

## BILL SUMMARY

MEASURE: Committee Substitute for HB 1004  
AUTHOR: Representative McDaniel (Randy)  
SUBJECT: Defined Contribution Plan for Elected Officials  
PREPARED BY: Alexandra Edwards  
DATE: 2/17/2011

**Section 1. New Law.** This section establishes the Leadership by Example Act.

**Section 2. New Law.** This section of the measure requires the Board of Trustees of the Oklahoma Public Employees Retirement System (OPERS) to establish a defined contribution plan for elected officials whose first service as an elected or appointed official occurs on or after the effective date. These newly elected officials may only be eligible for retirement benefits through the provisions of this defined contribution plan.

Section 2 of HB 1004 also specifies that officials elected on or after the effective date may contribute 3.5% of compensation to a defined contribution plan account, which would be matched by the responsible state or local government employer at a rate of 3.5%. These newly elected officials instead may contribute 10% of compensation to a defined contribution plan account, which would be matched by the responsible state or local government employer at a rate of 6%. Under the provisions of the defined contribution plan, members would always be vested at 100% with respect to their employee contribution. Newly elected officials would vest with respect to the matching employer contributions 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 Upon termination from the plan, employee and employer contributions may be withdrawn from the plan in accordance with applicable vesting provisions, at which point the elected official is entitled to a distribution from the plan account according to 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 elected officials beginning

service on or after the effective date or to elected officials participating in the defined contribution plan. Pursuant to HB 1004, distributions from a defined contribution plan are included in the definition of retirement benefit.

**Section 4. Amendatory.** Title 74 of Oklahoma Statutes is amended so that the current statutory provisions of Section 913.4 may only apply to elected officials whose initial service occurred before the effective date.

**Section 5. Amendatory.** Language in this section modifies provisions related to employer contributions in Title 74 for elected officials beginning on the effective date of the measure.