

STATE OF OKLAHOMA

1st Session of the 50th Legislature (2005)

HOUSE BILL 1996

By: Young

AS INTRODUCED

An Act relating to public retirement systems; requiring the Board of Trustees of the Teachers' Retirement System of Oklahoma to establish and implement a defined contribution retirement plan; setting date for implementation; requiring employees hired after certain date to participate in the defined contribution retirement plan; providing for election to transfer for defined benefit retirement plan members; setting date for transfer; providing for transfer of employee contributions; providing for treatment of years of participation; canceling certain credit in the defined benefit retirement plan; providing for disability, death and certain health-related retirement benefits for members of the defined contribution retirement plan; requiring eligibility; providing benefits in the same manner as those of defined benefit retirement members; providing for immediate vesting for certain members; clarifying maximum contribution levels for defined contribution retirement plan members; specifying contributions; providing for contracts with financial service providers; providing for options upon retirement; amending Section 14, Chapter 58, O.S.L. 2004 (3A O.S. Supp. 2004, Section 713), which relates to the Oklahoma Education Lottery Act; modifying apportionments; increasing apportionment to Teachers' Retirement System Dedicated Revenue Revolving Fund; providing for codification; providing an effective date; and declaring an emergency.

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

SECTION 1. NEW LAW A new section of law to be codified in the Oklahoma Statutes as Section 17-106.5 of Title 70, unless there is created a duplication in numbering, reads as follows:

A. The Board of Trustees of the Teachers' Retirement System of Oklahoma shall establish and maintain a defined contribution retirement plan in addition to the defined benefit retirement plan and shall implement the defined contribution plan beginning July 1, 2005.

B. Notwithstanding any other provision to the contrary in Sections 17-101 through 17-121 of Title 70 of the Oklahoma Statutes, employees who are hired by a participating employer after June 30, 2005, shall be members of the defined contribution retirement plan.

C. After June 30, 2005, members who are participating in the defined benefit plan may make an irrevocable written election to the System to become a member of the defined contribution retirement plan as established by this act. Such election shall be filed not later than ninety (90) days after the effective date of this act.

D. The System shall compute the funded ratio for the System as of the last date for which an actuarial valuation of the assets and liabilities of the System has been completed prior to the election authorized by this section. The resulting ratio shall be multiplied by the amount of employee contributions in the member's account. The result of that computation shall be the net amount of employee contributions which may be transferred to a defined contribution plan account.

E. Years of participation in the defined benefit retirement plan for a member who makes this election shall be used in determining the amount of contributions to be made to the member's defined contribution retirement plan. Any member who makes this election shall have all years of service credited in the defined benefit plan canceled and shall not be eligible to draw any benefits from the defined benefit retirement plan.

F. The Board of Trustees of the Teachers' Retirement System of Oklahoma shall promulgate such rules as are necessary to implement the defined contribution retirement plan.

SECTION 2. NEW LAW A new section of law to be codified in the Oklahoma Statutes as Section 17-106.6 of Title 70, unless there is created a duplication in numbering, reads as follows:

A. Members of the Teachers' Retirement System of Oklahoma who either begin participation in the System after June 30, 2005, or who

elect to transfer to the defined contribution retirement plan pursuant to Section 1 of this act, shall also be eligible, once applicable eligibility or vesting requirements which apply to participants in the defined benefit retirement plan have been met, for disability retirement, death benefits, and health insurance premium payments upon retirement, pursuant to Sections 17-101 through 17-121 of Title 70 and Section 1316.3 of Title 74 of the Oklahoma Statutes, in the same manner as the defined benefit retirement plan members.

B. The System shall also offer in the defined contribution program an actively managed plan in addition to other options. The System shall be authorized to contract with such financial services providers as may be required to provide a reasonable number of investment choices for participants in the defined contribution plan taking into account the need for a balanced investment portfolio with acceptable risk and rate of return.

C. The Board of Trustees of the Teachers' Retirement System of Oklahoma shall promulgate such rules as are necessary to implement the provisions of this section.

SECTION 3. NEW LAW A new section of law to be codified in the Oklahoma Statutes as Section 17-106.7 of Title 70, unless there is created a duplication in numbering, reads as follows:

A. Vesting in the defined contribution retirement plan shall be immediate.

B. There shall be no maximum compensation level for members of the defined contribution retirement plan. Contributions to the defined contribution retirement plan shall be \_\_\_\_ percent (\_\_%).

SECTION 4. NEW LAW A new section of law to be codified in the Oklahoma Statutes as Section 17-106.8 of Title 70, unless there is created a duplication in numbering, reads as follows:

A. Upon retirement from the defined contribution plan authorized by this act, the member may:

1. Receive a lump-sum distribution of all monies in the defined contribution plan account;

2. Elect to make a plan-to-plan transfer to another retirement plan qualified pursuant to the Internal Revenue Code of 1986, as amended;

3. Use the accumulated value to purchase an annuity or other financial product offered by a financial service provider engaged by the Board of Trustees to allow such options upon retirement as provided by subsection B of this section; or

4. Such other elections as may be consistent with the terms of the defined contribution retirement plan and the applicable requirements of the Internal Revenue Code of 1986, as amended.

B. The Board of Trustees of the Teachers' Retirement System of Oklahoma shall be authorized to contract for financial services and financial products that allow a member of the retirement system who reaches a normal retirement date in the defined contribution plan provided for by this act to select options authorized by subsection A of this section.

SECTION 5. AMENDATORY Section 14, Chapter 58, O.S.L. 2003 (3A O.S. Supp. 2004, Section 713), is amended to read as follows:

Section 713. A. All gross proceeds shall be the property of the Oklahoma Lottery Commission. From its gross proceeds, the Commission shall pay the operating expenses of the Commission. At least forty-five percent (45%) of gross proceeds shall be made available as prize money. However, the provisions of this subsection shall be deemed not to create any lien, entitlement, cause of action, or other private right, and any rights of holders of tickets or shares shall be determined by the Commission in setting the terms of its lottery or lotteries. For each fiscal year, net proceeds shall equal at least thirty-five percent (35%) of the gross proceeds. However, for the purpose of repaying

indebtedness issued pursuant to Section ~~33~~ 732 of this ~~act~~ title, for the first two (2) full fiscal years and any partial first fiscal year of the Commission, net proceeds need only equal at least thirty percent (30%) of the gross proceeds. All of the net proceeds shall be transferred to the Oklahoma Education Lottery Trust Fund as provided in subsection B of this section.

B. There is hereby created in the State Treasury a fund to be designated the "Oklahoma Education Lottery Trust Fund". On or before the fifteenth day of each calendar quarter, the Commission shall transfer to the State Treasurer, for credit to the Oklahoma Education Lottery Trust Fund, the amount of all net proceeds accruing during the preceding calendar quarter. Expenditures from the fund shall be made upon warrants issued by the State Treasurer against claims filed as prescribed by law with the Director of State Finance for approval and payment.

Upon their deposit into the State Treasury, any monies representing a deposit of net proceeds shall then become the unencumbered property of this state, and neither the Commission nor the board of trustees shall have the power to agree or undertake otherwise. The monies shall be invested by the State Treasurer in accordance with state investment practices. All earnings attributable to such investments shall likewise be the unencumbered property of the state and shall accrue to the credit of the fund.

C. Monies in the Oklahoma Education Lottery Trust Fund shall only be appropriated as follows:

1. ~~Forty-five percent (45%)~~ Forty-two and five-tenths percent (42.5%) for the following:

- a. kindergarten through twelfth grade public education, including but not limited to compensation and benefits for public school teachers and support employees, and

- b. early childhood development programs, which shall include but not be limited to costs associated with prekindergarten and full-day kindergarten programs;

2. ~~Forty-five percent (45%)~~ Forty-two and five-tenths percent (42.5%) for the following:

- a. tuition grants, loans and scholarships to citizens of this state to enable such citizens to attend colleges and universities located within this state, regardless of whether such colleges and universities are owned or operated by the Oklahoma State Regents for Higher Education, or to attend institutions operated under the authority of the Oklahoma Department of Career and Technology Education, including but not limited to such programs as the Oklahoma Higher Learning Access Program; provided such tuition grants, loans and scholarships shall not be made to a citizen of this state to attend a college or university which is not accredited by the Oklahoma State Regents for Higher Education,
- b. construction of educational facilities for elementary school districts, independent school districts, the Oklahoma State System of Higher Education, and career and technology education,
- c. capital outlay projects for elementary school districts, independent school districts, the Oklahoma State System of Higher Education, and career and technology education,
- d. technology for public elementary school district, independent school district, state higher education, and career and technology education facilities, which shall include but not be limited to costs of providing to teachers at accredited public institutions who

teach levels kindergarten through twelfth grade, personnel at technology centers under the authority of the Oklahoma State Department of Career and Technology Education, and professors and instructors within the Oklahoma State System of Higher Education, the necessary training in the use and application of computers and advanced electronic instructional technology to implement interactive learning environments in the classroom and to access the state-wide distance learning network and costs associated with repairing and maintaining advanced electronic instructional technology,

e. endowed chairs for professors at institutions of higher education operated by the Oklahoma State System of Higher Education, and

f. programs and personnel of the Oklahoma School for the Deaf and the Oklahoma School for the Blind;

3. Five percent (5%) to the School Consolidation and Assistance Fund; and

4. ~~Five percent (5%)~~ Ten percent (10%) to the Teachers' Retirement System Dedicated Revenue Revolving Fund.

D. The Legislature shall appropriate funds from the Oklahoma Education Lottery Trust Fund only for the purposes specified in subsection C of this section. Even when funds from the trust fund are used for these purposes, the Legislature shall not use funds from the trust fund to supplant or replace other state funds supporting common education, higher education, or career and technology education.

E. In order to ensure that the funds from the trust fund are used to enhance and not supplant funding for education, the State Board of Equalization shall examine and investigate appropriations from the trust fund each year. At the meeting of the State Board of

Equalization held within five (5) days after the monthly apportionment in February of each year, the State Board of Equalization shall issue a finding and report which shall state whether appropriations from the trust fund were used to enhance or supplant education funding. If the State Board of Equalization finds that education funding was supplanted by funds from the trust fund, the Board shall specify the amount by which education funding was supplanted. In this event, the Legislature shall not make any appropriations for the ensuing fiscal year until an appropriation in that amount is made to replenish the trust fund.

F. No deficiency in the Oklahoma Education Lottery Trust Fund shall be replenished by reducing any nonlottery funds, including specifically but without limitation, the General Revenue Fund, the Constitutional Reserve Fund or the Education Reform Revolving Fund of the State Department of Education. No program or project started specifically from lottery proceeds shall be continued from the General Revenue Fund, the Constitutional Reserve Fund or the Education Reform Revolving Fund of the State Department of Education. Such programs must be adjusted or discontinued according to available lottery proceeds unless the Legislature by general law establishes eligibility requirements and appropriates specific funds therefor. No surplus in the Oklahoma Education Lottery Trust Fund shall be reduced or transferred to correct any nonlottery deficiencies in sums available for general appropriations.

G. There is hereby created in the State Treasury a revolving fund to be designated the "Oklahoma Education Lottery Revolving Fund". The fund shall be a continuing fund, not subject to fiscal year limitations, and shall consist of all monies received by the Commission. The Commission shall make payments of net proceeds from the fund to the Oklahoma Education Lottery Trust Fund on or before the fifteenth day of each calendar quarter as provided in subsection B of this section. All monies accruing to the credit of the

Oklahoma Education Lottery Revolving Fund are hereby appropriated and may be budgeted and expended for the payment of net proceeds, prizes, commissions to retailers, administrative expenses and all other expenses arising out of the operation of the education lottery, subject to the limitations provided in this act.

Expenditures from the fund shall be made upon warrants issued by the State Treasurer against claims filed as prescribed by law with the Director of State Finance for approval and payment.

The monies in the fund shall be invested by the State Treasurer in accordance with state investment practices. All earnings attributable to such investments shall likewise accrue to the credit of the fund.

SECTION 6. This act shall become effective July 1, 2005.

SECTION 7. 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.

50-1-5273          MAH          01/19/05