

STATE OF OKLAHOMA

2nd Session of the 55th Legislature (2016)

HOUSE BILL 2264

By: McDaniel (Randy)

AS INTRODUCED

An Act relating to the Retirement Freedom Act; amending Section 5, Chapter 375, O.S.L. 2014, as amended by Section 3, Chapter 303, O.S.L. 2015 (74 O.S. Supp. 2015, Section 935.5), which relates to employee contributions; modifying time period for purposes of employee contribution rate selections; and providing an effective date.

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

SECTION 1. AMENDATORY Section 5, Chapter 375, O.S.L. 2014, as amended by Section 3, Chapter 303, O.S.L. 2015 (74 O.S. Supp. 2015, Section 935.5), is amended to read as follows:

Section 935.5 A. Except as otherwise provided by subsection B of this section, employers of employees who become participants in the defined contribution retirement system shall match the employee contribution paid on a monthly or more frequent basis at the rate of six percent (6.0%) based on the same compensation amount used to compute the employee contribution amount.

B. If an employee selects a contribution rate of seven percent (7.0%) or more, but not higher than allowed pursuant to the maximum

1 annual contribution limit prescribed by Section 415 of the Internal
2 Revenue Code of 1986, as amended, the employer matching amount shall
3 be seven percent (7.0%).

4 C. The initial four and five-tenths percent (4.5%) employee
5 contribution shall be the only mandatory contribution of an employee
6 participating in the defined contribution retirement system created
7 by this act. These funds shall be placed by the System in either a
8 401(a) plan or a 457(b) plan, to be determined by the Board to
9 maintain the plan consistent with the Internal Revenue Code. Any
10 employee contributions eligible to be matched under this section
11 over the four and five-tenths percent (4.5%) initial contribution
12 shall be considered voluntary deferrals of compensation and placed
13 in a 457(b) plan. All employer matching funds shall be placed in a
14 401(a) plan.

15 ~~D.~~ Any contribution rate that is more than the four and five-
16 tenths percent (4.5%) rate can be chosen by the participating
17 employee upon the employee's initial participation, and can ~~only~~ be
18 changed once ~~per calendar year during an option period as the Board~~
19 ~~determines~~ each thirty (30) days. The employee contribution rate
20 chosen shall continue until the ~~next option period~~ employee elects
21 to change the contribution rate or terminates service or retires.

22 ~~E.~~ D. The employer match as set forth in subsection A of this
23 section may be increased at any time by the Legislature without
24 affecting the then-existing rights of participating employees and

1 beneficiaries in order to encourage participating employees to
2 accumulate deferred income reserves for themselves and their
3 dependents. The employer match may be decreased at any time by the
4 Legislature without affecting the then-existing rights of
5 participating employees and beneficiaries in order to provide
6 funding as may be needed to reduce the unfunded liabilities of the
7 defined benefit plan as set forth in Section 901 et seq. of this
8 title, but shall not be less than six percent (6.0%) for any year
9 during which the defined contribution plan is maintained.

10 SECTION 2. This act shall become effective November 1, 2016.

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12 55-2-7765 MAH 12/09/15
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December 17, 2015

Representative Randy McDaniel
Room 438

Re: RBH No. 7765

RBH No. 7765 would allow participants in the Oklahoma Public Employees Retirement System defined contribution plan to change their contribution rate every 30 days. Currently they may only change once every calendar year.

The Retirement Freedom Act, 74 O.S. Supp.2015, Sections 935.1 et seq., which creates the defined contribution plan for OPERS, is not a defined benefit retirement system as contemplated by the Oklahoma Pension Legislation Actuarial Analysis Act "OPLAAA". A defined contribution plan does not have actuarial liabilities. This statement is being issued in order to ensure that modifications to the defined contribution plan are not "fiscal" within the meaning of OPLAAA with respect to the legacy defined benefit plan which OPERS also administers pursuant to 74 O.S. 2011, Sections 901 et seq.

RBH No. 7765 is a non fiscal retirement bill as defined by the Oklahoma Pension Legislation Analysis Act.

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