

STATE OF OKLAHOMA

2nd Session of the 54th Legislature (2014)

COMMITTEE SUBSTITUTE
FOR

HOUSE BILL NO. 2630

By: McDaniel (Randy)

COMMITTEE SUBSTITUTE

An Act relating to public retirement systems; creating the Retirement Freedom Act; providing short title; imposing duty on the Oklahoma Public Employees Retirement System to establish defined contribution system; specifying persons eligible for participation in system; prescribing procedures related to date of service accrual; requiring defined contribution system to be qualified pursuant to provisions of the Internal Revenue Code of 1986, as amended; prescribing minimum employee contribution amount; prescribing maximum employee contribution amount; providing for salary deductions for employee contributions; providing for employer matching contributions; specifying amount of employer matching contributions; prescribing procedures related to employer matching contributions; providing for modifications to matching amounts; prescribing procedures for cost computation; providing for payment of certain costs related to administration of defined contribution system administration; providing for vesting schedule; providing for applicability of provisions of Section 414(h) of the Internal Revenue Code of 1986, as amended, with respect to employee contributions; imposing duty on Board of Trustees of Oklahoma Public Employees Retirement System with respect to investment of funds in defined contribution system accounts; providing for payment of certain revenues to the Oklahoma Public Employees Retirement System; providing for deposit of funds with existing defined benefit plan; providing for effect of enactment on certain rights; prohibiting certain collection activity with respect to funds; authorizing offsets; providing for enforcement of

1 qualified domestic orders; defining term; prescribing
2 procedures with respect to alternate payees;
3 prescribing content; imposing restrictions;
4 authorizing rules; amending 74 O.S. 2011, Sections
5 913.4, as last amended by Section 113, Chapter 15,
6 O.S.L. 2013, 920, as amended by Section 929, Chapter
7 304, O.S.L. 2012 and 920A (74 O.S. Supp. 2013,
8 Sections 913.4 and 920), which relate to the Oklahoma
9 Public Employees Retirement System; imposing
10 requirement on certain elected official with respect
11 to participation in defined contribution retirement
12 system; modifying provisions related to employer
13 contributions; requiring payment of certain
14 differential amount to the Oklahoma Public Employees
15 Retirement System for specified purpose; amending 74
16 O.S. 2011, Section 1707, as amended by Section 986,
17 Chapter 304, O.S.L. 2012 (74 O.S. Supp. 2013, Section
18 1707), which relates to certain provisions affecting
19 the Oklahoma Public Employees Retirement System;
20 providing for codification; and providing an
21 effective date.

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23
24 BE IT ENACTED BY THE PEOPLE OF THE STATE OF OKLAHOMA:

SECTION 1. NEW LAW A new section of law to be codified
in the Oklahoma Statutes as Section 935.1 of Title 74, unless there
is created a duplication in numbering, reads as follows:

This act shall be known and may be cited as the "Retirement
Freedom Act".

SECTION 2. NEW LAW A new section of law to be codified
in the Oklahoma Statutes as Section 935.2 of Title 74, unless there
is created a duplication in numbering, reads as follows:

A. Effective November 1, 2015, the Oklahoma Public Employees
Retirement System ("System") shall establish a defined contribution

1 system for those persons who first become employed by any
2 participating employer of the System, as defined by paragraph (25)
3 of Section 902 of Title 74 of the Oklahoma Statutes, on or after
4 November 1, 2015.

5 B. The provisions of subsection A of this section and the
6 provisions of this act shall not be applicable to members who are
7 correctional officers, probation and parole officers or fugitive
8 apprehension agents employed by the Department of Corrections on the
9 date initially employed by the Department.

10 C. A member described by subsection A of this section shall
11 become a participant in the defined contribution system and the
12 member shall not accrue any service credit in the Oklahoma Public
13 Employees Retirement System as established pursuant to Section 901
14 et seq. of Title 74 of the Oklahoma Statutes.

15 D. Members who participate in the defined contribution system
16 shall be deemed to begin service in the defined contribution system
17 on the entry date of the employee.

18 SECTION 3. NEW LAW A new section of law to be codified
19 in the Oklahoma Statutes as Section 935.3 of Title 74, unless there
20 is created a duplication in numbering, reads as follows:

21 The Board of Trustees of the Oklahoma Public Employees
22 Retirement System ("Board") shall take whatever action is reasonable
23 and necessary to have the defined contribution system authorized by
24 this act to be recognized as a tax-qualified plan as that term is

1 defined by Section 401 et seq. of Title 26 of the United States
2 Code, or any other applicable provisions of federal law. The Board
3 is also authorized to establish a plan or use an existing plan
4 established under Section 457 of Title 26 of the United States Code,
5 if it is necessary to carry out the intent of this act. The Board
6 shall take whatever action is reasonable and necessary to obtain
7 confirmation from the Internal Revenue Service that any such 457
8 plan is consistent with the requirements of Section 457.

9 SECTION 4. NEW LAW A new section of law to be codified
10 in the Oklahoma Statutes as Section 935.4 of Title 74, unless there
11 is created a duplication in numbering, reads as follows:

12 A. Employee contributions to the defined contribution
13 retirement system shall consist of a minimum of three percent (3.0%)
14 of compensation.

15 B. Employee contributions to the defined contribution
16 retirement system that are eligible for an employer match shall
17 consist of a maximum of seven percent (7.0%) of compensation.

18 SECTION 5. NEW LAW A new section of law to be codified
19 in the Oklahoma Statutes as Section 935.5 of Title 74, unless there
20 is created a duplication in numbering, reads as follows:

21 A. Employers of members who become participants in the defined
22 contribution retirement system shall match the employee contribution
23 paid on a monthly basis according to the following schedule based on
24

the same compensation amount used to compute the employee contribution amount:

Employee Contribution Rate	Employer Match
3.0%	3.0%
4.0%	4.0%
5.0%	5.0%
6.0%	6.0%
7.0%	7.0%

B. The initial three-percent employee contribution shall be the only mandatory contribution of an employee who selects the defined contribution retirement system created by this act. These funds shall be placed by the System in either a 401(a) plan or a 457 plan, to be determined by the Board to maintain the plan consistent with the Internal Revenue Code. Any employee contributions eligible to be matched under this section over the three-percent initial contribution shall be considered voluntary deferrals of compensation and placed in a 457 plan. All employer matching funds shall be placed in a 401(a) plan.

C. Any contribution rate that is more than the three-percent rate can be chosen by the member upon the member's initial participation, and can only be changed once per calendar year during an option period as the Board determines. The employee contribution rate chosen shall continue until the next option period.

1 D. The employer match as set forth in subsection A of this
2 section may be increased at any time by the Legislature without
3 affecting the then-existing rights of members and beneficiaries in
4 order to encourage members to accumulate deferred income reserves
5 for themselves and their dependents. The employer match may be
6 decreased at any time by the Legislature without affecting the then-
7 existing rights of members and beneficiaries in order to provide
8 funding as may be needed to reduce the unfunded liabilities of the
9 defined benefit plan as set forth in Section 901 et seq. of Title 74
10 of the Oklahoma Statutes, but shall not be less than three percent
11 (3.0%) for any year during which the defined contribution plan is
12 maintained.

13 SECTION 6. NEW LAW A new section of law to be codified
14 in the Oklahoma Statutes as Section 935.6 of Title 74, unless there
15 is created a duplication in numbering, reads as follows:

16 A. Except as otherwise provided by this section, employers
17 shall make payment of the required matching amount as provided by
18 Section 5 of this act within five (5) business days of the member's
19 payroll pay date. The System shall ensure the payment is credited
20 to the defined contribution system account of the member as soon as
21 possible.

22 B. All employee contributions to the defined contribution
23 system shall be effected by salary deductions from the salary of the
24 employee and shall be remitted by the participating employer to the

1 System for deposit into the defined contribution system account
2 maintained on behalf of the employee.

3 C. Participating employers whose salary deductions and employer
4 contributions are not remitted to the System through the Office of
5 Management and Enterprise Services shall either:

6 1. Send all such remittances by electronic funds transfer; or

7 2. Place all such remittances in a bank account from which
8 OPERS can debit the amount due,

9 both within five (5) business days of the payroll pay date of the
10 member. Payroll data shall be remitted by the same deadline.

11 D. The Office of Management and Enterprise Services shall
12 cooperate with the Board to ensure that any necessary programming
13 changes are made to the state's payroll system to carry out the
14 requirements of this act.

15 E. Each employer which has employees participating in the
16 defined contribution system shall pay to the System in the same
17 manner and at the same time required for contributions under this
18 section an amount to reimburse the cost of administration of the
19 defined contribution system, as determined by the Board.

20 1. The Board shall certify each year to the Office of
21 Management and Enterprise Services and to participating employers
22 whose salary deductions and employer contributions are not remitted
23 to the System through the Office of Management and Enterprise
24 Services, the determined amount for the administrative cost of the

1 defined contribution system which will be required to be paid for
2 each participant. The Board shall promulgate such rules as
3 necessary to implement the provisions of this subsection and provide
4 the methodology for the determination.

5 2. Each employer shall pay at least monthly to the System the
6 sum sufficient to satisfy the obligation under this section as
7 certified by the Board.

8 F. The account of each employee participating in the defined
9 contribution system shall consist of the amount in the account plus
10 credits representing employer and employee contributions, profits,
11 income and other increments attributable to such contributions, and
12 minus debits representing any losses, other decrements, or expenses
13 under the system and any distributions made to the employee under
14 the system.

15 SECTION 7. NEW LAW A new section of law to be codified
16 in the Oklahoma Statutes as Section 935.7 of Title 74, unless there
17 is created a duplication in numbering, reads as follows:

18 A. Members shall at all times be vested at one hundred percent
19 (100%) of the amount of their employee contributions. Members will
20 have retirement discretion over these contributions within the
21 available options offered by the Board.

22 B. Members shall be vested with respect to the employer
23 matching amounts deposited into their defined contribution system
24

1 account according to the following schedule based on years of
2 participating service:

3	Year 1	20%
4	Year 2	40%
5	Year 3	60%
6	Year 4	80%
7	Year 5 and thereafter	100%

8 C. Members will have investment discretion over all employer
9 contributions.

10 D. For purposes of determining a member's right to withdraw
11 employer matching contributions and any investment gains upon such
12 employer contribution matching amounts, the vesting percentages
13 apply at the end of each full year of service as described in
14 subsection B of this section.

15 E. For members who do not select any investment options, the
16 OPERS Board will establish default investment options for the
17 contributions received from members and default investment options
18 for matching employer contributions.

19 F. To the extent that participants leave employment and have
20 not vested in all of the employer contributions, the nonvested
21 contributions may be used to offset costs of administering the plan.

22 SECTION 8. NEW LAW A new section of law to be codified
23 in the Oklahoma Statutes as Section 935.8 of Title 74, unless there
24 is created a duplication in numbering, reads as follows:

1 A. Each participating employer shall pick up under the
2 provisions of Section 414(h) (2) of the Internal Revenue Code of
3 1986, as amended, and pay the contribution which the member is
4 required by law to make to the System for all compensation earned
5 after the date as of which an employee begins to participate in the
6 defined contribution system. Although the contributions so picked
7 up are designated as member contributions, such contributions shall
8 be treated as contributions being paid by the employer in lieu of
9 contributions by the member in determining tax treatment under the
10 Internal Revenue Code of 1986, as amended, and such picked-up
11 contributions shall not be includable in the gross income of the
12 member until such amounts are distributed or made available to the
13 member or the beneficiary of the member. The member, by the terms
14 of this System, shall not have any option to choose to receive the
15 contributions so picked up directly and the picked-up contributions
16 must be paid by the employer to the System.

17 B. Contributions by the member into a 457 plan may not be
18 picked up by the employer but shall be a voluntary deferral of the
19 employee's compensation. Participating employers within OPERS that
20 are not eligible to participate in the SoonerSave 457 and 401(a)
21 plans that existed prior to this act, and have established 457 plans
22 for their employees, will have the obligation to ensure that their
23 employees do not exceed the maximum annual contributions to a 457
24 plan under the Internal Revenue Code.

1 SECTION 9. NEW LAW A new section of law to be codified
2 in the Oklahoma Statutes as Section 935.9 of Title 74, unless there
3 is created a duplication in numbering, reads as follows:

4 The Board of Trustees shall contract with one or more business
5 entities in order to create a range of choices regarding investment
6 of funds deposited into defined contribution system accounts. The
7 investment options shall be substantially similar to the options
8 provided to members of the Oklahoma Public Employees Retirement
9 System that maintain a Deferred Savings Incentive Plan account as
10 offered by the System pursuant to the provisions of the Deferred
11 Savings Incentive Plan. The Board may amend any of its existing
12 contracts with its current service providers to perform
13 substantially the same type of service the provider is currently
14 performing for the Board, in order to facilitate the timely
15 introduction of the new defined contribution system created by this
16 act. Thereafter, the contracting process for the selection of
17 service providers carrying out duties related to the administration
18 of the plan shall be the same as the selection process for other
19 providers selected by the Board under subsection D of Section 909.1
20 of Title 74 of the Oklahoma Statutes.

21 SECTION 10. NEW LAW A new section of law to be codified
22 in the Oklahoma Statutes as Section 935.10 of Title 74, unless there
23 is created a duplication in numbering, reads as follows:

1 A. Notwithstanding any other provision of the statutes
2 governing the System to the contrary, each participating employer
3 shall remit to the System the difference between the amount of money
4 which would be remitted to the System using the employer
5 contribution rate required by either Section 920 or Section 920A of
6 Title 74 of the Oklahoma Statutes and the amount of money required
7 for the participating employer to make the required matching
8 contribution amount on behalf of a member who participates in the
9 defined contribution system authorized pursuant to the provisions of
10 Section 5 of this act.

11 B. The System shall deposit the monies remitted to it by
12 employers having members that participate in the defined
13 contribution system created by this act, as described by subsection
14 A of this section, into the existing defined benefit pension plan
15 authorized pursuant to Section 901 et seq. of Title 74 of the
16 Oklahoma Statutes in order to reduce the liabilities of the defined
17 benefit pension plan.

18 SECTION 11. NEW LAW A new section of law to be codified
19 in the Oklahoma Statutes as Section 935.11 of Title 74, unless there
20 is created a duplication in numbering, reads as follows:

21 A. Except as otherwise provided by this section or in
22 subsection D of Section 5 of this act, no alteration, amendment, or
23 repeal of this act shall affect the then-existing rights of members
24 and beneficiaries, but shall be effective only as to rights which

1 would otherwise accrue hereunder as a result of services rendered by
2 an employee after such alteration, amendment, or repeal. Any
3 benefits, fund, property, or rights created by or accruing to any
4 person under the provisions of this act shall not be subject to
5 execution, garnishment or attachment, or any other process or claim
6 whatsoever, and shall be unassignable, except as specifically
7 provided by this section. Notwithstanding the foregoing, the Board
8 may offset any amounts held by a participant in the plan or
9 beneficiary to pay a judgment or settlement against a member or
10 beneficiary for a crime involving the System, for a fraud or breach
11 of the member's fiduciary duty to the System, or for funds or monies
12 incorrectly paid to a member or a beneficiary, provided such offset
13 is in accordance with the requirements of Section 401(a)(13) or
14 similar provisions of the Internal Revenue Code. The offset applies
15 to any assets held in the plan which may otherwise be payable to a
16 member or beneficiary from the plan administered by the Board.

17 B. 1. The provisions of subsection A of this section shall not
18 apply to a qualified domestic order as provided pursuant to this
19 subsection.

20 2. The term "qualified domestic order" means an order issued by
21 a district court of this state pursuant to the domestic relation
22 laws of the State of Oklahoma which relates to the provision of
23 marital property rights to a spouse or former spouse of a member or
24 provision of support for a minor child or children and which creates

1 or recognizes the existence of the right of an alternate payee, or
2 assigns to an alternate payee the right, to receive a portion of the
3 funds payable with respect to a participant in the plan.

4 3. For purposes of the payment of marital property, to qualify
5 as an alternate payee a spouse or former spouse must have been
6 married to the related member for a period of not less than thirty
7 (30) continuous months immediately preceding the commencement of the
8 proceedings from which the qualified domestic order issues.

9 4. A qualified domestic order is valid and binding on the Board
10 and the related member only if it meets the requirements of this
11 subsection.

12 5. A qualified domestic order shall clearly specify:

- 13 a. the name and last-known mailing address (if any) of
14 the member and the name and mailing address of the
15 alternate payee covered by the order,
 - 16 b. the amount or percentage of the member's funds or
17 assets to be paid by the System to the alternate
18 payee,
 - 19 c. the number of payments or period to which such order
20 applies,
 - 21 d. the characterization of the benefit as to marital
22 property rights or child support, and
 - 23 e. each plan to which such order applies.
- 24

1 6. A qualified domestic order meets the requirements of this
2 subsection only if such order:

3 a. does not require the System to provide any type or
4 form of benefit, or any option not otherwise provided
5 under state law as relates to the System,

6 b. does not require the System to provide increased
7 benefits, and

8 c. does not require the payment of funds or assets to an
9 alternate payee which are required to be paid to
10 another alternate payee pursuant to another order
11 previously determined to be a qualified domestic order
12 or an order recognized by the System as a valid order
13 prior to the effective date of this act.

14 7. A qualified domestic order shall not require payment of
15 funds or assets to an alternate payee prior to the actual permitted
16 distribution date or withdrawal of the related member.

17 8. The obligation of the System to pay an alternate payee
18 pursuant to a qualified domestic order shall cease upon the death of
19 the related member.

20 9. This subsection shall not be subject to the provisions of
21 the Employee Retirement Income Security Act of 1974 (ERISA), 29
22 U.S.C.A., Section 1001 et seq., as amended from time to time, or
23 rules and regulations promulgated thereunder, and court cases
24 interpreting said act.

1 10. The Board shall promulgate such rules as are necessary to
2 implement the provisions of this subsection.

3 11. An alternate payee who has acquired beneficiary rights
4 pursuant to a valid qualified domestic order must fully comply with
5 all provisions of the rules promulgated by the Board pursuant to
6 this subsection in order to continue receiving his or her benefit.

7 SECTION 12. AMENDATORY 74 O.S. 2011, Section 913.4, as
8 last amended by Section 113, Chapter 15, O.S.L. 2013 (74 O.S. Supp.
9 2013, Section 913.4), is amended to read as follows:

10 Section 913.4 A. 1. Except as otherwise provided in this
11 subsection, an elected official may elect to participate in the
12 System and if he or she elects to do so shall have the option of
13 participating at any one of the computation factors set forth in
14 paragraph 3 or 4 of this subsection and will receive retirement
15 benefits in accordance with the computation factor chosen. The
16 election on participation in the System must be in writing, must
17 specify the computation factor chosen, and must be filed with the
18 System within ninety (90) days after the elected official takes
19 office. The election to participate and the election of a
20 computation factor shall be irrevocable. Reelection to the same
21 office will not permit new elections. Failure of an elected
22 official to file such election form within the ninety-day period
23 shall be deemed an irrevocable election to participate in the System
24 at the maximum computation factor.

2. Contributions and benefits will be based upon the elected official's annual compensation as defined in Section 902 of this title. Employer and elected official contributions shall be remitted at least monthly, or as the Board may otherwise provide, to the System for deposit in the Oklahoma Public Employees Retirement Fund. Effective July 1, 1994, and thereafter, the participating employer shall contribute as provided in Section 920 of this title.

3. Except as provided in paragraph 4 of this subsection, effective July 1, 1994, the computation factor selected and the corresponding elected official contribution rate shall be as follows:

Elected official Contribution Rate	Computation Factor	Alternate Formula
4.5%	1.9%	\$12.50
6%	2.5%	\$20.00
7.5%	3.0%	\$25.00
8.5%	3.4%	\$27.50
9%	3.6%	\$30.00
10%	4.0%	\$40.00

4. Elected officials who are first elected or appointed to an elected office on or after November 1, 2010, shall elect a computation factor of either 1.9% or 4%. The elected official contribution rate for the 1.9% computation factor is currently 4.5% and the contribution rate for the 4% computation factor is currently

1 10%. All other computation factors and contribution rates set forth
2 in paragraph 3 of this subsection shall not be available to any
3 person first elected or appointed to an elected office on or after
4 November 1, 2010.

5 5. The contribution rate for elected officials who are first
6 elected or appointed to an elected office on or after November 1,
7 2011, shall be in the amount specified in paragraph (a) of
8 subsection (1) of Section 919.1 of this title. The amount of the
9 retirement benefit for elected officials who are first elected or
10 appointed to an elected office on or after November 1, 2011, shall
11 be based on the provisions of paragraph (1) of subsection A of
12 Section 915 of this title.

13 6. The computation factors and corresponding elected official
14 contribution rates provided for in paragraphs 3 and 4 of this
15 subsection shall be based on the entire compensation as an elected
16 official subject to the definition and maximum compensation levels
17 as set forth in paragraph (9) of Section 902 of this title.

18 7. Elected officials who are first elected or appointed on or
19 after November 1, 2011, shall also be eligible to make the election
20 of an alternate multiplier and contribution rate pursuant to
21 paragraph 2 of subsection A of Section 915 of this title.

22 8. A statewide elected official or legislator whose first
23 service as an elected official occurs on or after November 1, 2015,
24 shall become a participant in the defined contribution system

created by Sections 1 through 11 of this act and such elected official shall not accrue any service credit in the defined benefit plan of the Oklahoma Public Employees Retirement System created pursuant to Section 901 et seq. of this title.

B. The normal retirement date for an elected official shall be the first day of the month coinciding with or following the official's sixtieth birthday or the first day of the month coinciding with or following the date at which the sum of the elected official's age and number of years of credited service total eighty (80). The normal retirement date for an elected official first elected or appointed to an elected office on or after November 1, 2011, shall be the first day of the month coinciding with or following the official's sixty-fifth birthday or the date upon which the elected or appointed official attains the age of sixty-two (62) and who has at least ten (10) years of elected or appointed service. Any elected official first elected or appointed to an elected office before November 1, 2011, who has a minimum of ten (10) years' participating service may retire under the early retirement provisions of this act, including those electing a vested benefit and shall receive an adjustment of annual benefits in accordance with the following percentage schedule:

Age	Percentage of Normal Retirement Benefits
60	100%

1	59	94%
2	58	88%
3	57	82%
4	56	76%
5	55	70%

6 Any elected official first elected or appointed to an elected
 7 office on or after November 1, 2011, who has a minimum of ten (10)
 8 years' participating service may retire under the early retirement
 9 provisions of this act, including those electing a vested benefit
 10 and shall receive an adjustment of annual benefits in accordance
 11 with the following percentage schedule:

12		Percentage of Normal
13	Age	Retirement Benefits
14	62	100%
15	61	93.33%
16	60	86.67%

17 C. 1. Any elected official shall receive annual benefits
 18 computed based upon the computation factor selected multiplied by
 19 the member's highest annual compensation received as an elected
 20 official prior to retirement or termination of employment multiplied
 21 by the number of years of credited service. No elected official
 22 shall retire using such highest annual compensation unless the
 23 elected official has made the required election and has paid the
 24 required contributions on such salary.

1 2. The retirement benefit may be computed pursuant to the
2 provisions of paragraph (1) of subsection A of Section 915 of this
3 title if the benefit would be higher. Elected officials who have a
4 vested benefit prior to July 1, 1980, may elect to receive annual
5 benefits based on the alternate formula provided above. Such annual
6 benefits shall be paid in equal monthly installments.

7 3. Elected officials who become members of the Oklahoma Public
8 Employees Retirement System on or after August 22, 2008, will
9 receive retirement benefits in accordance with the computation
10 factor selected pursuant to subsection A of this section multiplied
11 by the member's highest annual compensation received as an elected
12 official and only for those years of credited service the member
13 served as an elected official. If such elected official has
14 participating service as a nonelected member, then such nonelected
15 service shall be computed separately pursuant to the provisions of
16 paragraph (1) of subsection A of Section 915 of this title with the
17 final benefit result added to the final benefit result for elected
18 service. In no event shall the elected official be entitled to
19 apply the computation factor selected pursuant to subsection A of
20 this section or the compensation received as an elected official to
21 the computation of nonelected service.

22 4. Elected officials who are first elected or appointed to an
23 elected office on or after August 22, 2008, may not receive a
24 maximum benefit greater than their single highest annual

1 compensation received as a member of the Oklahoma Public Employees
2 Retirement System.

3 D. Any elected official making an election to participate at a
4 computation factor less than the maximum and later selecting a
5 higher computation factor shall contribute to the System a sum equal
6 to the amount which the elected official would have contributed if
7 the elected official had made such election at the time the elected
8 official first became eligible, plus interest as determined by the
9 Board, in order to receive the additional benefits for all service
10 as an elected official; otherwise, the additional benefits shall be
11 applicable only to service for which the elected official pays the
12 appropriate percent of contributions to the System.

13 E. The surviving spouse of a deceased elected official who was
14 first elected or appointed to an elected office before November 1,
15 2011, and who has at least six (6) years of participating service
16 and the surviving spouse of a deceased elected official who was
17 first elected or appointed to an elected office on or after November
18 1, 2011, and who has at least eight (8) years of participating
19 service shall be entitled to receive survivor benefits in the amount
20 herein prescribed, if married to the decedent continuously for a
21 period of at least three (3) years immediately preceding the elected
22 official's death. Provided the elected official had met the service
23 requirements, survivor benefits shall be payable when the deceased
24 member would have met the requirements for normal or early

1 retirement. The amount of the benefits the surviving spouse may
2 receive shall be fifty percent (50%) of the amount of benefits the
3 deceased elected official was receiving or will be eligible to
4 receive. Remarriage of a surviving spouse shall disqualify the
5 spouse for the receipt of survivor benefits. Elected officials may
6 elect a retirement option as provided in Section 918 of this title
7 in lieu of the survivors benefit provided above.

8 F. Any elected official who served in the Armed Forces of the
9 United States, as defined in paragraph (23) of Section 902 of this
10 title, prior to membership in the Oklahoma Public Employees
11 Retirement System shall be granted credited service of not to exceed
12 five (5) years for those periods of active military service during
13 which the elected official was a war veteran.

14 G. Anyone appointed or elected to an elected position after
15 July 1, 1990, shall not be eligible to receive benefits as provided
16 in this section until such person has participated as an elected
17 official for six (6) years. Anyone appointed or elected to an
18 elected position on or after November 1, 2011, shall not be eligible
19 to receive benefits as provided in this section until such person
20 has participated as an elected official for eight (8) years.

21 H. Elected officials who terminate participation in the System
22 and who have a minimum of six (6) years of participating service
23 shall be entitled to elect a vested benefit and shall be entitled to
24 the retirement options as provided in Section 918 of this title in

1 lieu of the survivors benefit provided in subsection E of this
2 section. Elected officials, first elected or appointed to an
3 elected office on or after November 1, 2011, who terminate
4 participation in the System and who have a minimum of eight (8)
5 years of participating service shall be entitled to elect a vested
6 benefit and shall be entitled to retirement options as provided in
7 Section 918 of this title in lieu of the survivors benefits provided
8 in subsection E of this section.

9 I. In determining the number of years of credited service, a
10 fractional year of six (6) months or more shall be considered as one
11 (1) year, and less than six (6) months or more shall be disregarded.
12 For members who joined the System on or after November 1, 2011, the
13 number of years of credited service shall be based on actual years
14 and months of credited service without rounding up or down.

15 SECTION 13. AMENDATORY 74 O.S. 2011, Section 920, as
16 amended by Section 929, Chapter 304, O.S.L. 2012 (74 O.S. Supp.
17 2013, Section 920), is amended to read as follows:

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

23 (2) Effective July 1, 1995, every state agency which is a
24 participating employer shall contribute to the System an amount

1 equal to eleven and one-half percent (11 1/2%) of the monthly
2 compensation of each member, not to exceed the allowable annual
3 compensation as defined in paragraph (9) of Section 902 of this
4 title.

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

10 (4) Effective July 1, 1999, and through the fiscal year ending
11 June 30, 2005, every state agency which is a participating employer
12 shall contribute to the System an amount equal to ten percent (10%)
13 of the monthly compensation of each member, not to exceed the
14 allowable annual compensation defined in paragraph (9) of Section
15 902 of this title.

16 (5) Effective July 1, 2005, except as otherwise provided by
17 subsection (11) of this section, every state agency which is a
18 participating employer shall contribute an amount to the System
19 equal to a percentage of monthly compensation of each member, not to
20 exceed the allowable annual compensation defined in paragraph (9) of
21 Section 902 of this title as follows:

22 July 1, 2005 - June 30, 2006 11 1/2%

23 July 1, 2006 - June 30, 2007 12 1/2%

24 July 1, 2007 - June 30, 2008 13 1/2%

1 July 1, 2008 - June 30, 2009 14 1/2%

2 July 1, 2009 - June 30, 2011 15 1/2%

3 July 1, 2011 - June 30, 2012

4 and each year thereafter 16 1/2%

5 (6) The Board shall certify, on or before November 1 of each
6 year, to the Office of Management and Enterprise Services an
7 actuarially determined estimate of the rate of contribution which
8 will be required, together with all accumulated contributions and
9 other assets of the System, to be paid by each participating
10 employer to pay all liabilities which shall exist or accrue under
11 the System, including amortization of the past service cost over a
12 period of not to exceed forty (40) years from June 30, 1987, and the
13 cost of administration of the System, as determined by the Board,
14 upon recommendation of the actuary.

15 (7) The Office of Management and Enterprise Services and the
16 Governor shall include in the budget and in the budget request for
17 appropriations the sum required to satisfy the state's obligation
18 under this section as certified by the Board and shall present the
19 same to the Legislature for allowance and appropriation.

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

23 (9) Each participating employer is hereby authorized to pay the
24 employer's contribution from the same fund that the compensation for

1 which said contribution is paid from or from any other funds
2 available to it for such purpose.

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

7 (11) Effective November 1, 2015, an employer shall be required
8 to make payment to the Oklahoma Public Employees Retirement System
9 of the amount described by subsection A of Section 10 of this act
10 with respect to any employee who is a participant in the defined
11 contribution system created pursuant to the provisions of Sections 1
12 through 11 of this act. The employer shall be required to make the
13 required matching contribution amount for all employees that
14 participate in the defined contribution system and to remit the
15 difference between such amount and the amount the employer would
16 otherwise have paid pursuant to the provisions of this section to
17 the Oklahoma Public Employees Retirement System.

18 SECTION 14. AMENDATORY 74 O.S. 2011, Section 920A, is
19 amended to read as follows:

20 Section 920A. A. Any county, county hospital, city or town,
21 conservation district, circuit engineering district or any public or
22 private trust in which a county, city or town participates and is
23 the primary beneficiary, which is a participating employer and any
24 eligible employee shall contribute to the System. The total

1 employer and employee contributions shall be based on the allowable
 2 annual compensation as defined in paragraph (9) of Section 902 of
 3 this title. Except as provided for in this section, the employer
 4 shall not pay for the employee any of the employee contribution to
 5 the System.

6 B. For the fiscal year ending June 30, 2005, the total employer
 7 and employee contributions shall equal thirteen and one-half percent
 8 (13 1/2%) of the allowable monthly compensation of each member;
 9 provided, however, each participating employer listed in this
 10 section may set the amount of the employer and employee contribution
 11 to equal thirteen and one-half percent (13 1/2%) of the allowable
 12 monthly compensation of each member for compensation as provided in
 13 paragraph (9) of Section 902 of this title; provided, the employer
 14 contribution shall not exceed ten percent (10%) and the employee
 15 contribution shall not exceed eight and one-half percent (8 1/2%).

16 C. ~~The~~ Except as otherwise provided by subsection H of this
 17 section, the total employer and employee contributions for fiscal
 18 years following the fiscal year ending June 30, 2005, shall be as
 19 follows:

20	July 1, 2005 - June 30, 2006	15%
21	July 1, 2006 - June 30, 2007	16%
22	July 1, 2007 - June 30, 2008	17%
23	July 1, 2008 - June 30, 2009	18%
24	July 1, 2009 - June 30, 2010	19%

1 July 1, 2010 - June 30, 2011

2 and each fiscal year thereafter 20%

3 Such employee and employer contributions shall be based upon the
4 allowable monthly compensation of each member for compensation as
5 provided in paragraph (9) of Section 902 of this title. The maximum
6 employer contribution of ten percent (10%) in subsection B of this
7 section shall increase by one and one-half percent (1.5%) beginning
8 in the fiscal year ending June 30, 2006, and one percent (1%) for
9 each fiscal year thereafter until it reaches sixteen and one-half
10 percent (16.5%). For such years, the employee contribution shall
11 not exceed eight and one-half percent (8 1/2%).

12 D. For members who make the election pursuant to paragraph (2)
13 of subsection A of Section 915 of this title, the employee
14 contribution shall increase by two and ninety-one one-hundredths
15 percent (2.91%). Such employee contribution increase shall be paid
16 by the employee.

17 E. Each participating employer pursuant to the provisions of
18 this section may pick up under the provisions of Section 414(h) (2)
19 of the Internal Revenue Code of 1986 and pay the contribution which
20 the member is required by law to make to the System for all
21 compensation earned after December 31, 1989. Although the
22 contributions so picked up are designated as member contributions,
23 such contributions shall be treated as contributions being paid by
24 the participating employer in lieu of contributions by the member in

1 determining tax treatment under the Internal Revenue Code of 1986
2 and such picked up contributions shall not be includable in the
3 gross income of the member until such amounts are distributed or
4 made available to the member or the beneficiary of the member. The
5 member, by the terms of this System, shall not have any option to
6 choose to receive the contributions so picked up directly and the
7 picked up contributions must be paid by the participating employer
8 to the System.

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

15 G. The participating employer shall pay the member
16 contributions from the same source of funds used in paying salary to
17 the member, by effecting an equal cash reduction in gross salary of
18 the member.

19 H. Effective November 1, 2015, an employer shall be required to
20 make payment to the Oklahoma Public Employees Retirement System of
21 the amount described by subsection A of Section 10 of this act with
22 respect to any employee who is a participant in the defined
23 contribution system created pursuant to the provisions of Sections 1
24 through 11 of this act. The employer shall be required to make the

1 required matching contribution amount for all employees that
2 participate in the defined contribution system and to remit the
3 difference between such amount and the amount the employer would
4 otherwise have paid pursuant to the provisions of this section to
5 the Oklahoma Public Employees Retirement System.

6 SECTION 15. AMENDATORY 74 O.S. 2011, Section 1707, as
7 amended by Section 986, Chapter 304, O.S.L. 2012 (74 O.S. Supp.
8 2013, Section 1707), is amended to read as follows:

9 Section 1707. A. Effective January 1, 1998, for each qualified
10 participant as defined in this section who is a state employee as
11 defined in this section, the Oklahoma Public Employees Retirement
12 System shall pay each month from funds appropriated or deposited to
13 the Oklahoma State Employees Deferred Savings Incentive Plan Fund
14 created pursuant to this section the sum of Twenty-five Dollars
15 (\$25.00) to a plan established pursuant to the Internal Revenue
16 Code, Section 401(a), for the benefit of the employee; provided, if
17 monies in the fund are insufficient to fully fund the contributions
18 in any month, payments shall be suspended until such time as
19 sufficient monies are available. Employees receiving payroll other
20 than monthly shall have an amount contributed which is equivalent to
21 Twenty-five Dollars (\$25.00) per month.

22 B. For the purposes of this section, "qualified participant"
23 means a state employee as defined in this section who is an active
24 participant in the Oklahoma State Employees Deferred Compensation

1 Plan making deferrals of at least Twenty-five Dollars (\$25.00) per
2 month. A qualified participant shall not include an employee who
3 participates in the defined contribution system administered by the
4 Oklahoma Public Employees Retirement System on or after November 1,
5 2015. Effective July 1, 2000, each qualified participant shall be
6 eligible for a contribution of Twenty-five Dollars (\$25.00) to the
7 Oklahoma State Employees Deferred Savings Incentive Plan beginning
8 with the first employee deferral into the Oklahoma State Employees
9 Deferred Compensation Plan. The Director of the Office of
10 Management and Enterprise Services shall be responsible for the
11 provision of such information and assistance as may be necessary to
12 determine which employees are qualified participants and shall
13 provide for appropriate payroll transactions to accomplish
14 contributions to the Oklahoma State Employees Deferred Savings
15 Incentive Plan and the Oklahoma State Employees Deferred
16 Compensation Plan. The Oklahoma Public Employees Retirement System
17 shall be responsible for establishing rules and plan documents for
18 administration of such contributions. Funds so credited shall be
19 held and invested in the same manner as the Oklahoma State Employees
20 Deferred Compensation Plan, as provided in Section 1701 of this
21 title.

22 C. For the purposes of this section, "state employee" means any
23 officer or employee of the executive, legislative, or judicial
24

1 branches of the government of this state who is an active member of
2 a public retirement system of this state, but does not include:

3 1. Employees of the public elementary, secondary, or area
4 vocational school districts;

5 2. Employees of The Oklahoma State System of Higher Education
6 except employees of the Oklahoma State Regents of Higher Education,
7 employees of the governing boards and employees of the Board of
8 Regents of the University of Oklahoma who are participating members
9 of the Oklahoma Public Employees Retirement System;

10 3. Persons on temporary, student, internship, or other limited-
11 term appointments except for Executive Fellows in the Carl Albert
12 Public Internship Program created in Section 840-3.4 of this title;
13 or

14 4. Persons employed pursuant to Section 1.6a of Title 53 of the
15 Oklahoma Statutes.

16 D. No public official shall be able to make contributions to
17 the Section 401(a) plan described by this section during a term of
18 office which commenced prior to July 1, 1997. A public official may
19 make contributions to the Section 401(a) plan described by this
20 section during a term of office which commences after July 1, 1997.
21 No legislator shall be eligible to make contributions to the Section
22 401(a) plan described by this section until such contributions have
23 been approved by the Board on Legislative Compensation. The
24

1 provisions of this subsection shall be applicable only in the event
2 that the Plan permits employee contributions.

3 E. There is hereby created in the State Treasury a revolving
4 fund to be designated the "Oklahoma State Employees Deferred Savings
5 Incentive Plan Fund". The fund shall be a continuing fund, not
6 subject to fiscal year limitations, and shall consist of any monies
7 the Legislature may appropriate or transfer to the fund and any
8 monies contributed for the fund from any other sources, public or
9 private. All monies accruing to the credit of said fund are hereby
10 appropriated and may be budgeted and expended by the Oklahoma Public
11 Employees Retirement System for the matching of deferred
12 compensation contributions pursuant to this section and in
13 accordance with rules promulgated by the Oklahoma Public Employees
14 Retirement System and for reimbursement of expenses for
15 administration of the Deferred Savings Incentive Plan and the
16 Oklahoma State Employees Deferred Compensation Plan. Expenditures
17 from the fund shall be made by warrants issued by the State
18 Treasurer against claims filed as prescribed by law with the
19 Director of the Office of Management and Enterprise Services for
20 approval and payment.

21 F. Effective July 1, 2000, every employer which has state
22 employees participating in the Oklahoma State Employees Deferred
23 Savings Incentive Plan shall pay to the Fund an amount equal to
24 Twenty-five Dollars (\$25.00) each month for each qualified

1 participant as defined in this section, along with an amount to
2 reimburse the cost of administration of the Oklahoma State Employees
3 Deferred Savings Incentive Plan and the Oklahoma State Employees
4 Deferred Compensation Plan for each qualified participant, as
5 determined by the Board.

6 1. The Board shall certify each year to the Office of
7 Management and Enterprise Services the determined amount for the
8 administrative cost of the Oklahoma State Deferred Savings Incentive
9 Plan and the Oklahoma State Employees Deferred Compensation Plan
10 which will be required to be paid for each qualified participant.
11 The Board of Trustees shall promulgate such rules as are necessary
12 to implement the provisions of this subsection and provide the
13 methodology for the determination.

14 2. Each employer shall pay at least monthly to the Fund the sum
15 sufficient to satisfy the obligation under this section as certified
16 by the Board.

17 3. Each employer is hereby authorized to pay the employer's
18 contribution from the same fund that the compensation for which said
19 contribution is paid from or from any other funds available to it
20 for such purpose.

21 SECTION 16. This act shall become effective November 1, 2014.

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