

STATE OF OKLAHOMA

2nd Session of the 51st Legislature (2008)

HOUSE BILL 2914

By: Morrissette

AS INTRODUCED

An Act relating to public retirement systems; amending 47 O.S. 2001, Section 2-304, which relates to the Oklahoma Law Enforcement Retirement System; amending 70 O.S. 2001, Section 17-108.1, as last amended by Section 1, Chapter 366, O.S.L. 2007 (70 O.S. Supp. 2007, Section 17-108.1), which relates to the Teachers' Retirement System of Oklahoma; amending 74 O.S. 2001, Section 920, as last amended by Section 26, Chapter 536, O.S.L. 2004 (74 O.S. Supp. 2007, Section 920), which relates to the Oklahoma Public Employees Retirement System; modifying employer contribution rates; providing an effective date; and declaring an emergency.

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

SECTION 1. AMENDATORY 47 O.S. 2001, Section 2-304, is amended to read as follows:

Section 2-304. A. The Department of Public Safety, the Oklahoma State Bureau of Investigation, the Oklahoma State Bureau of Narcotics and Dangerous Drugs Control, the Oklahoma Alcoholic Beverage Control Board, the Oklahoma Tourism and Recreation Department and the Oklahoma State Board of Pharmacy shall make contributions to the fund as follows:

1 The Department of Public Safety, Oklahoma State Bureau of
2 Investigation, Oklahoma State Bureau of Narcotics and Dangerous
3 Drugs Control, the Oklahoma Alcoholic Beverage Control Board, the
4 Oklahoma Tourism and Recreation Department and the Oklahoma State
5 Board of Pharmacy shall contribute to the fund an amount equal to
6 ~~ten percent (10%)~~ ten and five-tenths percent (10.5%) of the actual
7 paid base salary of each member.

8 B. Each member of the System shall make contributions to the
9 fund in an amount equal to eight percent (8%) of the actual paid
10 base salary of the member.

11 Member contributions shall be deducted by each participating
12 employer for such benefits as the Board is by law authorized to
13 administer and shall be remitted monthly, or as the Board may
14 otherwise provide, for deposit in the fund.

15 C. Each employer shall pick up under the provisions of Section
16 414(h)(2) of the Internal Revenue Code of 1986 and pay the
17 contribution which the member is required by law to make to the
18 System for all compensation earned after December 31, 1989.
19 Although the contributions so picked up are designated as member
20 contributions, such contributions shall be treated as contributions
21 being paid by the employer in lieu of contributions by the member in
22 determining tax treatment under the Internal Revenue Code of 1986
23 and such picked up contributions shall not be includable in the
24 gross income of the member until such amounts are distributed or

1 made available to the member or the beneficiary of the member. The
2 member, by the terms of this System, shall not have any option to
3 choose to receive the contributions so picked up directly and the
4 picked up contributions must be paid by the employer to the System.

5 Member contributions which are picked up shall be treated in the
6 same manner and to the same extent as member contributions made
7 prior to the date on which member contributions were picked up by
8 the participating employer. Member contributions so picked up shall
9 be included in gross salary for purposes of determining benefits and
10 contributions under the System.

11 The employer shall pay the member contributions from the same
12 source of funds used in paying salary to the member, by effecting an
13 equal cash reduction in gross salary of the member.

14 SECTION 2. AMENDATORY 70 O.S. 2001, Section 17-108.1, as
15 last amended by Section 1, Chapter 366, O.S.L. 2007 (70 O.S. Supp.
16 2007, Section 17-108.1), is amended to read as follows:

17 Section 17-108.1 A. 1. Except as provided in paragraph 2 of
18 this subsection, the employer of any member of the Teachers'
19 Retirement System of Oklahoma shall make the following contributions
20 to the System:

21 a. beginning July 1, 1998, through June 30, 1999, eleven
22 and one-half percent (11 1/2%) of the regular annual
23 compensation of the member not in excess of any
24 applicable maximum compensation level of the member,

- b. beginning July 1, 1999, through June 30, 2000, four and eight-tenths percent (4.8%) of the regular annual compensation of the member not in excess of any applicable maximum compensation level of the member,
- c. beginning July 1, 2000, through June 30, 2001, five and eight-tenths percent (5.8%) of the regular annual compensation of the member not in excess of any applicable maximum compensation level of the member,
- d. beginning July 1, 2001, through June 30, 2002, six and eight-tenths percent (6.8%) of the regular annual compensation of the member not in excess of any applicable maximum compensation level of the member,
- e. beginning July 1, 2002, through December 31, 2006, seven and five-hundredths percent (7.05%) of the regular annual compensation of the member not in excess of any applicable maximum compensation level of the member,
- f. beginning January 1, 2007, through June 30, 2007, seven and six-tenths percent (7.6%) of the regular annual compensation of the member not in excess of any applicable maximum compensation level of the member,
- g. beginning July 1, 2007, through December 31, 2007, seven and eighty-five hundredths percent (7.85%) of the regular annual compensation of the member not in

1 excess of any applicable maximum compensation level of
 2 the member,

3 h. beginning January 1, 2008, through June 30, 2008,
 4 eight and thirty-five hundredths percent (8.35%) of
 5 the regular annual compensation of the member not in
 6 excess of any applicable maximum compensation level of
 7 the member,

8 i. beginning July 1, 2008, through December 31, 2008,
 9 ~~eight and five tenths percent (8.5%)~~ eight and nine
 10 hundred twenty-five thousandths percent (8.925%) of
 11 the regular annual compensation of the member not in
 12 excess of any applicable maximum compensation level of
 13 the member,

14 j. beginning January 1, 2009, through December 31, 2009,
 15 ~~nine percent (9%)~~ nine and forty-five hundredths
 16 percent (9.45%) of the regular annual compensation of
 17 the member not in excess of any applicable maximum
 18 compensation level of the member,

19 k. beginning January 1, 2010, through June 30, 2010, ~~nine~~
 20 ~~and five tenths percent (9.5%)~~ nine and nine hundred
 21 seventy-five thousandths percent (9.975%) of the
 22 regular annual compensation of the member not in
 23 excess of any applicable maximum compensation level of
 24 the member, and

1 1. beginning July 1, 2010, through June 30, 2011, and for
2 each fiscal year thereafter, ~~nine and five tenths~~
3 ~~percent (9.5%)~~ nine and nine hundred seventy-five
4 thousandths percent (9.975%) of the regular annual
5 compensation of the member not in excess of any
6 applicable maximum compensation level of the member.

7 The employer contribution rate increase that would otherwise be
8 effective, as provided by subparagraphs f, g, h, i, j, k and l of
9 this paragraph, shall not become effective as law unless funding
10 levels to each of the affected participating employers within the
11 System are increased so that the additional employer contribution
12 obligation is funded through an appropriation or transfer of monies
13 instead of requiring the additional employer contribution to be paid
14 for from existing budgetary resources of such participating
15 employers. The participating employers shall use any monies
16 specifically made available for purposes of making employer
17 contributions for such purpose and to the extent of the funds made
18 available for that purpose.

19 2. a. Beginning January 1, 2007, through December 31, 2007,
20 a participating employer that employs an employee of a
21 comprehensive university or a regional institution
22 offering a four-year degree program as designated or
23 authorized by the Oklahoma State Regents for Higher
24 Education shall make contributions to the System with

1 respect to such employees at the rate of seven and
 2 five-hundredths percent (7.05%) of the regular annual
 3 compensation of the member not in excess of any
 4 applicable maximum compensation level.

5 b. Beginning January 1, 2008, through December 31, 2008,
 6 a participating employer that employs an employee of a
 7 comprehensive university or a regional institution
 8 offering a four-year degree program as designated or
 9 authorized by the Oklahoma State Regents for Higher
 10 Education shall make contributions to the System with
 11 respect to such employees at the rate of seven and
 12 fifty-five hundredths percent (7.55%) of the regular
 13 annual compensation of the member not in excess of any
 14 applicable maximum compensation level of the member.

15 c. Beginning January 1, 2009, through December 31, 2009,
 16 a participating employer that employs an employee of a
 17 comprehensive university or a regional institution
 18 offering a four-year degree program as designated or
 19 authorized by the Oklahoma State Regents for Higher
 20 Education shall make contributions to the System with
 21 respect to such employees at the rate of ~~eight and~~
 22 ~~five hundredths percent (8.05%)~~ eight and four
 23 thousand five hundred twenty-five ten-thousandths
 24 percent (8.4525%) of the regular annual compensation

1 of the member not in excess of any applicable maximum
2 compensation level of the member.

3 d. Beginning January 1, 2010, through June 30, 2010, a
4 participating employer that employs an employee of a
5 comprehensive university or a regional institution
6 offering a four-year degree program as designated or
7 authorized by the Oklahoma State Regents for Higher
8 Education shall make contributions to the System with
9 respect to such employees at the rate of ~~eight and~~
10 ~~fifty five hundredths percent (8.55%)~~ eight and nine
11 thousand seven hundred seventy-five ten-thousandths
12 percent (8.9775%) of the regular annual compensation
13 of the member not in excess of any applicable maximum
14 compensation level of the member.

15 e. Beginning July 1, 2010, through June 30, 2011, and for
16 each fiscal year thereafter, a participating employer
17 that employs an employee of a comprehensive university
18 or a regional institution offering a four-year degree
19 program as designated or authorized by the Oklahoma
20 State Regents for Higher Education shall make
21 contributions to the System with respect to such
22 employees at the rate of ~~eight and fifty five~~
23 ~~hundredths percent (8.55%)~~ eight and nine thousand
24 seven hundred seventy-five ten-thousandths percent

1 (8.9775%) of the regular annual compensation of the
2 member not in excess of any applicable maximum
3 compensation level of the member.

4 The employer contribution rate increase that would otherwise be
5 effective as provided by subparagraphs b, c, d and e of this
6 paragraph shall not become effective as law unless funding levels
7 are increased so that the additional employer contribution
8 obligation is funded through such an appropriation or transfer of
9 monies instead of requiring the additional employer contribution to
10 be paid for from existing budgetary resources of such participating
11 employers. The participating employers shall use any monies
12 specifically made available for purposes of making employer
13 contributions for such purpose and to the extent of the funds made
14 available for that purpose.

15 3. Any employer contribution paid to the System pursuant to
16 this subsection shall not be considered as salary, fringe benefit,
17 or total compensation due to members for the purpose of meeting any
18 legislative or contractual obligation of the employer.

19 B. For entities or institutions within The Oklahoma State
20 System of Higher Education, the contributions to the System shall be
21 made on regular annual compensation of a member who is an employee
22 of such entity or institution not to exceed the maximum compensation
23 level in effect for the member as prescribed by law.

1 C. Employers paying contributions to the System pursuant to
2 subsection A or B of this section shall receive credit for that
3 portion of the gross production tax on natural gas and/or casinghead
4 gas apportioned to the System pursuant to subsection 2 of Section
5 1004 of Title 68 of the Oklahoma Statutes in meeting the total
6 required employer contribution. On an annual basis, the Board of
7 Trustees of the Teachers' Retirement System of Oklahoma shall
8 estimate the net additional cost required to be paid by the
9 contributing employers in order to meet the total employer
10 contribution as provided in subsection A or B of this section. The
11 Board of Trustees shall approve the amount of the additional
12 contribution required to be paid by contributing employers as a
13 percentage of total member salaries and fringe benefits for each
14 fiscal year ending June 30, no later than April 1 of the previous
15 fiscal year. In no event shall the additional contribution required
16 to be paid by the contributing employer under this subsection be
17 less than the contribution required under this subsection in the
18 prior year. In the event actual contributions do not equal the
19 required total contribution as provided in subsection A or B of this
20 section, the net difference between the actual contributions and the
21 required total contributions shall be determined and shall be
22 included in the amount of the additional contribution required to be
23 paid by contributing employers for the next fiscal year. All
24 contributing employers shall pay the same percentage of total member

1 salaries and fringe benefits during each fiscal year. The
2 provisions of this subsection shall terminate June 30, 1999.

3 D. Any school district, state college or university, State
4 Board of Education, State Board of Career and Technology Education,
5 or other state agency may, for and on behalf of any member of the
6 System, pay all or any portion of the contribution required by
7 Section 17-108 of this title. Provided, the contribution so paid by
8 any school district, state college or university, State Board of
9 Education, State Board of Career and Technology Education, or other
10 state agency shall be and remain subject to the withdrawal
11 provisions set forth under the System. Wherever the term
12 "contribution" is used, it shall be deemed to include contributions
13 paid for and on behalf of a member by a school district, state
14 college or university, State Board of Education, State Board of
15 Career and Technology Education, or other state agency.

16 E. All participating employers shall provide a complete record
17 of the total compensation paid to each employee, including any
18 person who is a retired member of the System, whether or not
19 employer and employee contributions are made with respect to such
20 compensation. The employer shall provide the report required by
21 this subsection on a monthly basis on a form or using such method as
22 the Teachers' Retirement System of Oklahoma may require.

1 SECTION 3. AMENDATORY 74 O.S. 2001, Section 920, as last
2 amended by Section 26, Chapter 536, O.S.L. 2004 (74 O.S. Supp. 2007,
3 Section 920), is amended to read as follows:

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

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

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

20 (4) Effective July 1, 1999, and through the fiscal year ending
21 June 30, 2005, every state agency which is a participating employer
22 shall contribute to the System an amount equal to ten percent (10%)
23 of the monthly compensation of each member, not to exceed the
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1 allowable annual compensation defined in paragraph (9) of Section
 2 902 of this title.

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

8	July 1, 2005 - June 30, 2006	11 1/2%
9	July 1, 2006 - June 30, 2007	12 1/2%
10	July 1, 2007 - June 30, 2008	13 1/2%
11	July 1, 2008 - June 30, 2009	14 1/2% <u>15.225%</u>
12	July 1, 2009 - June 30, 2010	15 1/2% <u>16.275%</u>
13	July 1, 2010 - June 30, 2011	
14	and each year thereafter	16 1/2% <u>17.325%</u>

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

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

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

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

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

19 SECTION 4. This act shall become effective July 1, 2008.

20 SECTION 5. It being immediately necessary for the preservation
21 of the public peace, health and safety, an emergency is hereby
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1 declared to exist, by reason whereof this act shall take effect and
2 be in full force from and after its passage and approval.

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