

and

Mazzei of the Senate

An Act relating to public retirement systems; amending 74 O.S. 2001, Sections 920, as last amended by Section 26, Chapter 536, O.S.L. 2004 and 920A, as last amended by Section 140, Chapter 1, O.S.L. 2005 (74 O.S. Supp. 2005, Sections 920 and 920A), which relate to employer contribution rates for the Oklahoma Public Employees Retirement System; modifying rates; modifying maximum employer contribution rates for certain local government employers; amending 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), which relates to the Uniform Retirement System for Justices and Judges; modifying employer contribution rate; prohibiting consideration of certain employer contribution rate increases for purposes of actuarial valuations; providing for codification; providing an effective date; and declaring an emergency.

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

SECTION 1. 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 2. 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 3. 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 4. 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 1, 2 and 3 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 5. This act shall become effective July 1, 2006.

SECTION 6. 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 House of Representatives the 13th day of March, 2006.

Presiding Officer of the House of
Representatives

Passed the Senate the ____ day of _____, 2006.

Presiding Officer of the Senate