HOUSE OF REPRESENTATIVES - FLOOR VERSION

STATE OF OKLAHOMA

1st Session of the 53rd Legislature (2011)

COMMITTEE SUBSTITUTE
FOR
HOUSE BILL NO. 1002

By: McDaniel (Randy) of the House

and

Mazzei of the Senate

COMMITTEE SUBSTITUTE

An Act relating to public retirement systems; amending 70 O.S. 2001, Sections 17-108, as last amended by Section 4, Chapter 357, O.S.L. 2010 and 17-120 (70 O.S. Supp. 2010, Section 17-108), which relate to the Teachers' Retirement System of Oklahoma; modifying provisions related to certain funds; modifying certain provisions related to transfer of monies between funds; modifying provisions related to submission of required reports and contribution amounts; providing for computation of compound interest on unpaid balance; providing an effective date; and declaring an emergency.

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

SECTION 1. AMENDATORY 70 O.S. 2001, Section 17-108, as last amended by Section 4, Chapter 357, O.S.L. 2010 (70 O.S. Supp. 2010, Section 17-108), is amended to read as follows:

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Section 17-108. A. Each local school district, or state college or university, or State Board of Education or State Board of Career and Technology Education, or other state agencies whose employees are members of the Teachers' Retirement System shall match on a pro rata basis, in accordance with subsection B of this section the contributions of members whose salaries are paid by federal funds or externally sponsored agreements such as grants, contracts and cooperative agreements. These funds shall be remitted at the same time as the regular contributions of members are remitted to the Teachers' Retirement System of Oklahoma and deposited in the Retirement Benefit Fund.

B. On an annual basis, the Board of Trustees shall set the contribution rate to be paid by contributing employers as provided in subsection A of this section. The contribution rate shall be determined using cost principles established by federal regulations and shall be consistent with policies, regulations and procedures that apply uniformly to both federally assisted and other activities, and be accorded consistent treatment through application of generally accepted accounting principles. The Board shall approve the contribution rate for each fiscal year ending June 30, no later than April 1 of the previous fiscal year.

C. All the assets of the retirement system shall be credited according to the purpose for which they are held to one of ten

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funds, namely: The Teachers' Savings Fund, the Retirement Benefit Fund, the Interest Fund, the Permanent Retirement Fund, the Expense Fund, the Suspense Fund, ~~the Reserve for Investment Fluctuations Fund,~~ the Teachers' Deposit Fund, ~~the Membership Annuity Reserve Fund~~ and the Retiree Medical Benefit Fund.

1. The Teachers' Savings Fund shall be a fund in which shall be accumulated the regular contributions from the compensation of members, including interest earnings prior to July 1, 1968. Contributions to and payments from the Teachers' Savings Fund shall be made as specifically provided in each plan available within the retirement system.

2. The deductions provided for in the plans within the retirement system shall be made notwithstanding that the minimum compensation provided for any member shall be reduced thereby. Every member shall be deemed to consent and agree to the deductions made and provided for herein and payment of salary or compensation, less the deduction, shall be a full and complete discharge and acquittance of all claims and demands whatsoever for the services rendered by such person during the period covered by such payment, except as to the benefits provided under this act. The employer shall certify to the Board of Trustees on each and every payroll, or in such other manner as the Board may prescribe, the amounts to be deducted, and each of the amounts shall be deducted, and when

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deducted shall be paid into the Teachers' Savings Fund, and shall be credited to the individual account of the member from whose compensation the deduction was made.

3. Following the termination of membership in the retirement system for any member who has been absent from service for five (5) years in any period of six (6) consecutive years, the Teachers' Savings Fund Account of such member shall be closed and the amount due the member as provided in Section 17-105 of this title shall be paid upon the filing of formal application. At the time such membership is terminated the amount due the member as provided in Section 17-105 of this title shall be transferred to the Suspense Fund.

4. Upon the retirement of a member ~~an amount sufficient to pay his or her annuity benefit for a two year period shall be transferred from the Teachers' Savings Fund to the Retirement Benefit Fund; an amount sufficient to pay his or her annuity benefit for one (1) year shall be transferred each succeeding year thereafter. Should a member who has retired under Option 1 die~~, the balance of money he or she had in the Teachers' Savings Fund shall be transferred to the Retirement Benefit Fund ~~for payment to his or her beneficiary or estate~~.

5. Retirement Benefit Fund.

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a. After August 2, 1969, there shall be transferred from the Teachers' Savings Fund ~~and the Membership Annuity Reserve Fund~~ for those members drawing retirement benefits from the Teachers' Retirement System of Oklahoma an amount necessary to provide the monthly annuity payments and pension payments as required in Section 17-107 of this title. In addition the fund shall consist of monies received from any state dedicated revenue, monies received from state appropriations, monies received from federal matching funds, and the residue of the interest on investments after the requirements of Section 17-107 of this title have been fully met. The Retirement Benefit Fund shall consist of an amount of money necessary for the making of retirement payments to retirees.

b. Should a member have deposits in the Teachers' Deposit Fund or the Tax-Sheltered Annuity Fund and wish to receive monthly retirement benefits on such deposits, the actuarial equivalent of a two-year period and each succeeding fiscal year thereafter shall be transferred to the Retirement Benefit Fund. The member may choose any of the plans available in the Teachers' Retirement Act as a method of receiving monthly retirement

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benefits on the money he has on deposit in the Teachers' Deposit Fund or the Tax-Sheltered Annuity Fund. The monthly retirement benefits paid from the Teachers' Deposit Fund or the Tax-Sheltered Annuity Fund shall be in addition to the regular retirement benefits and the money transferred from the Teachers' Deposit Fund or Tax-Sheltered Annuity Fund shall not be matched by the State of Oklahoma.

c. From the Retirement Benefit Fund shall be paid all monthly retirement benefits.

d. At the death of a retired member who has retired under the Maximum Plan of Retirement, Option 1 or Option 4, the balance of money the member has in the Teachers' Savings Fund shall be transferred to the Retirement Benefit Fund and the amount due the beneficiary or his or her estate under Option 1 or Option 4 shall be paid from the Retirement Benefit Fund.

e. At the death of both a retired member and the retired member's spouse, who had retired under Option 2 or 3, any balance in the Teachers' Savings Fund shall be transferred from the Teachers' Savings Fund to the Retirement Benefit Fund.

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f. At the death of a retired member who had retired under Option 5, the balance of any monies the member had in the Teachers' Savings Fund shall be transferred to the Retirement Benefit Fund for the purpose of making a lump-sum settlement to the beneficiary or his estate. Providing that if the surviving spouse elects to receive the balance under the Maximum Plan of Retirement or Option 1 the member's money, if any, on a monthly basis, constituting actuarial equivalent of two (2) years' payments, and each year thereafter the annual actuarial equivalent, shall be transferred from the Teachers' Savings Fund for the purpose of paying monthly retirement benefits to the spouse under this option.

6. The Interest Fund is hereby created to facilitate the crediting of interest to the various other funds to which interest is to be credited. All income, interest and dividends derived from the deposits and investments authorized by this act shall be paid into the Interest Fund. On June 30, each year, interest shall be transferred to the other funds as herein provided.

7. The Permanent Retirement Fund shall consist of the accumulated gifts, awards, and bequests made to the retirement system, and transfers from the Suspense Fund, the principal of which

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is hereby held and dedicated as a perpetual endowment of the retirement system and shall not be diverted or appropriated to any other cause or purpose unless specifically provided for in such gifts, awards or bequests.

8. The Expense Fund shall be the fund from which the expense of administration and maintenance of the retirement system shall be paid. The Board of Trustees shall cause to be prepared and adopt annually an itemized budget showing the amount required to defray the expenses for the ensuing fiscal year.

Transfers to and payments from this fund shall be made as follows: first, from the Interest Fund; second, from any dedicated revenue; and, third, from appropriation by the Oklahoma Legislature.

All monies for the operation of the Teachers' Retirement System of Oklahoma shall be paid from the Expense Fund upon the approval by the Board of Trustees and the checks signed by two people designated to sign such checks by the Board of Trustees of the Teachers' Retirement System of Oklahoma.

9. The Suspense Fund shall be comprised of amounts transferred to the fund as provided in this section and Section 17-105 of this title and obligations of the retirement system to any member or person which cannot be legally discharged.

10. ~~The Reserve for Investment Fluctuations Fund shall be the fund in which eight percent (8%) of the investment earnings and the~~

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~~realized profits from the sale or exchange of securities shall be deposited each year until an amount equal to two percent (2%) of the total investments shall be accumulated, and such fund shall thereafter be maintained at such level. Upon proper resolution by the Board of Trustees transfers may be made from this fund to reimburse the investment account of other funds wherein a deficit shall have accrued.~~

~~11.~~ Teachers' Deposit Fund.

Any member may request, prior to a pay period, that his or her employer make additional deposits for him or her, for tax-sheltered annuity purposes. However, the amount deposited shall not exceed the limits as defined in Section 402(g) and Section 415 of the Internal Revenue Code of 1986, as amended, and applicable federal regulations. All such deposits shall be credited to the member's account in the Teachers' Deposit Fund for the purchase of a tax-sheltered annuity. The amount thus accumulated, with earnings, shall be used upon the member's retirement, separation from service, death or disability to purchase an annuity in addition to his or her regular service retirement allowance. The amount a member accumulates in the Teachers' Deposit Fund, not including interest, may be used to pay distributions in the case of hardship as provided in Section 403(b)(11) of the Internal Revenue Code of 1986, as amended, and applicable federal regulations.

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~~12. The Membership Annuity Reserve Fund is composed of teachers' contributions and state matching funds for those members who retired before August 2, 1968. From this fund there shall be transferred the actuarial equivalent necessary to pay retirement benefits for a period of two (2) years and thereafter the actuarial equivalent necessary to pay retirement benefits for one (1) succeeding year.~~

~~13.~~ 11. Collection of Contributions.

a. The collection of members' contributions shall be as follows:

(1) Each employer shall cause to be deducted on each and every payroll or claim of a member for each and every payroll claim period subsequent to the date of establishment of the retirement system the contribution payable by such member as provided in this act. With each and every payroll or claim the employer shall deliver to the treasurer of the employer warrants issued to the employees as shown to be due by the payroll or claim, together with a warrant or warrants in favor of the Teachers' Retirement System as shown by the payroll or claim.

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(2) The treasurer or disbursing officer upon delivery of the warrants and a true copy of the payroll or claims as provided above shall register the warrants as provided for the registration of other school warrants, and shall deliver to the employer warrants issued in favor of the employees, and shall deliver warrants issued in favor of the Teachers' Retirement System and the copy of the payroll or claims to the school district superintendent as designated by the Board of Trustees. For the purpose of collecting contributions of teachers in the public schools, the superintendent of a school district is hereby designated to receive the Teachers' Retirement warrants from the treasurer or proper disbursing officer of the several school districts for the purpose of transmitting such warrants and payroll or claims to the Executive Director of the Teachers' Retirement System of the State of Oklahoma. Any college or university or other educational institution or agency operated in whole or in part by the state shall have the amount retained or deducted from the funds

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regularly appropriated by the state for the current maintenance for such educational departments and institutions.

(3) For the purpose of enabling the collection of the contributions of the members of the retirement system to be made as simple as possible, the Board of Trustees shall require the secretary or other officer of each employer-board or agency, within thirty (30) days after the beginning of each school year, to make a list of all teachers in its employ who are members of the retirement system, certify to the correctness of this list, and file the same with the Executive Director of the Board of Trustees of the Teachers' Retirement System. If additions to or deductions from this list should be made during the year such additions or deductions shall likewise be certified to the Board of Trustees of the Teachers' Retirement System.

(4) The State Treasurer shall furnish annually to the Board of Trustees a sworn statement of the amount of the funds in his or her custody belonging to the retirement system. The records of the Board

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of Trustees shall be open to public inspection and any member of the retirement system shall be furnished with a statement of the amount of the credit to his or her individual account upon written request by such member, provided the Board of Trustees shall not be required to answer more than one such request of a member in any one (1) year.

(5) Failure of any superintendent, officer, or other person to discharge the duties imposed upon him or her by this act shall render him or her or his or her bondsman liable for any loss occasioned thereby to the Teachers' Retirement System or the employees of the school district, or both.

(6) On a showing by the Teachers' Retirement System that a warrant, voucher or check issued to it has, for any reason, been lost or never received, after ninety (90) days from the date of issue or from transmittal for payment, it shall be the duty of the issuing authority forthwith, without any indemnifying bond or other requirements, to issue a duplicate thereof in lieu of that which was lost, to the Teachers' Retirement System; and

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the Teachers' Retirement System shall save harmless any school district or agency of state government making payment under the provisions hereof to the State Teachers' Retirement System if the original warrant, voucher or check is later presented for payment and same is paid after a duplicate warrant, voucher or check has been issued and paid to the Teachers' Retirement System, and any loss sustained therefrom shall be charged to the Interest Fund.

~~14.~~ 12. Rollover Contributions and Direct Trustee-to-Trustee Transfers from Other Plans.

Any member may purchase credit for service, to the extent specified in this title, with rollovers from an eligible retirement plan as defined by the Internal Revenue Code of 1986, as amended from time to time. A member may also purchase permissive service credit, as defined by Code Section 415(n)(3)(A), with a direct trustee-to-trustee transfer from a governmental Code Section 403(b) plan or governmental Code Section 457(b) plan. All rollovers and direct trustee-to-trustee transfers shall be allowed to the extent permitted by federal law. Rollovers or direct transfers in excess of the amount necessary to purchase such service credit shall not be allowed.

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~~15.~~ 13. Retiree Medical Benefit Fund.

The Retiree Medical Benefit Fund shall be maintained as a subaccount under the Retirement Benefit Fund. The Retiree Medical Benefit Fund is composed of all assets contributed to this subaccount to pay the retirement system's portion of the monthly retiree health insurance benefits described in Section 1316.3 of Title 74 of the Oklahoma Statutes. All allocated assets and the earnings thereon in the Retiree Medical Benefit Fund shall be held for the exclusive purpose of providing retiree medical benefits pursuant to Section 1316.3 of Title 74 of the Oklahoma Statutes. The Retiree Medical Benefit Fund shall be administered in accordance with the requirements under Section 401(h) of the Internal Revenue Code of 1986, as amended from time to time. An amount necessary to pay the health insurance premiums for retired members as provided by Section 1316.3 of Title 74 of the Oklahoma Statutes shall be deposited each month into the Retiree Medical Benefit Fund.

SECTION 2. AMENDATORY 70 O.S. 2001, Section 17-120, is amended to read as follows:

Section 17-120. The employer of each member shall ~~deposit~~ submit all required school reports and all employer and employee contributions of each member due the Retirement System for payroll periods ending during the calendar month within ten (10) days of the last day of each calendar month ~~all employer and employee~~

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~~contributions of each member due the Retirement System for payroll periods ending during the calendar month~~. ~~Employer~~ Any required school reports and employer and employee contribution amounts not ~~paid~~ submitted to the Retirement System after thirty (30) days from the end of the payroll month shall be subject to a monthly late charge of one and one-half percent (1 1/2%) of the unpaid balance to be paid by the employer to the Retirement System compounding monthly for each month payment is not received.

SECTION 3. This act shall become effective July 1, 2011.

SECTION 4. 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.

COMMITTEE REPORT BY: COMMITTEE ON ECONOMIC DEVELOPMENT, TOURISM AND FINANCIAL SERVICES, dated 02-17-2011 - DO PASS, As Amended and Coauthored.

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