

## BILL SUMMARY

MEASURE: Committee Substitute for HB 1003

AUTHOR: Representative McDaniel (Randy)

SUBJECT: Oklahoma Public Employees Retirement System – Defined Contribution Plan

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DATE: 2/17/2011

**For the purposes of this detailed bill summary, the term ‘New Hire’ refers to a person whose initial service with a participating employer of the Oklahoma Public Employees Retirement System (OPERS) occurs on or after January 1, 2012.**

**Section 1. New Law.** This section of the measure establishes the Save Oklahoma Act of 2011.

**Section 2. New Law.** Pursuant to this section, the OPERS Board of Trustees is to establish a defined contribution plan for New Hires. The provisions of the defined benefit plan found within Title 74 of Oklahoma Statutes will not be available to New Hires. A New Hire can elect to contribute 3.5% of their compensation to a defined contribution plan account, which will be matched by the responsible state or local government employer at a rate of 3.5%. A New Hire instead can elect to contribute 10% of their compensation to a defined contribution plan account, to be matched by the responsible state or local government employer at a rate of 6%.

HB 1003 specifies that members will always be vested at 100% with respect to their employee contribution. However, vesting with respect to the matching employer contributions occurs according to the following schedule: 20% after one year of service, 40% after two years of service, 60% after three years of service, 80% after four years of service, and 100% after five years of service.

Pursuant to Section 2, the Board of Trustees of OPERS will establish or contract with a third-party provider to create a range of defined contribution accounts similar to those currently available under the OPERS deferred compensation arrangement. Participation in this defined contribution plan may only be limited in duration by the Internal Revenue Service. Upon termination from the plan, employee and employer contributions may be withdrawn from the plan in accordance with applicable vesting provisions, at which point the member is entitled to a distribution from the plan account according to the applicable terms.

**Section 3. Amendatory.** This section modifies the definition of accumulated contributions in Title 74 by providing for the inclusion of contributions paid into the defined contribution plan

account summarized above. Additionally, the measure amends the definition of normal retirement date by specifying that this definition is not applicable to New Hires. Pursuant to HB 1003, distributions from the defined contribution plan are included in the definition of retirement benefit found in Title 74 of Oklahoma Statutes.

**Section 4 through Section 12. Amendatory.** These sections of HB 1003 amend Title 74 of Oklahoma Statutes in such ways to conform statutory references to the establishment of a defined contribution plan for New Hires.

**Section 13 and Section 14. Amendatory.** These two sections of the measure modify provisions of Title 74 of Oklahoma Statutes related to employer contributions for New Hires.