

STATE OF OKLAHOMA

1st Session of the 51st Legislature (2007)

COMMITTEE SUBSTITUTE
FOR ENGROSSED
HOUSE BILL 2070

By: Bengé and Sears of the
House

and

Mazzei of the Senate

COMMITTEE SUBSTITUTE

[retirement - Oklahoma Pension Legislation Actuarial
Analysis Act - Teachers' Retirement System of
Oklahoma - effective date]

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

SECTION 1. AMENDATORY Section 2, Chapter 292, O.S.L.
2006 (62 O.S. Supp. 2006, Section 3102), is amended to read as
follows:

Section 3102. The provisions of the Oklahoma Pension
Legislation Actuarial Analysis Act shall be applicable to
legislation affecting ~~the~~:

1. The Teachers' Retirement System of Oklahoma, ~~the~~;
2. The Oklahoma Public Employees Retirement System, ~~or the~~;
3. The Uniform Retirement System for Justices and Judges;
4. The Oklahoma Firefighters Pension and Retirement System;

1 5. The Oklahoma Police Pension and Retirement System;

2 6. The Oklahoma Law Enforcement Retirement System; or ~~to any~~

3 7. Any new retirement system established by law not in

4 existence as of the effective date of this act.

5 SECTION 2. AMENDATORY Section 3, Chapter 292, O.S.L.

6 2006 (62 O.S. Supp. 2006, Section 3103), is amended to read as

7 follows:

8 Section 3103. As used in the Oklahoma Pension Legislation
9 Actuarial Analysis Act:

10 1. "Amendment" means any amendment, including a substitute
11 bill, made to a retirement bill by any committee of the House or
12 Senate or by the House or Senate;

13 2. "RB number" means that number preceded by the letters "RB"
14 assigned to a bill by the respective staffs of the Oklahoma State
15 Senate and the Oklahoma House of Representatives when the respective
16 staff office prepares a bill for a member of the Legislature;

17 3. "Legislative Actuary" means the firm or entity that enters
18 into a contract with the Legislative Service Bureau pursuant to
19 Section ~~15~~ 452.15 of ~~this act~~ Title 74 of the Oklahoma Statutes to
20 provide the actuarial services and other duties provided for in the
21 Oklahoma Pension Legislation Actuarial Analysis Act;

22 4. "Nonfiscal amendment" means an amendment to a retirement
23 bill having a fiscal impact, which amendment does not change any
24

1 factor of an actuarial investigation specified in subsection A of
2 Section 9 3109 of this ~~act~~ title;

3 5. "Nonfiscal retirement bill" means a retirement bill which
4 does not affect the cost or funding factors of a retirement system
5 or a retirement bill which affects such factors only in a manner
6 which does not:

7 a. grant a benefit increase under the retirement system
8 affected by the bill except for cost-of-living
9 adjustments provided to retirees of the retirement
10 system, ~~which shall~~ if the increase in actuarial
11 accrued liability from the increase does not exceed
12 the ~~annual~~ cumulative increase in actuarial accrued
13 liability already fully reflected in its liabilities
14 by the retirement system from an actuarial assumption
15 ~~of a~~ for such cost-of-living adjustment of an existing
16 retirement system as of December 31, ~~2005~~ 2006, or
17 which shall not exceed two percent (2%) annually on a
18 cumulative basis for a retirement system created on or
19 after January 1, 2006, which bill shall specifically
20 identify such cost-of-living increase,

21 b. create an actuarial accrued liability for or increase
22 the actuarial accrued liability of the retirement
23 system affected by the bill, or

24

1 c. increase the normal cost of the retirement system
2 affected by the bill except as otherwise provided by
3 subparagraph a of this paragraph.

4 6. "Reduction in cost amendment" means an amendment to a
5 retirement bill having a fiscal impact which reduces the cost of the
6 bill as such cost is determined by the actuarial investigation for
7 the bill prepared pursuant to Section 9 3109 of this ~~act~~ title;

8 7. "Retirement bill" means any bill or joint resolution
9 introduced by a member of the Oklahoma Legislature which creates or
10 amends any law directly affecting a retirement system. A retirement
11 bill shall not mean a bill or resolution that impacts the revenue of
12 any state tax in which a portion of the revenue generated from such
13 tax is earmarked for the benefit of a retirement system;

14 8. "Retirement bill having a fiscal impact" means any
15 retirement bill creating or establishing a retirement system and any
16 other retirement bill other than a nonfiscal retirement bill; and

17 9. "Retirement system" means the Teachers' Retirement System of
18 Oklahoma, the Oklahoma Public Employees Retirement System, the
19 Uniform Retirement System for Justices and Judges, the Oklahoma
20 Firefighters Pension and Retirement System, the Oklahoma Police
21 Pension and Retirement System, the Oklahoma Law Enforcement
22 Retirement System, or a retirement system established after January
23 1, 2006.
24

1 SECTION 3. AMENDATORY Section 11, Chapter 292, O.S.L.
2 2006 (62 O.S. Supp. 2006, Section 3111), is amended to read as
3 follows:

4 Section 3111. A. Any retirement bill having a fiscal impact
5 which is enacted by the Legislature and which is approved by the
6 Governor or which otherwise becomes law shall become effective on
7 the first day of July immediately following the regular session
8 during which it was enacted, but only if the enacted bill is
9 concurrently funded as provided by this section and only if the bill
10 is approved as an emergency measure by a vote of two-thirds (2/3) of
11 all members elected to each House. If an enacted bill does not
12 receive a two-thirds (2/3) vote of all members, the law shall become
13 effective on the first day of September immediately following the
14 regular session during which it was enacted. If an enacted bill,
15 including one approved by the Governor, is not concurrently funded
16 as required by this section, then such bill shall not become
17 effective as law.

18 B. When a retirement bill having a fiscal impact amends a
19 retirement system having employer contributions funded from
20 appropriations by the Legislature, then appropriations for the first
21 fiscal year of effectiveness of the bill, after it becomes law, must
22 include funds to pay the amount determined by the actuarial
23 investigation under paragraph 5 of subsection A of Section ~~9~~ 3109 of
24 this ~~act~~ title. It is the intent of the Legislature that future

1 appropriations for subsequent fiscal years must include an amount
2 necessary to maintain the actuarial soundness of the retirement
3 system in accordance with the findings of the actuarial
4 investigation. Any limitation on the rate of employer contributions
5 that may be included in a law which is the source of authority for a
6 retirement system affected by this subsection shall be amended to
7 the extent necessary to comply with the requirements of this
8 subsection.

9 C. When a retirement bill having a fiscal impact amends a
10 retirement system having employer contributions funded wholly or
11 partially from the funds of a political subdivision, that political
12 subdivision shall have a duty to produce funds as necessary to pay
13 all or its proportionate share of the amount determined by actuarial
14 investigation under paragraph 5 of subsection A of Section 9 3109 of
15 this ~~act~~ title.

16 D. When a retirement bill having a fiscal impact creates a new
17 retirement system, then employer contributions in conformity with
18 paragraph 5 of subsection A of Section 9 3109 of this ~~act~~ title must
19 be made to the retirement system either by direct appropriations by
20 the Legislature or by another source of employer contributions
21 specifically provided for in the bill creating the new retirement
22 system.

23 E. For purposes of determining the concurrent funding
24 requirement imposed pursuant to this section with respect to a

1 fiscal retirement bill, if a bill to provide a cost-of-living
2 adjustment to the retirees of the applicable retirement system would
3 have the effect of increasing the liabilities of the retirement
4 system in excess of the liabilities already reflected in the
5 retirement system's actuarial assumption for such cost-of-living
6 adjustment, as defined in Section 3103 of this title, only the
7 amount of the excess liabilities not already included in the
8 applicable actuarial assumption for the system shall require
9 concurrent funding.

10 SECTION 4. AMENDATORY Section 2, Chapter 46, 2nd
11 Extraordinary Session, O.S.L. 2006 (70 O.S. Supp. 2006, Section 17-
12 116.2C), is amended to read as follows:

13 Section 17-116.2C A. As used in this section:

14 1. "Contribution deficit" means the amount of money computed
15 for an eligible employee by multiplying the employee contribution
16 rate in effect for any period of service performed on or after July
17 1, 1987, through June 30, 1995, multiplied by the amount of salary
18 earned by the member in excess of the applicable maximum
19 compensation level of the member for such period with interest at
20 the rate of ten percent (10%) per year compounded annually;
21 provided, that for the designated fiscal years prescribed by
22 subparagraphs a and b of this paragraph, the contribution deficit
23 payment shall be adjusted to:

24

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

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

- 17 a. who has already reached a normal retirement age prior
- 18 to the effective date of this act and has not retired
- 19 prior to the effective date of this act,
- 20 b. who reaches a normal retirement age on or after the
- 21 effective date of this act, and
- 22 c. who is employed by an institution within The Oklahoma
- 23 State System of Higher Education that is not a
- 24 comprehensive university or a regional institution

1 offering a four-year degree program as designated or
2 authorized by the Oklahoma State Regents for Higher
3 Education;

4 3. "Maximum average salary amount", subject to the requirements
5 of this paragraph related to the funding level for employer
6 contribution rates, means:

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

10 b. Eighty Thousand Dollars (\$80,000.00) regardless of any
11 otherwise applicable maximum compensation level for
12 the fiscal year ending June 30, 2008, and

13 c. the full amount of the average salary without any
14 limitation for the fiscal year ending June 30, 2009,
15 and or each fiscal year thereafter.

16 The maximum final average salary amount otherwise authorized
17 pursuant to subparagraph b or subparagraph c of this paragraph shall
18 be contingent upon the participating employer in whose employment
19 the member is active upon the date the member retires receiving, for
20 the fiscal year during which the member's retirement will begin, the
21 amount of funds required pursuant to paragraph 8 of Section 17-108.1
22 of this title in order to allow the employer contribution rates
23 prescribed by paragraphs 6, 7 and 8 of Section 17-108.1 of this
24 title to be effective as law. If a member is employed by an

1 employer that does not receive the funding required by paragraph 8
 2 of Section 17-108.1 of this title for the fiscal year during which
 3 the member's retirement will begin, the member shall not be
 4 authorized to use the maximum final average salary otherwise
 5 authorized by this paragraph to compute retirement benefits. A
 6 member shall be required to have been employed by a participating
 7 employer for a period of at least twelve (12) months prior to
 8 retirement in order to compute a retirement benefit using the
 9 maximum final average salary authorized by this paragraph;

10 4. "Maximum compensation level" means either:

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

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

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

22 B. Unless otherwise expressly provided by this section, any
 23 definition contained in Section 17-101 of ~~Title 70 of the Oklahoma~~
 24 ~~Statutes~~ this title otherwise applicable to computation of benefits

1 for retired members of the Teachers' Retirement System of Oklahoma
2 shall have the same meaning for purposes of this section.

3 C. Effective July 1, 2006, any eligible member of the Teachers'
4 Retirement System of Oklahoma, who, as of July 1, 2006, has already
5 reached a normal retirement age or who on or after July 1, 2006,
6 reaches a normal retirement age as defined by paragraph 24 of
7 Section 17-101 of ~~Title 70 of the Oklahoma Statutes~~ this title,
8 shall be eligible to have a retirement benefit computed as provided
9 by this section. If a member is eligible for the benefit
10 computation authorized by this section, the average salary used to
11 compute the retirement benefit of the member shall be governed by
12 the provisions of this section and such provisions shall govern in
13 the event of conflict between this section and the provisions of
14 Section 17-116.2 of ~~Title 70 of the Oklahoma Statutes~~ this title.

15 D. An eligible employee who performs service in the manner
16 prescribed by subsection E of this section and who makes payment of
17 the applicable contribution deficit amount may have a retirement
18 benefit computed as otherwise authorized by Section 17-105 of ~~Title~~
19 ~~70 of the Oklahoma Statutes~~ this title, but shall have such benefit
20 computed without regard to any maximum compensation level that would
21 otherwise be applicable to the compensation of the member for any
22 period of pre-cap removal service.

23 E. In order to have retirement benefits computed as authorized
24 by subsection C of this section, and in addition to the payment of

1 the contribution deficit amount required by this section, in order
2 to have any pre-cap removal service included in the retirement
3 benefit computation of the member using the average salary earned
4 during such period of participating service subject to the maximum
5 average salary amount, the member shall be required to perform one
6 (1) year of participating service on or after the date as of which
7 the member reaches a normal retirement age, for each two (2) years
8 of service performed prior to July 1, 1995. For purposes of this
9 section, any year of service performed prior to the effective date
10 of this act after a member reached a normal retirement age shall
11 qualify for purposes of the retirement benefit computation
12 authorized by this section.

13 F. One (1) year of participating service performed by an
14 eligible member who, prior to the effective date of this act has
15 reached a normal retirement age or, who on or after July 1, 2006,
16 reaches a normal retirement age, shall result in the inclusion of
17 the two (2) years of participating service immediately preceding
18 July 1, 1995, in a retirement benefit computation using the average
19 salary of the member, subject to the maximum average salary amount.
20 For each additional year of participating service performed by the
21 eligible member thereafter, whether such service has been performed
22 prior to the effective date of this act or whether such service is
23 performed on or after the effective date of this act, the two (2)
24 next succeeding years of pre-cap removal service performed prior to

1 the end of the preceding two-year period may be included in the
2 benefit computation without regard to the maximum compensation level
3 of the member that would otherwise be applicable to such pre-cap
4 removal service.

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

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

- 20 1. July 1, 1987, through June 30, 1988;
- 21 2. July 1, 1988, through June 30, 1989;
- 22 3. July 1, 1989, through June 30, 1990;
- 23 4. July 1, 1990, through June 30, 1991;
- 24 5. July 1, 1991, through June 30, 1992;

1 6. July 1, 1992, through June 30, 1993;

2 7. July 1, 1993, through June 30, 1994; and

3 8. July 1, 1994, through June 30, 1995.

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

16 1. Paragraphs 5 and 6 of subsection H of this section;

17 2. Paragraphs 3 and 4 of subsection H of this section; and

18 3. Paragraphs 1 and 2 of subsection H of this section.

19 J. After making payment of all required contribution deficit
20 amounts for all periods of service described in paragraphs 1 through
21 8 of subsection H of this section, an eligible member who has
22 performed any additional years of service after having reached a
23 normal retirement age, or for each year of service performed by the
24 member after reaching a normal retirement age on or after the

1 effective date of this act, the member may then include any
2 additional two-year period of service performed prior to July 1,
3 1987, using the average salary of the member, subject to the maximum
4 average salary amount, in the retirement benefit computation for
5 such years of service by performing one (1) additional year of
6 service.

7 K. No contribution deficit payments shall be required of the
8 eligible member with respect to years of service performed prior to
9 July 1, 1987, if such years of service are included in the
10 retirement benefit computation of the member using average salary as
11 otherwise authorized by this section, subject to the maximum average
12 salary amount.

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

22 M. Any pre-cap removal years of service for which the required
23 contribution deficit payment has not been made to the System shall
24 only be included in a retirement benefit computation using the

1 maximum compensation level in effect for the member at the time such
2 years of service were performed.

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

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

15 P. No participating employer of the System shall make payment
16 of any required contribution deficit amount on behalf of any
17 otherwise eligible member, whether directly or indirectly, in order
18 for the member to have retirement benefits computed according to the
19 provisions of this section.

20 Q. No member of the System who has retired prior to July 1,
21 2006, shall be eligible to make any payments of the contribution
22 deficit amount and no such member shall have the ability to have a
23 retirement benefit recomputed as a result of the provisions of this
24 section.

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

14 SECTION 5. This act shall become effective November 1, 2007.

15

16 51-1-1883 ARE 11/27/2007 5:21:43 PM

17

18

19

20

21

22

23

24