

CS for EHB 2514

THE STATE SENATE
Monday, April 10, 2006

Committee Substitute for
ENGROSSED
House Bill No. 2514

COMMITTEE SUBSTITUTE FOR ENGROSSED HOUSE BILL NO. 2514 - By: YOUNG
of the House and EASON McINTYRE of the Senate.

[retirement - contributions - benefits - employee benefits
- codification - effective date -
emergency]

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

SECTION 1. NEW LAW A new section of law to be codified
in the Oklahoma Statutes as Section 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

(Bold face denotes Committee Amendments)

1 920A of Title 74 of the Oklahoma Statutes. During such period of
2 time the election is in effect, all employees of the city or town or
3 rural water district shall cease accruing service credit in the
4 System.

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

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

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

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

1 SECTION 2. AMENDATORY 74 O.S. 2001, Section 918, as last
2 amended by Section 98, Chapter 3, O.S.L. 2003 (74 O.S. Supp. 2005,
3 Section 918), is amended to read as follows:

4 Section 918. (1) Except as otherwise provided for in this
5 section and Section 918.1 of this title, a member may elect to have
6 the retirement benefit paid under one of the options provided in
7 this section in lieu of having it paid in the form stated in Section
8 915 of this title. The election of an option must be made at any
9 time prior to retirement or prior to termination of service with a
10 vested benefit. A specific person must be designated as joint
11 annuitant at the time of election of Option A or B. Election of an
12 option is available with respect to the vested benefit. All
13 retirement benefits of a married member shall be paid pursuant to
14 the Option A plan as provided for in this section unless the spouse
15 of a member consents in writing for the benefits to be paid as
16 provided for in Section 915 of this title or pursuant to Option B or
17 Option C as provided for in this section.

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

23 (3) The retirement options are:

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

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

1 Option C. Life with ten (10) years certain. A reduced
2 retirement benefit is payable to the retirant during his or her
3 lifetime and if the retirant dies within the ten-year certain
4 period, measured from the commencement of retirement benefits
5 payments, such payments will be continued to the beneficiary during
6 the balance of the ten-year certain period. If the retirant dies
7 within the ten-year certain period, and there are no living
8 designated beneficiaries, the person responsible for the estate of
9 the retirant may elect for the estate to be paid the benefits for
10 the remainder of the term or to receive the present value of the
11 remaining benefit payments according to rules adopted by the Board
12 of Trustees of the System. If the retirant predeceases a designated
13 beneficiary within the ten-year certain period, and the beneficiary
14 dies after the beneficiary has begun to receive benefits, the person
15 responsible for the estate of the beneficiary may elect for the
16 estate to be paid the benefits for the remainder of the term or to
17 receive the present value of the remaining benefit payments
18 according to rules adopted by the Board of Trustees of the System.

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

22 (5) If a member who is eligible to retire in accordance with
23 the provisions of Section 914 of this title but is not actually

1 retired or is eligible to vest or has elected a vested benefit dies,
2 the member's spouse may elect to receive benefits as a joint
3 annuitant under Option B calculated as if the member retired on the
4 date of death, in lieu of receiving the member's accumulated
5 contributions. However, no benefits shall be payable before the
6 date the deceased member would have met the requirements for a
7 normal or early retirement. The provisions of this paragraph shall
8 be applicable to a surviving spouse of a deceased member who died
9 prior to the effective date of this act, but only if no benefits or
10 distributions have been previously paid.

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

15 SECTION 3. AMENDATORY 74 O.S. 2001, Section 919.1, as
16 last amended by Section 5, Chapter 539, O.S.L. 2004 (74 O.S. Supp.
17 2005, Section 919.1), is amended to read as follows:

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

20 (a) for employees except as otherwise provided in
21 paragraphs (b), (c), (d), and (e) ~~and (f)~~ of this
22 subsection: beginning July 1, ~~1998~~ 2006, and
23 thereafter, ~~three percent (3%)~~ three and one-half

1 percent (3.5%) of allowable annual compensation ~~not in~~
2 ~~excess of Twenty-five Thousand Dollars (\$25,000.00);~~

3 (b) ~~for all employees except as otherwise provided in~~
4 ~~paragraphs (a), (c), (d), (e) and (f) of this~~
5 ~~subsection: beginning July 1, 1998, and thereafter,~~
6 ~~three and one-half percent (3 1/2%) of allowable~~
7 ~~annual compensation of more than Twenty-five Thousand~~
8 ~~Dollars (\$25,000.00);~~

9 ~~(e)~~ for correctional officers and probation and parole
10 officers employed by the Department of Corrections:
11 beginning July 1, 1998, and thereafter, and for
12 correctional officers or probation and parole officers
13 who are in such position on June 30, 2004, or who are
14 hired after June 30, 2004, and who receive a promotion
15 or change in job classification after June 30, 2004,
16 to another position in the Department of Corrections,
17 so long as such officers have at least five (5) years
18 of service as a correctional officer or probation and
19 parole officer, eight percent (8%) of allowable
20 compensation as provided in paragraph (9) of Section
21 902 of this title;

22 ~~(d)~~ (c) for fugitive apprehension agents who are employed with
23 the Department of Corrections on or after July 1,

1 2002, and for fugitive apprehension agents who are in
2 such position on June 30, 2004, or who are hired after
3 June 30, 2004, and who receive a promotion or change
4 in job classification after June 30, 2004, to another
5 position in the Department of Corrections, so long as
6 such agents have at least five (5) years of service as
7 a fugitive apprehension agent, eight percent (8%) of
8 allowable compensation as provided in paragraph (9) of
9 Section 902 of this title;

10 ~~(e)~~ (d) for firefighters of the Oklahoma Military Department
11 first employed beginning July 1, 2002, and thereafter,
12 and such firefighters who performed service prior to
13 July 1, 2002, for the Oklahoma Military Department and
14 who make the election authorized by division (1) of
15 subparagraph b of paragraph (9) of subsection A of
16 Section 915 of this title who perform service on or
17 after July 1, 2002, in such capacity, eight percent
18 (8%) of allowable compensation as provided in
19 subsection (9) of Section 902 of this title;

20 ~~(f)~~ (e) for all employees except those who make contributions
21 pursuant to paragraphs (b), (c), and (d) and ~~(e)~~ of
22 this subsection who make an irrevocable written
23 election pursuant to paragraph (2) of subsection A of

1 Section 915 of this title: ~~five and ninety one one-~~
2 ~~hundredths percent (5.91%) of allowable annual~~
3 ~~compensation not in excess of Twenty-five Thousand~~
4 ~~Dollars (\$25,000.00) and six and forty-one one-~~
5 hundredths percent (6.41%) of allowable annual
6 compensation ~~of more than Twenty-five Thousand Dollars~~
7 ~~(\$25,000.00).~~

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

12 (2) Contributions shall be deducted by each state agency by the
13 participating employer for such benefits as the Board is authorized
14 to administer as provided for by law. Employee and employer
15 contributions shall be remitted monthly, or as the Board may
16 otherwise provide, to the Executive Director for deposit in the
17 Oklahoma Public Employees Retirement Fund.

18 (3) Each participating employer shall pick up under the
19 provisions of Section 414(h) (2) of the Internal Revenue Code of 1986
20 and pay the contribution which the member is required by law to make
21 to the System for all compensation earned after December 31, 1988.
22 Although the contributions so picked up are designated as member
23 contributions, such contributions shall be treated as contributions

1 being paid by the participating employer in lieu of contributions by
2 the member in determining tax treatment under the Internal Revenue
3 Code of 1986 and such picked up contributions shall not be
4 includable in the gross income of the member until such amounts are
5 distributed or made available to the member or the beneficiary of
6 the member. The member, by the terms of this System, shall not have
7 any option to choose to receive the contributions so picked up
8 directly and the picked up contributions must be paid by the
9 participating employer to the System.

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

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

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

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

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

6 The amendatory provisions regarding the employee contribution
7 rate applicable to the members of the Oklahoma Public Employees
8 Retirement System as contained in Section 919.1 of Title 74 of the
9 Oklahoma Statutes, as amended by Section 3 of this act, shall not
10 become effective as law unless a pay increase that is generally
11 applicable to all state employees is enacted pursuant to legislation
12 passed by the Legislature during the 2nd Regular Session of the 50th
13 Oklahoma Legislature.

14 SECTION 5. AMENDATORY 74 O.S. 2001, Section 920, as last
15 amended by Section 26, Chapter 536, O.S.L. 2004 (74 O.S. Supp. 2005,
16 Section 920), is amended to read as follows:

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

22 (2) Effective July 1, 1995, every state agency which is a
23 participating employer shall contribute to the System an amount

1 equal to eleven and one-half percent (11 1/2%) of the monthly
2 compensation of each member, not to exceed the allowable annual
3 compensation as defined in paragraph (9) of Section 902 of this
4 title.

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

10 (4) Effective July 1, 1999, and through the fiscal year ending
11 June 30, 2005, every state agency which is a participating employer
12 shall contribute to the System an amount equal to ten percent (10%)
13 of the monthly compensation of each member, not to exceed the
14 allowable annual compensation defined in paragraph (9) of Section
15 902 of this title.

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

21	July 1, 2005 - June 30, 2006	11 1/2%
22	July 1, 2006 - June 30, 2007	12 1/2% <u>12.5%</u>
23	July 1, 2007 - June 30, 2008	13 1/2% <u>14.0%</u>

1	July 1, 2008 - June 30, 2009	14 1/2% <u>15.5%</u>
2	July 1, 2009 - June 30, 2010	15 1/2% <u>17.0%</u>
3	July 1, 2010 - June 30, 2011	
4	and each year thereafter	16 1/2% <u>18.5%</u>
5	<u>July 1, 2011 - June 30, 2012</u>	<u>20.0%</u>
6	<u>July 1, 2012 - June 30, 2013</u>	
7	<u>and each year thereafter</u>	<u>21.0%</u>

8 (6) The Board shall certify, on or before July 15 of each year,
9 to the Office of State Finance in the case of the state and to the
10 retirement coordinator for each participating employer an
11 actuarially determined estimate of the rate of contribution which
12 will be required, together with all accumulated contributions and
13 other assets of the System, to be paid by each such participating
14 employer to pay all liabilities which shall exist or accrue under
15 the System, including amortization of the past service cost over a
16 period of not to exceed forty (40) years from June 30, 1987, and the
17 cost of administration of the System, as determined by the Board,
18 upon recommendation of the actuary.

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

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

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

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

12 SECTION 6. AMENDATORY 74 O.S. 2001, Section 920A, as
13 last amended by Section 140, Chapter 1, O.S.L. 2005 (74 O.S. Supp.
14 2005, Section 920A), is amended to read as follows:

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

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

3 B. For the fiscal year ending June 30, 2005, the total employer
4 and employee contributions shall equal thirteen and one-half percent
5 (13 1/2%) of the allowable monthly compensation of each member;
6 provided, however, each participating employer listed in this
7 section may set the amount of the employer and employee contribution
8 to equal thirteen and one-half percent (13 1/2%) of the allowable
9 monthly compensation of each member for compensation as provided in
10 paragraph (9) of Section 902 of this title; provided, the employer
11 contribution shall not exceed ten percent (10%) and the employee
12 contribution shall not exceed eight and one-half percent (8 1/2%).

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

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

1 July 1, 2012 - June 30, 2013

2 and each fiscal year

3 thereafter

24.5%

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

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

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

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

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

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

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

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

1 ~~F.~~ G. Each participating employer pursuant to the provisions of
2 this section may pick up under the provisions of Section 414(h) (2)
3 of the Internal Revenue Code of 1986 and pay the contribution which
4 the member is required by law to make to the System for all
5 compensation earned after December 31, 1989. Although the
6 contributions so picked up are designated as member contributions,
7 such contributions shall be treated as contributions being paid by
8 the participating employer in lieu of contributions by the member in
9 determining tax treatment under the Internal Revenue Code of 1986
10 and such picked up contributions shall not be includable in the
11 gross income of the member until such amounts are distributed or
12 made available to the member or the beneficiary of the member. The
13 member, by the terms of this System, shall not have any option to
14 choose to receive the contributions so picked up directly and the
15 picked up contributions must be paid by the participating employer
16 to the System.

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

1 ~~G. I.~~ The participating employer shall pay the member
2 contributions from the same source of funds used in paying salary to
3 the member, by effecting an equal cash reduction in gross salary of
4 the member.

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

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

17	Fiscal Year Ending	Percentage of Contribution
18	June 30, 2006	3.0%
19	June 30, 2007	4.0% <u>9.0%</u>
20	June 30, 2008	5.5% <u>11.0%</u>
21	June 30, 2009	7.0% <u>13.0%</u>
22	June 30, 2010	8.5% <u>15.0%</u>
23	June 30, 2011	10.0% <u>17.0%</u>

1	June 30, 2012	11.5% <u>20.0%</u>
2	June 30, 2013	13.0% <u>22.0%</u>
3	June 30, 2014 <u>and thereafter</u>	14.5% <u>24.0%</u>
4	June 30, 2015	16.0%
5	June 30, 2016	17.5%
6	June 30, 2017	19.0%
7	June 30, 2018	20.5%
8	June 30, 2019 and thereafter	22.0%

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

21 C. The Administrative Director of the Courts shall remit to the
22 System all required retirement contributions due on a monthly basis.
23 All required court and employee contributions and supporting

1 documentation are due and must be received by the System on or
2 before the fifteenth day of the month following the month for which
3 the contributions are due. Court and employee contributions
4 remitted to the System after thirty (30) days from the above due
5 date shall be subject to a monthly late charge of one and one-half
6 percent (1.5%) of the unpaid balance to be paid by the
7 Administrative Director of the Courts to the System.

8 SECTION 8. NEW LAW A new section of law to be codified
9 in the Oklahoma Statutes as Section 4001 of Title 62, unless there
10 is created a duplication in numbering, reads as follows:

11 Until such time as the employer contribution rate for each
12 fiscal year as specified in Sections 5, 6 and 7 of this act
13 increases according to the statutory schedule, the actuarial
14 valuation performed for the Oklahoma Public Employees Retirement
15 System and the Uniform Retirement System for Justices and Judges
16 shall be made according to the employer contribution rate then in
17 effect and shall not take into account any projected employer
18 contribution rate increase to take place in the future.

19 SECTION 9. AMENDATORY 74 O.S. 2001, Section 1306, as
20 last amended by Section 85 of Enrolled House Bill No. 3139 of the
21 2nd Session of the 50th Oklahoma Legislature, is amended to read as
22 follows:

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

6 1. The preparation of specifications for such insurance plans
7 as the Board may determine to be appropriate;

8 2. The authority and duty to request bids through the
9 Purchasing Division of the Department of Central Services for a
10 contract to be the claims administrator for all or any part of such
11 insurance and benefit plans as the Board may offer;

12 3. The determination of the methods of claims administration
13 under such insurance and benefit plans as the Board may offer;

14 4. The determination of the eligibility of employees and their
15 dependents to participate in each of the Group Insurance Plans and
16 in such other insurance and benefit plans as the Board may offer and
17 the eligibility of employees to participate in the Life Insurance
18 Plan provided that evidence of insurability shall not be a
19 requirement in determining an employee's initial eligibility;

20 5. The determination of the amount of employee payroll
21 deductions and the responsibility of establishing the procedure by
22 which such deduction shall be made;

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

21 7. The continuing study of the operation of such insurance and
22 benefit plans as the Board may offer including such matters as gross

1 and net costs, administrative costs, benefits, utilization of
2 benefits, and claims administration;

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

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

10 10. a. To select and contract with federally qualified Health
11 Maintenance Organizations under the provisions of 42
12 U.S.C., Section 300e et seq. or with Health
13 Maintenance Organizations ~~licensed~~ granted a
14 certificate of authority by the ~~Department of Health~~
15 Insurance Commissioner pursuant to Sections ~~2501~~ 6901
16 through ~~2510~~ 6591 of Title ~~63~~ 36 of the Oklahoma
17 Statutes for consideration by employees as an
18 alternative to the state self-insured health plan, and
19 to transfer to the HMOs such funds as may be approved
20 for an employee electing HMO alternative services.
21 The Board may also select and contract with a vendor
22 to offer a point-of-service plan. An HMO may offer
23 coverage through a point-of-service plan, subject to

1 the guidelines established by the Board. However, if
2 the Board chooses to offer a point-of-service plan,
3 then a vendor that offers both an HMO plan and a
4 point-of-service plan may choose to offer only its
5 point-of-service plan in lieu of offering its HMO
6 plan.

7 b. Benefit plan contracts with the State and Education
8 Employees Group Insurance Board, Health Maintenance
9 Organizations, and other third-party insurance vendors
10 shall provide for a risk adjustment factor for adverse
11 selection that may occur, as determined by the Board,
12 based on generally accepted actuarial principles. The
13 risk adjustment factor shall include all members
14 participating in the plans offered by the State and
15 Education Employees Group Insurance Board. The
16 Oklahoma State Employees Benefits Council shall
17 contract with an actuary to provide the above
18 actuarial services, and shall be reimbursed for these
19 contract expenses by the Board.

20 c. Effective for the plan year beginning ~~July 1, 1997~~
21 January 1, 2007, and for each year thereafter, in
22 setting health insurance premiums for active employees
23 and for retirees under sixty-five (65) years of age,

1 HMOs, self-insured organizations and prepaid plans
2 shall set the monthly premium for active employees at
3 ~~a maximum of Ninety Dollars (\$90.00) less than an~~
4 amount equal to the monthly premium for retirees under
5 sixty-five (65) years of age;

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

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

21 13. The Board shall contract for claims administration services
22 with a private insurance carrier or a company experienced in claims
23 administration of any insurance that the Board may be directed to

1 offer. No contract for claims administration services shall be made
2 unless such contract has been offered for bids through the
3 Purchasing Division of the Department of Central Services. The
4 Board shall contract with a private insurance carrier or other
5 experienced claims administrator to process claims with software
6 that is normally used for its customers;

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

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

22 ~~In~~ Effective for the plan year beginning January 1, 2007, and
23 for each plan year thereafter, in setting health insurance premiums

1 for active employees and retirees under sixty-five (65) years of
2 age, the Board shall set the monthly premium for active employees at
3 ~~a maximum of Ninety Dollars (\$90.00) less than~~ an amount equal to
4 the monthly premium for retirees under sixty-five (65) years of age;

5 16. Before December 1 of each year the Board shall submit to
6 the Director of the Office of State Finance a report outlining the
7 financial condition for the previous fiscal year of all insurance
8 plans offered by the Board. The report shall include a complete
9 explanation of all reserve funds and the actuarial projections on
10 the need for such reserves. The report shall include and disclose
11 an estimate of the future trend of medical costs, the impact from
12 HMO enrollment, antiselection, changes in law, and other
13 contingencies that could impact the financial status of the plan.
14 The Director of the Office of State Finance shall make written
15 comment on the report and shall provide such comment, along with the
16 report submitted by the Board, to the Governor, the President Pro
17 Tempore of the Senate, the Speaker of the House of Representatives
18 and the Chair of the Oklahoma State Employees Benefits Council by
19 January 15;

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

21 18. The Board shall have the authority to intercept monies
22 owing to plan participants from other state agencies, when those
23 participants in turn, owe money to the Board. The Board shall be

1 required to adopt rules and regulations ensuring the participants
2 due process of law;

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

9 20. Beginning with the plan year which begins on January 1,
10 2006, the Board shall select and contract with one or more providers
11 to offer a group TRICARE Supplement product to eligible employees
12 who are eligible TRICARE beneficiaries. Any membership dues
13 required to participate in a group TRICARE Supplement product
14 offered pursuant to this paragraph shall be paid by the employee.
15 As used in this paragraph, "TRICARE" means the Department of Defense
16 health care program for active duty and retired uniform service
17 members and their families;

18 21. There is hereby created as a joint committee of the State
19 Legislature, the Joint Liaison Committee on State and Education
20 Employees Group Insurance Benefits, which Joint Committee shall
21 consist of three members of the Senate to be appointed by the
22 President Pro Tempore thereof and three members of the House of
23 Representatives to be appointed by the Speaker thereof. The Chair

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

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

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

21 22. The State and Education Employees Group Insurance Board
22 shall annually collect its own set of performance measures
23 comparable to the Health Plan Employer Data and Information Set

1 (HEDIS) for the purpose of assessing the quality of its HealthChoice
2 plans and the other services it provides.

3 SECTION 10. AMENDATORY 74 O.S. 2001, Section 1371, as
4 last amended by Section 1, Chapter 414, O.S.L. 2004 (74 O.S. Supp.
5 2005, Section 1371), is amended to read as follows:

6 Section 1371. A. All participants must purchase at least the
7 basic plan unless the participant is a person who has retired from a
8 branch of the United States military and has been provided with
9 health coverage through a federal plan and that participant provides
10 proof of that coverage. On or before January 1 of the plan year
11 beginning July 1, 2001, and July 1 of any plan year beginning after
12 January 1, 2002, the Oklahoma State Employees Benefits Council shall
13 design the basic plan for the next plan year to insure that the
14 basic plan provides adequate coverage to all participants. All
15 benefit plans, whether offered by the State and Education Employees
16 Group Insurance Board, a health maintenance organization or other
17 vendors shall meet the minimum requirements set by the Council for
18 the basic plan.

19 B. The Board shall offer health, disability, life and dental
20 coverage to all participants and their dependents. For health,
21 dental, disability and life coverage, the Board shall offer plans at
22 the basic benefit level established by the Council, and in addition,
23 may offer benefit plans that provide an enhanced level of benefits.

1 The Board shall be responsible for determining the plan design and
2 the benefit price for the plans that they offer. ~~In~~ Effective for
3 the plan year beginning January 1, 2007, and for each plan year
4 thereafter, in setting health insurance premiums for active
5 employees and for retirees under sixty-five (65) years of age, the
6 Board shall set the monthly premium for active employees at a
7 ~~maximum of Ninety Dollars (\$90.00) less than~~ an amount equal to the
8 monthly premium for retirees under sixty-five (65) years of age.

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

13 C. In lieu of electing any of the preceding medical benefit
14 plans, a participant may elect medical coverage by any health
15 maintenance organization made available to participants by the
16 Council. The benefit price of any health maintenance organization
17 shall be determined on a competitive bid basis. Contracts for said
18 plans shall not be subject to the provisions of the Oklahoma Central
19 Purchasing Act, Section 85.1 et seq. of this title. The Council
20 shall promulgate rules establishing appropriate competitive bidding
21 criteria and procedures for contracts awarded for flexible benefits
22 plans. All plans offered by health maintenance organizations
23 meeting the bid requirements as determined by the Council shall be

1 accepted. The Council shall have the authority to reject the bid or
2 restrict enrollment in any health maintenance organization for which
3 the Council determines the benefit price to be excessive. The
4 Council shall have the authority to reject any plan that does not
5 meet the bid requirements. All bidders shall submit along with
6 their bid a notarized, sworn statement as provided by Section 85.22
7 of this title. ~~In~~ Effective for the plan year beginning January 1,
8 2007, and for each plan year thereafter, in setting health insurance
9 premiums for active employees and for retirees under sixty-five (65)
10 years of age, HMOs, self-insured organizations and prepaid plans
11 shall set the monthly premium for active employees at ~~a maximum of~~
12 ~~Ninety Dollars (\$90.00) less than~~ an amount equal to the monthly
13 premium for retirees under sixty-five (65) years of age.

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

17 E. Each employee of a participating employer who meets the
18 eligibility requirements for participation in the flexible benefits
19 plan shall make an annual election of benefits under the plan during
20 an enrollment period to be held prior to the beginning of each plan
21 year. The enrollment period dates will be determined annually and
22 will be announced by the Council, providing the enrollment period

1 shall end no later than thirty (30) days before the beginning of the
2 plan year.

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

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

12 G. Any participant who, in the first year for which he or she
13 is eligible to participate in the plan, fails to make a proper
14 election under the plan in conformance with the procedures set forth
15 in this section or as prescribed by the Council shall be deemed
16 automatically to have purchased the default benefits. The default
17 benefits shall be the same as the basic plan benefits. Any
18 participant who, after having participated in the plan during the
19 previous plan year, fails to make a proper election under the plan
20 in conformance with the procedures set forth in this section or
21 prescribed by the Council, shall be deemed automatically to have
22 purchased the same benefits which the participant purchased in the
23 immediately preceding plan year, except that the participant shall

1 not be deemed to have elected coverage under the health care
2 reimbursement account plan or the dependent care reimbursement
3 account plan.

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

9 I. 1. For the plan year ending December 31, 2004, employees
10 covered or eligible to be covered under the State and Education
11 Employees Group Insurance Act and the State Employees Flexible
12 Benefits Act who are enrolled in a health maintenance organization
13 offering a network in Oklahoma City, shall have the option of
14 continuing care with a primary care physician for the remainder of
15 the plan year if:

16 a. that primary care physician was part of a provider
17 group that was offered to the individual at enrollment
18 and later removed from the network of the health
19 maintenance organization, for reasons other than for
20 cause, and

21 b. the individual submits a request in writing to the
22 health maintenance organization to continue to have
23 access to the primary care physician.

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

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

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

22 A. Except as provided in subsection B of this section and
23 except for persons receiving benefits pursuant to Section 49-101 of

1 Title 11 of the Oklahoma Statutes, any person receiving benefits
2 from the Oklahoma Firefighters Pension and Retirement System as of
3 June 30, 2005, who continues to receive benefits on or after July 1,
4 2006, shall receive a _____ percent (____%) increase in said
5 benefits beginning in July 2006.

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

10 C. 1. Effective July 1, 2006, any persons receiving benefits
11 pursuant to Section 49-101 of Title 11 of the Oklahoma Statutes
12 shall each receive a monthly benefit equal to _____ (\$____) for
13 each year of credited service not to exceed thirty (30) years of
14 service.

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

20 SECTION 12. NEW LAW A new section of law to be codified
21 in the Oklahoma Statutes as Section 50-136.7 of Title 11, unless
22 there is created a duplication in numbering, reads as follows:

1 A. Except as provided in subsection B of this section, any
2 person receiving benefits from the Oklahoma Police Pension and
3 Retirement System as of June 30, 2005, who continues to receive
4 benefits on or after July 1, 2006, shall receive a _____
5 percent (___%) increase in said benefits beginning in July 2006.

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

10 SECTION 13. NEW LAW A new section of law to be codified
11 in the Oklahoma Statutes as Section 1104I of Title 20, unless there
12 is created a duplication in numbering, reads as follows:

13 Any person receiving benefits from the Uniform Retirement System
14 for Justices and Judges as of June 30, 2005, who continues to
15 receive benefits on or after July 1, 2006, shall receive a _____
16 percent (___%) increase in said benefits beginning in July 2006.

17 SECTION 14. NEW LAW A new section of law to be codified
18 in the Oklahoma Statutes as Section 2-305.10 of Title 47, unless
19 there is created a duplication in numbering, reads as follows:

20 A. Except as provided in subsection B of this section, any
21 person receiving benefits from the Oklahoma Law Enforcement
22 Retirement System as of June 30, 2005, who continues to receive

1 benefits on or after July 1, 2006, shall receive a _____ percent
2 (____%) increase in said benefits beginning in July 2006.

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

7 SECTION 15. NEW LAW A new section of law to be codified
8 in the Oklahoma Statutes as Section 17-116.20 of Title 70, unless
9 there is created a duplication in numbering, reads as follows:

10 A. Any person receiving benefits from the Teachers' Retirement
11 System of Oklahoma as of June 30, 2005, other than those benefits
12 specified in subsection B of this section, who continues to receive
13 benefits on or after July 1, 2006, shall receive a _____ percent
14 (____%) increase in said benefits beginning in July 2006.

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

20 SECTION 16. NEW LAW A new section of law to be codified
21 in the Oklahoma Statutes as Section 930.9 of Title 74, unless there
22 is created a duplication in numbering, reads as follows:

1 Any person receiving retirement benefits from the Oklahoma
2 Public Employees Retirement System as of June 30, 2005, who
3 continues to receive benefits on or after July 1, 2006, shall
4 receive a _____ percent (___%) increase in said benefits
5 beginning in July 2006.

6 SECTION 17. This act shall become effective July 1, 2006.

7 SECTION 18. It being immediately necessary for the preservation
8 of the public peace, health and safety, an emergency is hereby
9 declared to exist, by reason whereof this act shall take effect and
10 be in full force from and after its passage and approval.

11 COMMITTEE REPORT BY: COMMITTEE ON RETIREMENT AND GROUP HEALTH, dated
12 4-4-06 - DO PASS, As Amended.