

ENGROSSED SENATE AMENDMENT
TO
ENGROSSED HOUSE
BILL NO. 2514

By: Young of the House

and

Eason McIntyre of the
Senate

An Act relating to the Oklahoma Public Employees Retirement System; 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 certain benefits and employee contributions; modifying provisions related to Option C benefit; authorizing payment of actuarially based lump-sum amounts based upon certain events; modifying employee contribution amounts for certain employees; making effectiveness of certain provisions contingent upon certain action of the Legislature; providing an effective date; and declaring an emergency.

AMENDMENT NO. 1: Page 1, strike the title, enacting clause and entire bill and insert

"[retirement - contributions - benefits - employee
benefits - noncodification - codification -
effective date -
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:

A. On or before December 1, 2006, the Oklahoma Public Employees Retirement System shall conduct an actuarial study pursuant to this section.

B. The study shall focus on the feasibility of implementing a sliding scale system for the health insurance benefits for the retired members of the Oklahoma Public Employees Retirement System based on years of service instead of the One Hundred Five Dollars

(\$105.00) per month supplement that is currently provided in law. The study would specifically look at a sliding scale system with the following schedule:

<u>Years of Service</u>	<u>Monthly Amount</u>
8-14	\$100.00
15-19	\$150.00
20-24	\$200.00
25 or more	\$250.00

The study shall determine whether such a system could be designed at an actuarial neutral cost to the Oklahoma Public Employees Retirement System or if there would be additional costs associated with such a system.

C. The Oklahoma Public Employees System shall issue a report based upon the findings of the study and shall include any recommendations for the implementation of a sliding scale system for retirees health insurance benefits. The report shall be delivered to the President Pro Tempore of the Senate, The Speaker of the House of Representatives, the Chair of the Retirement and Group Health Committee of the Senate and the Chair of the Retirement Laws Committee of the House.

SECTION 2. NEW LAW A new section of law to be codified in the Oklahoma Statutes as Section 902.1-1 of Title 74, unless there is created a duplication in numbering, reads as follows:

A. Effective July 1, 2006, a city or town or a rural water district that is an eligible employer and a participating employer of the System may elect to cease participation in the System. The election authorized by this section shall be irrevocable and shall be binding upon the municipality or rural water district from the date the election is filed with the System.

B. The election authorized by subsection A of this section shall be filed by the participating city or town or rural water district within ninety (90) days of the effective date of this act

or within ninety (90) days after the effective date of any increase in the required employer contribution imposed pursuant to Section 920A of Title 74 of the Oklahoma Statutes. During such period of time the election is in effect, all employees of the city or town or rural water district shall cease accruing service credit in the System.

C. Upon the effective date of an election to cease participation by a participating employer as authorized by this section, the employer and employee contributions with respect to the compensation of all employees of the municipality or rural water district shall cease and shall not resume.

D. No employee of a municipality or rural water district that files an election to cease participation in the System as authorized by this section shall receive service credit for any period of time during which employer and employee contributions were not made.

E. Withdrawal of employee contributions by an employee of a municipality or rural water district that files an election authorized by this section shall be subject to the provisions of Section 917 of Title 74 of the Oklahoma Statutes.

F. A municipality or rural water district shall be required to make payment to the System of the full actuarial cost of withdrawal as a condition to cease being a participating employer within the System.

SECTION 3. 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 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 4. 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 5. NEW LAW A new section of law to be codified in the Oklahoma Statutes as Section 919.1A of Title 74, unless there is created a duplication in numbering, reads as follows:

The amendatory provisions regarding the employee contribution rate applicable to the members of the Oklahoma Public Employees Retirement System as contained in Section 919.1 of Title 74 of the Oklahoma Statutes, as amended by Section 4 of this act, shall not become effective as law unless a pay increase that is generally applicable to all state employees is enacted pursuant to legislation passed by the Legislature during the 2nd Regular Session of the 50th Oklahoma Legislature.

SECTION 6. AMENDATORY 74 O.S. 2001, Section 920, as last amended by Section 26, Chapter 536, O.S.L. 2004 (74 O.S. Supp. 2005, Section 920), is amended to read as follows:

Section 920. (1) Effective July 1, 1994, every state agency which is a participating employer shall contribute to the System an amount equal to eleven and one-half percent (11 1/2%) of the monthly compensation of each member, but not in excess of Forty Thousand Dollars (\$40,000.00).

(2) Effective July 1, 1995, every state agency which is a participating employer shall contribute to the System an amount equal to eleven and one-half percent (11 1/2%) of the monthly compensation of each member, not to exceed the allowable annual compensation as defined in paragraph (9) of Section 902 of this title.

(3) Effective July 1, 1996, every state agency which is a participating employer shall contribute to the System an amount equal to twelve percent (12%) of the monthly compensation of each member, not to exceed the allowable annual compensation defined in paragraph (9) of Section 902 of this title.

(4) Effective July 1, 1999, and through the fiscal year ending June 30, 2005, every state agency which is a participating employer shall contribute to the System an amount equal to ten percent (10%) of the monthly compensation of each member, not to exceed the allowable annual compensation defined in paragraph (9) of Section 902 of this title.

(5) Effective July 1, ~~2005~~ 2006, every state agency which is a participating employer shall contribute an amount to the System equal to a percentage of monthly compensation of each member, not to exceed the allowable annual compensation defined in paragraph (9) of Section 902 of this title as follows:

July 1, 2005 - June 30, 2006	11 1/2%
July 1, 2006 - June 30, 2007	12 1/2% <u>12.5%</u>
July 1, 2007 - June 30, 2008	13 1/2% <u>14.0%</u>
July 1, 2008 - June 30, 2009	14 1/2% <u>15.5%</u>
July 1, 2009 - June 30, 2010	15 1/2% <u>17.0%</u>
July 1, 2010 - June 30, 2011	
and each year thereafter	16 1/2% <u>18.5%</u>
<u>July 1, 2011 - June 30, 2012</u>	<u>20.0%</u>
<u>July 1, 2012 - June 30, 2013</u>	
<u>and each year thereafter</u>	<u>21.0%</u>

(6) The Board shall certify, on or before July 15 of each year, to the Office of State Finance in the case of the state and to the retirement coordinator for each participating employer an actuarially determined estimate of the rate of contribution which will be required, together with all accumulated contributions and other assets of the System, to be paid by each such participating

employer to pay all liabilities which shall exist or accrue under the System, including amortization of the past service cost over a period of not to exceed forty (40) years from June 30, 1987, and the cost of administration of the System, as determined by the Board, upon recommendation of the actuary.

(7) The Office of State Finance and the Governor shall include in the budget and in the budget request for appropriations the sum required to satisfy the state's obligation under this section as certified by the Board and shall present the same to the Legislature for allowance and appropriation.

(8) Each other participating employer shall appropriate and pay to the System a sum sufficient to satisfy the obligation under this section as certified by the Board.

(9) Each participating employer is hereby authorized to pay the employer's contribution from the same fund that the compensation for which said contribution is paid from or from any other funds available to it for such purpose.

(10) Forfeitures arising from severance of employment, death or for any other reason may not be applied to increase the benefits any member would otherwise receive under the System's law. However, forfeitures may be used to reduce an employer's contribution.

SECTION 7. AMENDATORY 74 O.S. 2001, Section 920A, as last amended by Section 140, Chapter 1, O.S.L. 2005 (74 O.S. Supp. 2005, Section 920A), is amended to read as follows:

Section 920A. A. Any county, county hospital, city or town, conservation district, circuit engineering district or any public or private trust in which a county, city or town participates and is the primary beneficiary, which is a participating employer and any eligible employee shall contribute to the System. The total employer and employee contributions shall be based on the allowable annual compensation as defined in paragraph (9) of Section 902 of this title. Except as provided for in this section, the employer

shall not pay for the employee any of the employee contribution to the System.

B. For the fiscal year ending June 30, 2005, the total employer and employee contributions shall equal thirteen and one-half percent (13 1/2%) of the allowable monthly compensation of each member; provided, however, each participating employer listed in this section may set the amount of the employer and employee contribution to equal thirteen and one-half percent (13 1/2%) of the allowable monthly compensation of each member for compensation as provided in paragraph (9) of Section 902 of this title; provided, the employer contribution shall not exceed ten percent (10%) and the employee contribution shall not exceed eight and one-half percent (8 1/2%).

C. The total employer and employee contributions for fiscal years following the fiscal year ending June 30, 2005, shall be as follows:

July 1, 2005 - June 30, 2006	15%
July 1, 2006 - June 30, 2007	16%
July 1, 2007 - June 30, 2008	17% <u>17.5%</u>
July 1, 2008 - June 30, 2009	18% <u>19.0%</u>
July 1, 2009 - June 30, 2010	19% <u>20.5%</u>
July 1, 2010 - June 30, 2011	
and each fiscal year thereafter	20% <u>22.0%</u>
<u>July 1, 2011 - June 30, 2012</u>	<u>23.5%</u>
<u>July 1, 2012 - June 30, 2013</u>	
<u>and each fiscal year</u>	
<u>thereafter</u>	<u>24.5%</u>

Such employee and employer contributions shall be based upon the allowable monthly compensation of each member for compensation as provided in paragraph (9) of Section 902 of this title.

D. The maximum employer contribution of ten percent (10%) in subsection B of this section shall increase by ~~one~~ one:

1. One and one-half percent (1.5%) beginning in the fiscal year ending June 30, 2006, and one percent (1%) for each fiscal year thereafter until it reaches sixteen and one-half percent (16.5%);

2. One percent (1.0%) for the fiscal year ending June 30, 2007;

3. One and one-half percent (1.5%) for the fiscal year ending June 30, 2008, through the fiscal year ending June 30, 2012; and

4. One percent (1.0%) for the fiscal year ending June 30, 2013.

E. For ~~such~~ the years prescribed by subsection D of this subsection, the employee contribution shall not exceed eight and one-half percent (8 1/2%).

~~D.~~ F. For members who make the election pursuant to paragraph (2) of subsection A of Section 915 of this title, the employee contribution shall increase by two and ninety-one one-hundredths percent (2.91%). Such employee contribution increase shall be paid by the employee.

~~E.~~ G. Each participating employer pursuant to the provisions of this section may 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, 1989. 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.

~~F.~~ H. 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.

~~G.~~ I. 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.

SECTION 8. AMENDATORY 20 O.S. 2001, Section 1103.1, as last amended by Section 7, Chapter 536, O.S.L. 2004 (20 O.S. Supp. 2005, Section 1103.1), is amended to read as follows:

Section 1103.1 A. On and after January 1, 2001, the Administrative Director of the Courts, in addition to the members' contributions, shall transfer monthly amounts for deposit in the State Judicial Retirement Fund as set out in Section 1309 of this title equal to two percent (2.0%) of the monthly total actual paid gross salaries of the members of the Uniform Retirement System for Justices and Judges. Effective July 1, 2005, such amounts transferred by the Administrative Director of the Courts shall be as follows:

Fiscal Year Ending	Percentage of Contribution
June 30, 2006	3.0%
June 30, 2007	4.0% <u>9.0%</u>
June 30, 2008	5.5% <u>11.0%</u>
June 30, 2009	7.0% <u>13.0%</u>
June 30, 2010	8.5% <u>15.0%</u>
June 30, 2011	10.0% <u>17.0%</u>
June 30, 2012	11.5% <u>20.0%</u>
June 30, 2013	13.0% <u>22.0%</u>
June 30, 2014 <u>and thereafter</u>	14.5% <u>24.0%</u>

June 30, 2015	16.0%
June 30, 2016	17.5%
June 30, 2017	19.0%
June 30, 2018	20.5%
June 30, 2019 and thereafter	22.0%

B. Regardless of the contribution rate as set out in subsection A of this section, the State Judicial Retirement Fund shall not be allowed to have a funded ratio below one hundred percent (100%). The Board of Trustees of the Oklahoma Public Employees Retirement System is authorized to adjust such contribution rate annually, upon the consideration of an actuarial recommendation, to prevent a funded ratio below one hundred percent (100%). The Board of Trustees shall make an annual report concerning its decision to increase the contribution rate. The report shall be distributed to the Governor, the Chief Justice of the Supreme Court, the Legislative Service Bureau, the Speaker of the House of Representatives and the President Pro Tempore of the Senate.

C. The Administrative Director of the Courts shall remit to the System all required retirement contributions due on a monthly basis. All required court and employee contributions and supporting documentation are due and must be received by the System on or before the fifteenth day of the month following the month for which the contributions are due. Court and employee contributions remitted to the System after thirty (30) days from the above due date shall be subject to a monthly late charge of one and one-half percent (1.5%) of the unpaid balance to be paid by the Administrative Director of the Courts to the System.

SECTION 9. NEW LAW A new section of law to be codified in the Oklahoma Statutes as Section 4001 of Title 62, unless there is created a duplication in numbering, reads as follows:

Until such time as the employer contribution rate for each fiscal year as specified in Sections 6, 7 and 8 of this act

increases according to the statutory schedule, the actuarial valuation performed for the Oklahoma Public Employees Retirement System and the Uniform Retirement System for Justices and Judges shall be made according to the employer contribution rate then in effect and shall not take into account any projected employer contribution rate increase to take place in the future.

SECTION 10. AMENDATORY 74 O.S. 2001, Section 1306, as last amended by Section 85 of Enrolled House Bill No. 3139 of the 2nd Session of the 50th Oklahoma Legislature, is amended to read as follows:

Section 1306. The State and Education Employees Group Insurance Board shall administer and manage the group insurance plans and the flexible benefits plan and, subject to the provisions of the State and Education Employees Group Insurance Act and the State Employees Flexible Benefits Act, shall have the following powers and duties:

1. The preparation of specifications for such insurance plans as the Board may determine to be appropriate;
2. The authority and duty to request bids through the Purchasing Division of the Department of Central Services for a contract to be the claims administrator for all or any part of such insurance and benefit plans as the Board may offer;
3. The determination of the methods of claims administration under such insurance and benefit plans as the Board may offer;
4. The determination of the eligibility of employees and their dependents to participate in each of the Group Insurance Plans and in such other insurance and benefit plans as the Board may offer and the eligibility of employees to participate in the Life Insurance Plan provided that evidence of insurability shall not be a requirement in determining an employee's initial eligibility;
5. The determination of the amount of employee payroll deductions and the responsibility of establishing the procedure by which such deduction shall be made;

6. The establishment of a grievance procedure by which a three-member grievance panel shall act as an appeals body for complaints by insured employees regarding the allowance and payment of claims, eligibility, and other matters. Except for grievances settled to the satisfaction of both parties prior to a hearing, any person who requests in writing a hearing before the grievance panel shall receive a hearing before the panel. The grievance procedure provided by this paragraph shall be the exclusive remedy available to insured employees having complaints against the insurer. Such grievance procedure shall be subject to the Oklahoma Administrative Procedures Act, including provisions thereof for review of agency decisions by the district court. The grievance panel shall schedule a hearing regarding the allowance and payment of claims, eligibility and other matters within sixty (60) days from the date the grievance panel receives a written request for a hearing unless the panel orders a continuance for good cause shown. Upon written request by the insured employee to the grievance panel and received not less than ten (10) days before the hearing date, the grievance panel shall cause a full stenographic record of the proceedings to be made by a competent court reporter at the insured employee's expense;

7. The continuing study of the operation of such insurance and benefit plans as the Board may offer including such matters as gross and net costs, administrative costs, benefits, utilization of benefits, and claims administration;

8. The administration of the Health, Dental and Life Insurance Reserve Fund or Funds, the Flexible Benefits Revolving Fund and the Education Employees Group Insurance Reserve Fund;

9. The auditing of the claims paid pursuant to the provisions of the State and Education Employees Group Insurance Act, the State Employees Flexible Benefits Act and the State Employees Disability Program Act;

10. a. To select and contract with federally qualified Health Maintenance Organizations under the provisions of 42 U.S.C., Section 300e et seq. or with Health Maintenance Organizations ~~licensed~~ granted a certificate of authority by the ~~Department of Health Insurance Commissioner~~ pursuant to Sections ~~2501~~ 6901 through ~~2510~~ 6591 of Title ~~63~~ 36 of the Oklahoma Statutes for consideration by employees as an alternative to the state self-insured health plan, and to transfer to the HMOs such funds as may be approved for an employee electing HMO alternative services. The Board may also select and contract with a vendor to offer a point-of-service plan. An HMO may offer coverage through a point-of-service plan, subject to the guidelines established by the Board. However, if the Board chooses to offer a point-of-service plan, then a vendor that offers both an HMO plan and a point-of-service plan may choose to offer only its point-of-service plan in lieu of offering its HMO plan.
- b. Benefit plan contracts with the State and Education Employees Group Insurance Board, Health Maintenance Organizations, and other third-party insurance vendors shall provide for a risk adjustment factor for adverse selection that may occur, as determined by the Board, based on generally accepted actuarial principles. The risk adjustment factor shall include all members participating in the plans offered by the State and Education Employees Group Insurance Board. The Oklahoma State Employees Benefits Council shall contract with an actuary to provide the above

actuarial services, and shall be reimbursed for these contract expenses by the Board.

- c. Effective for the plan year beginning ~~July 1, 1997~~ January 1, 2007, and for each year thereafter, in setting health insurance premiums for active employees and for retirees under sixty-five (65) years of age, HMOs, self-insured organizations and prepaid plans shall set the monthly premium for active employees at ~~a maximum of Ninety Dollars (\$90.00) less than an~~ amount equal to the monthly premium for retirees under sixty-five (65) years of age;

11. To contract for reinsurance, catastrophic insurance, or any other type of insurance deemed necessary by the Board. Provided, however, that the Board shall not offer a health plan which is owned or operated by the state and which utilizes a capitated payment plan for providers which uses a primary care physician as a gatekeeper to any specialty care provided by physician-specialists, unless specifically authorized by the Legislature;

12. The Board, pursuant to the provisions of Section 250 et seq. of Title 75 of the Oklahoma Statutes, shall adopt such rules consistent with the provisions of the State and Education Employees Group Insurance Act as it deems necessary to carry out its statutory duties and responsibilities. Emergency Rules adopted by the Board and approved by the Governor which are in effect on the first day of the Regular Session of the Oklahoma Legislature shall not become null and void until January 15 of the subsequent calendar year;

13. The Board shall contract for claims administration services with a private insurance carrier or a company experienced in claims administration of any insurance that the Board may be directed to offer. No contract for claims administration services shall be made unless such contract has been offered for bids through the Purchasing Division of the Department of Central Services. The

Board shall contract with a private insurance carrier or other experienced claims administrator to process claims with software that is normally used for its customers;

14. The Board shall contract for utilization review services with a company experienced in utilization review, data base evaluation, market research, and planning and performance of the health insurance plan;

15. The Board shall have the authority to determine all rates and life, dental and health benefits. Except as otherwise provided for in Section 1321 of this title, the Board shall not have the authority to adjust the premium rates after approval. The Board shall submit notice of the amount of employee premiums and dependent premiums along with an actuarial projection of the upcoming fiscal year's enrollment, employee contributions, employer contributions, investment earnings, paid claims, internal expenses, external expenses and changes in liabilities to the Director of the Office of State Finance and the Director of the Legislative Service Bureau no later than March 1 of the previous fiscal year.

~~It~~ Effective for the plan year beginning January 1, 2007, and for each plan year thereafter, in setting health insurance premiums for active employees and retirees under sixty-five (65) years of age, the Board shall set the monthly premium for active employees at a maximum of Ninety Dollars (\$90.00) less than an amount equal to the monthly premium for retirees under sixty-five (65) years of age;

16. Before December 1 of each year the Board shall submit to the Director of the Office of State Finance a report outlining the financial condition for the previous fiscal year of all insurance plans offered by the Board. The report shall include a complete explanation of all reserve funds and the actuarial projections on the need for such reserves. The report shall include and disclose an estimate of the future trend of medical costs, the impact from HMO enrollment, antiselection, changes in law, and other

contingencies that could impact the financial status of the plan. The Director of the Office of State Finance shall make written comment on the report and shall provide such comment, along with the report submitted by the Board, to the Governor, the President Pro Tempore of the Senate, the Speaker of the House of Representatives and the Chair of the Oklahoma State Employees Benefits Council by January 15;

17. The Board shall establish a prescription drug card network;

18. The Board shall have the authority to intercept monies owing to plan participants from other state agencies, when those participants in turn, owe money to the Board. The Board shall be required to adopt rules and regulations ensuring the participants due process of law;

19. The Board is authorized to make available to eligible employees supplemental health care benefit plans to include but not be limited to long-term care, deductible reduction plans and employee co-payment reinsurance. Premiums for said plans shall be actuarially based and the cost for such supplemental plans shall be paid by the employee;

20. Beginning with the plan year which begins on January 1, 2006, the Board shall select and contract with one or more providers to offer a group TRICARE Supplement product to eligible employees who are eligible TRICARE beneficiaries. Any membership dues required to participate in a group TRICARE Supplement product offered pursuant to this paragraph shall be paid by the employee. As used in this paragraph, "TRICARE" means the Department of Defense health care program for active duty and retired uniform service members and their families;

21. There is hereby created as a joint committee of the State Legislature, the Joint Liaison Committee on State and Education Employees Group Insurance Benefits, which Joint Committee shall consist of three members of the Senate to be appointed by the

President Pro Tempore thereof and three members of the House of Representatives to be appointed by the Speaker thereof. The Chair and Vice Chair of the Joint Committee shall be appointed from the membership thereof by the President Pro Tempore of the Senate and the Speaker of the House of Representatives, respectively, one of whom shall be a member of the Senate and the other shall be a member of the House of Representatives. At the beginning of the first regular session of each Legislature, starting in 1991, the Chair shall be from the Senate; thereafter the chairship shall alternate every two (2) years between the Senate and the House of Representatives.

The Joint Liaison Committee on State and Education Employees Group Insurance Benefits shall function as a committee of the State Legislature when the Legislature is in session and when the Legislature is not in session. Each appointed member of said committee shall serve until his or her successor is appointed.

The Joint Liaison Committee on State and Education Employees Group Insurance Benefits shall serve as a liaison with the State and Education Employees Group Insurance Board regarding advice, guidance, policy, management, operations, plans, programs and fiscal needs of said Board. Said Board shall not be bound by any action of the Joint Committee; and

22. The State and Education Employees Group Insurance Board shall annually collect its own set of performance measures comparable to the Health Plan Employer Data and Information Set (HEDIS) for the purpose of assessing the quality of its HealthChoice plans and the other services it provides.

SECTION 11. AMENDATORY 74 O.S. 2001, Section 1371, as last amended by Section 1, Chapter 414, O.S.L. 2004 (74 O.S. Supp. 2005, Section 1371), is amended to read as follows:

Section 1371. A. All participants must purchase at least the basic plan unless the participant is a person who has retired from a

branch of the United States military and has been provided with health coverage through a federal plan and that participant provides proof of that coverage. On or before January 1 of the plan year beginning July 1, 2001, and July 1 of any plan year beginning after January 1, 2002, the Oklahoma State Employees Benefits Council shall design the basic plan for the next plan year to insure that the basic plan provides adequate coverage to all participants. All benefit plans, whether offered by the State and Education Employees Group Insurance Board, a health maintenance organization or other vendors shall meet the minimum requirements set by the Council for the basic plan.

B. The Board shall offer health, disability, life and dental coverage to all participants and their dependents. For health, dental, disability and life coverage, the Board shall offer plans at the basic benefit level established by the Council, and in addition, may offer benefit plans that provide an enhanced level of benefits. The Board shall be responsible for determining the plan design and the benefit price for the plans that they offer. ~~In~~ Effective for the plan year beginning January 1, 2007, and for each plan year thereafter, in setting health insurance premiums for active employees and for retirees under sixty-five (65) years of age, the Board shall set the monthly premium for active employees at a ~~maximum of Ninety Dollars (\$90.00) less than~~ an amount equal to the monthly premium for retirees under sixty-five (65) years of age.

Nothing in this subsection shall be construed as prohibiting the Board from offering additional medical plans, provided that any medical plan offered to participants shall meet or exceed the benefits provided in the medical portion of the basic plan.

C. In lieu of electing any of the preceding medical benefit plans, a participant may elect medical coverage by any health maintenance organization made available to participants by the Council. The benefit price of any health maintenance organization

shall be determined on a competitive bid basis. Contracts for said plans shall not be subject to the provisions of the Oklahoma Central Purchasing Act, Section 85.1 et seq. of this title. The Council shall promulgate rules establishing appropriate competitive bidding criteria and procedures for contracts awarded for flexible benefits plans. All plans offered by health maintenance organizations meeting the bid requirements as determined by the Council shall be accepted. The Council shall have the authority to reject the bid or restrict enrollment in any health maintenance organization for which the Council determines the benefit price to be excessive. The Council shall have the authority to reject any plan that does not meet the bid requirements. All bidders shall submit along with their bid a notarized, sworn statement as provided by Section 85.22 of this title. ~~In~~ Effective for the plan year beginning January 1, 2007, and for each plan year thereafter, in setting health insurance premiums for active employees and for retirees under sixty-five (65) years of age, HMOs, self-insured organizations and prepaid plans shall set the monthly premium for active employees at ~~a maximum of Ninety Dollars (\$90.00) less than~~ an amount equal to the monthly premium for retirees under sixty-five (65) years of age.

D. Nothing in this section shall be construed as prohibiting the Council from offering additional qualified benefit plans or currently taxable benefit plans.

E. Each employee of a participating employer who meets the eligibility requirements for participation in the flexible benefits plan shall make an annual election of benefits under the plan during an enrollment period to be held prior to the beginning of each plan year. The enrollment period dates will be determined annually and will be announced by the Council, providing the enrollment period shall end no later than thirty (30) days before the beginning of the plan year.

Each such employee shall make an irrevocable advance election for the plan year or the remainder thereof pursuant to such procedures as the Council shall prescribe. Any such employee who fails to make a proper election under the plan shall, nevertheless, be a participant in the plan and shall be deemed to have purchased the default benefits described in this section.

F. The Council shall prescribe the forms that participants will be required to use in making their elections, and may prescribe deadlines and other procedures for filing the elections.

G. Any participant who, in the first year for which he or she is eligible to participate in the plan, fails to make a proper election under the plan in conformance with the procedures set forth in this section or as prescribed by the Council shall be deemed automatically to have purchased the default benefits. The default benefits shall be the same as the basic plan benefits. Any participant who, after having participated in the plan during the previous plan year, fails to make a proper election under the plan in conformance with the procedures set forth in this section or prescribed by the Council, shall be deemed automatically to have purchased the same benefits which the participant purchased in the immediately preceding plan year, except that the participant shall not be deemed to have elected coverage under the health care reimbursement account plan or the dependent care reimbursement account plan.

H. Benefit plan contracts with the Board, health maintenance organizations, and other third party insurance vendors shall provide for a risk adjustment factor for adverse selection that may occur, as determined by the Council, based on generally accepted actuarial principles.

I. 1. For the plan year ending December 31, 2004, employees covered or eligible to be covered under the State and Education Employees Group Insurance Act and the State Employees Flexible

Benefits Act who are enrolled in a health maintenance organization offering a network in Oklahoma City, shall have the option of continuing care with a primary care physician for the remainder of the plan year if:

- a. that primary care physician was part of a provider group that was offered to the individual at enrollment and later removed from the network of the health maintenance organization, for reasons other than for cause, and
- b. the individual submits a request in writing to the health maintenance organization to continue to have access to the primary care physician.

2. The primary care physician selected by the individual shall be required to accept reimbursement for such health care services on a fee-for-service basis only. The fee-for-service shall be computed by the health maintenance organization based on the average of the other fee-for-service contracts of the health maintenance organization in the local community. The individual shall only be required to pay the primary care physician those co-payments, coinsurance and any applicable deductibles in accordance with the terms of the agreement between the employer and the health maintenance organization and the provider shall not balance bill the patient.

3. Any network offered in Oklahoma City that is terminated prior to July 1, 2004, shall notify the health maintenance organization, Oklahoma State Employees Benefits Council and State and Education Employees Group Insurance Board by June 11, 2004, of the network's intentions to continue providing primary care services as described in paragraph 2 of this subsection offered by the health maintenance organization to state and public employees.

SECTION 12. 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, 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 _____ 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. 1. 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 _____ (\$____) for each year of credited service not to exceed thirty (30) years of service.

2. Effective July 1, 2007, any persons receiving benefits pursuant to Section 49-101 of Title 11 of the Oklahoma Statutes shall each receive a monthly benefit equal to _____ Dollars (\$____) for each year of credited service not to exceed thirty (30) years of service.

SECTION 13. 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 _____ 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 subsection A of this section.

SECTION 14. 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 _____ percent (____%) increase in said benefits beginning in July 2006.

SECTION 15. 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 _____ 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 16. 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 _____ 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 _____ percent (____%) increase in said benefits beginning in July 2006.

SECTION 17. NEW LAW A new section of law to be codified in the Oklahoma Statutes as Section 46 of Title 62, unless there is created a duplication in numbering, reads as follows:

A. 1. In the event any legislation becomes effective on or after January 1, 2007, which results in a reduction in funds apportioned to the Teachers' Retirement System Dedicated Revenue Revolving Fund pursuant to Section 1353, 1403 or 2352 of Title 68 of the Oklahoma Statutes, a sum of money equal to the State Board of Equalization estimate of such reduction shall be apportioned annually by the Oklahoma Tax Commission to the Teachers' Retirement System Dedicated Revenue Revolving Fund from the revenues which would otherwise be apportioned to the General Revenue Fund pursuant to subparagraph a of paragraph 1 of Section 2352 of Title 68 of the Oklahoma Statutes.

2. The State Board of Equalization shall meet not later than sixty (60) days after the end of a legislative session to determine if any legislation has been enacted which will result in a reduction of funds described in paragraph 1 of this subsection. The State Board of Equalization shall notify the Oklahoma Tax Commission in writing of the amount of the reduction to the Teachers' Retirement System Dedicated Revenue Revolving Fund estimated to occur as a result of such legislation.

B. 1. In the event any legislation becomes effective on or after January 1, 2007, which results in a reduction in funds apportioned to the Oklahoma Law Enforcement Retirement Fund pursuant to Section 312.1 of Title 36 of the Oklahoma Statutes or Section 1104 of Title 47 of the Oklahoma Statutes, a sum of money equal to

the State Board of Equalization estimate of such reduction shall be apportioned annually by the Oklahoma Tax Commission to the Oklahoma Law Enforcement Retirement Fund from the revenues which would otherwise be apportioned to the General Revenue Fund pursuant to subparagraph a of paragraph 1 of Section 2352 of Title 68 of the Oklahoma Statutes.

2. The State Board of Equalization shall meet not later than sixty (60) days after the end of a legislative session to determine if any legislation has been enacted which will result in a reduction of funds described in paragraph 1 of this subsection. The State Board of Equalization shall notify the Oklahoma Tax Commission in writing of the amount of the reduction to the Oklahoma Law Enforcement Retirement Fund estimated to occur as a result of such legislation.

C. 1. In the event any legislation becomes effective on or after January 1, 2007, which results in a reduction in funds apportioned to the Oklahoma Firefighters Pension and Retirement Fund pursuant to Section 312.1 of Title 36 of the Oklahoma Statutes, a sum of money equal to the State Board of Equalization estimate of such reduction shall be apportioned annually by the Oklahoma Tax Commission to the Oklahoma Firefighters Pension and Retirement Fund from the revenues which would otherwise be apportioned to the General Revenue Fund pursuant to subparagraph a of paragraph 1 of Section 2352 of Title 68 of the Oklahoma Statutes.

2. The State Board of Equalization shall not meet not later than sixty (60) days after the end of a legislative session to determine if any legislation has been enacted which will result in a reduction of funds described in paragraph 1 of this subsection. The State Board of Equalization shall notify the Oklahoma Tax Commission in writing of the amount of the reduction to the Oklahoma Firefighters Pension and Retirement Fund estimated to occur as a result of such legislation.

D. 1. In the event any legislation becomes effective on or after January 1, 2007, which results in a reduction in funds apportioned to the Oklahoma Police Pension and Retirement System pursuant to Section 312.1 of Title 36 of the Oklahoma Statutes, a sum of money equal to the State Board of Equalization estimate of such reduction shall be apportioned annually by the Oklahoma Tax Commission to the Oklahoma Police Pension and Retirement System from the revenues which would otherwise be apportioned to the General Revenue Fund pursuant to subparagraph a of paragraph 1 of Section 2352 of Title 68 of the Oklahoma Statutes.

2. The State Board of Equalization shall meet not later than sixty (60) days after the end of a legislative session to determine if any legislation has been enacted which will result in a reduction of funds described in paragraph 1 of this subsection. The State Board of Equalization shall notify the Oklahoma Tax Commission in writing of the amount of the reduction to the Oklahoma Police Pension and Retirement System estimated to occur as a result of such legislation.

SECTION 18. 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 retirement 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 _____ percent (___%) increase in said benefits beginning in July 2006.

SECTION 19. This act shall become effective July 1, 2006.

SECTION 20. 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 25th day of April, 2006.

Presiding Officer of the Senate

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

Presiding Officer of the House
of Representatives