~ of this subsection shall be made by a member for not more than twenty (20) years and thereafter shall be as provided in ~~paragraphs~~ paragraph (a) ~~and (b)~~ of this subsection.

(2) Contributions shall be deducted by each state agency by the participating employer for such benefits as the Board is authorized to administer as provided for by law. Employee and employer

contributions shall be remitted monthly, or as the Board may otherwise provide, to the Executive Director for deposit in the Oklahoma Public Employees Retirement Fund.

(3) Each participating employer shall pick up under the provisions of Section 414(h) (2) of the Internal Revenue Code of 1986 and pay the contribution which the member is required by law to make to the System for all compensation earned after December 31, 1988. Although the contributions so picked up are designated as member contributions, such contributions shall be treated as contributions being paid by the participating employer in lieu of contributions by the member in determining tax treatment under the Internal Revenue Code of 1986 and such picked up contributions shall not be includable in the gross income of the member until such amounts are distributed or made available to the member or the beneficiary of the member. The member, by the terms of this System, shall not have any option to choose to receive the contributions so picked up directly and the picked up contributions must be paid by the participating employer to the System.

Member contributions which are picked up shall be treated in the same manner and to the same extent as member contributions made prior to the date on which member contributions were picked up by the participating employer. Member contributions so picked up shall be included in gross salary for purposes of determining benefits and contributions under the System.

The participating employer shall pay the member contributions from the same source of funds used in paying salary to the member, by effecting an equal cash reduction in gross salary of the member.

(4) By September 1, 1989, the System shall refund the accumulated employee contributions of any member who elects to retain the member's membership in the Teachers' Retirement System of Oklahoma, in accordance with Section 17-104 of ~~this title~~ Title 70 of the Oklahoma Statutes, to such member. Upon the refund of the

accumulated employee contributions referred to in this subsection, all benefits and rights accrued to such member are terminated.

SECTION 35. This act shall become effective July 1, 2006.

SECTION 36. 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."

Passed the Senate the 23rd day of June, 2006.

Presiding Officer of the Senate

Passed the House of Representatives the ____ day of _____,
2006.

Presiding Officer of the House
of Representatives