

STATE OF OKLAHOMA

2nd Session of the 54th Legislature (2014)

COMMITTEE SUBSTITUTE
FOR

SENATE BILL 2120

By: Brinkley

COMMITTEE SUBSTITUTE

An Act relating to public retirement systems;
creating the Future State Employee Retirement Act;
requiring 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; 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; amending 74 O.S.
2011, Sections 913.4, as last amended by Section 113,
Chapter 15, O.S.L. 2012, 920, as amended by Section
929, Chapter 304, O.S.L. 2012 and 920A (74 O.S. Supp.

2013, Sections 913.4 and 920), which relate to the Oklahoma Public Employees Retirement System; requiring certain elected officials to participate in defined contribution retirement system; modifying provisions related to employer contributions; requiring payment of certain differential amount to the Oklahoma Public Employees Retirement System for specified purpose; providing for effect of enactment on certain rights; prohibiting certain collection activity with respect to funds; authorizing offsets; providing for enforcement of qualified domestic orders; defining term; prescribing procedures with respect to alternate payees; prescribing content; imposing restrictions; authorizing rules; amending 74 O.S. 2011, Sections 1316.2, as amended by Section 962, Chapter 304, O.S.L. 2012 and 1707, as amended by Section 986, Chapter 304, O.S.L. 2012 (74 O.S. Supp. 2013, Sections 1316.2 and 1707), which relate to certain provisions affecting the Oklahoma Public Employees Retirement System; modifying provisions based on certain employee election; providing for codification; and providing an effective date.

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 "Future State Employee Retirement 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:

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. Such eligible persons shall become participants
5 in the defined contribution system, exempting those members
6 classified as Hazardous Duty Employees.

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

10 The Board of Trustees of the Oklahoma Public Employees
11 Retirement System ("Board") shall take whatever action is reasonable
12 and necessary to have the defined contribution system authorized by
13 this act recognized as a tax-qualified plan as that term is defined
14 by Section 401 et seq. of Title 26 of the United States Code, or any
15 other applicable provisions of federal law. The Board is also
16 authorized to establish a plan or use an existing plan established
17 under Section 457(b) of Title 26 of the United States Code, if it is
18 necessary to carry out the intent of this act. The Board shall take
19 whatever action is reasonable and necessary to obtain confirmation
20 from the Internal Revenue Service that any such 457(b) plan is
21 consistent with the requirements of Section 457(b).

22 SECTION 4. NEW LAW A new section of law to be codified
23 in the Oklahoma Statutes as Section 935.5 of Title 74, unless there
24 is created a duplication in numbering, reads as follows:

A. All employees participating in the defined contribution retirement system established by this act shall contribute a minimum of three percent (3%) of compensation. Participating employees may elect to contribute amounts above the required minimum contribution and contributions shall be eligible for matching employer contributions as provided by subsection B of this section.

B. Employers participating in the defined contribution retirement system shall match employee contributions on a monthly or more frequent basis according to the following schedule based on 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%

C. The initial three-percent employee contribution shall be the only mandatory contribution of an employee participating in 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(b) plan, to be determined by the Board to maintain the plan consistent with the Internal Revenue Code. Any employee contributions over the three-percent (3%) initial contribution shall

1 be considered voluntary deferrals of compensation and placed in a
2 457(b) plan. All employer matching funds shall be placed in a
3 401(a) plan.

4 D. A participating employee may elect to make contributions
5 above the mandatory contribution rate of three percent (3%). The
6 participating employee may make such an election upon initial entry
7 into the defined contribution system and can only be changed once
8 per calendar year during an option period as the Board determines.
9 The employee contribution rate elected by the participating employee
10 shall continue until the next option period.

11 E. The employer match as set forth in subsection B of this
12 section may be adjusted at any time by the Legislature without
13 affecting the then-existing rights of members and beneficiaries.

14 SECTION 5. NEW LAW A new section of law to be codified
15 in the Oklahoma Statutes as Section 935.6 of Title 74, unless there
16 is created a duplication in numbering, reads as follows:

17 A. Except as otherwise provided by this section, employers
18 shall make payment of the required matching amount as provided by
19 Section 4 of this act within five (5) business days of the
20 participating employees payroll pay date. The System shall ensure
21 the payment is credited to the defined contribution system account
22 of the employee as soon as possible.

23 B. All employee contributions to the defined contribution
24 system shall be affected by salary deductions from the salary of the

1 participating employee and shall be remitted by the participating
2 employer to the System for deposit into the defined contribution
3 system account maintained on behalf of the employee.

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

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

8 2. Place all such remittances in a bank account from which the
9 System can debit the amount due;

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

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

16 E. Participating employers 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 a
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,
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 6. 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. Participating employees shall at all times be vested at one
19 hundred percent (100%) of the amount of the employee contributions.
20 Participating employees shall have investment discretion over the
21 contributions within the available options offered by the Board.

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

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

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

8 C. Participating employees shall have investment discretion
9 over all employer contributions. For purposes of determining an
10 employee's right to withdraw employer matching contributions and any
11 investment gains upon such amounts, the vesting percentages apply at
12 the end of each full year of service above. The Board shall
13 establish default investment options for both the employee and
14 employer contributions. To the extent that participants leave
15 employment and have not vested in all of the employer contributions,
16 the nonvested contributions may be used to offset costs of
17 administering the plan.

18 SECTION 7. NEW LAW A new section of law to be codified
19 in the Oklahoma Statutes as Section 935.8 of Title 74, unless there
20 is created a duplication in numbering, reads as follows:

21 A. Each participating employer shall pick up under the
22 provisions of Section 414(h) (2) of the Internal Revenue Code of
23 1986, as amended, and pay the contribution which the participating
24 employee is required by law to make to the System for all

1 compensation earned after the date as of which an employee elects to
2 participate in the defined contribution system. Although the
3 contributions so picked up are designated as participating employee
4 contributions, such contributions shall be treated as contributions
5 being paid by the employee in lieu of contributions by the
6 participating employee in determining tax treatment under the
7 Internal Revenue Code of 1986, as amended, and such picked-up
8 contributions shall not constitute gross income of the member until
9 such amounts are distributed or made available to the member or the
10 beneficiary of the member. The participating employee, by the terms
11 of this System, shall not have any option to choose to receive the
12 contributions so picked up directly and the picked-up contributions
13 shall be paid by the employer to the System.

14 B. Contributions by the participating employee into a 457(b)
15 plan may not be picked up by the employer but shall be a voluntary
16 deferral of the employee's compensation. Participating employers
17 within the System that are not eligible to participate in the
18 Oklahoma State Employees Deferred Savings Incentive Plan as provided
19 by Section 1707 of Title 74 of the Oklahoma Statutes, and have
20 established a plan pursuant to the Internal Revenue Code, Section
21 457(b) for their employees, shall ensure that their employees do not
22 exceed the maximum annual contributions to a 457(b) plan under the
23 Internal Revenue Code.

1 SECTION 8. NEW LAW A new section of law to be codified

2 in the Oklahoma Statutes as Section 935.10 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 of Trustees shall only enter into
12 a contract with a business that offers an annuity option. The Board
13 may amend any of its existing contracts with its current service
14 providers to perform substantially the same type of service the
15 provider is currently performing for the Board, in order to
16 facilitate the timely introduction of the new defined contribution
17 system created by this act. Thereafter, the contracting process for
18 the selection of service providers carrying out duties related to
19 the administration of the plan shall be the same as the selection
20 process for other providers selected by the Board under subsection D
21 of Section 909.1 of Title 74 of the Oklahoma Statutes.

22 SECTION 9. NEW LAW A new section of law to be codified

23 in the Oklahoma Statutes as Section 935.11 of Title 74, unless there
24 is created a duplication in numbering, reads as follows:

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

11 SECTION 10. NEW LAW A new section of law to be codified
12 in the Oklahoma Statutes as Section 935.12 of Title 74, unless there
13 is created a duplication in numbering, reads as follows:

14 A. Except as otherwise provided by this section or in
15 subsection D of Section 4 of this act, no alteration, amendment, or
16 repeal of this act shall affect the then-existing rights of members
17 and beneficiaries, but shall be effective only as to rights which
18 would otherwise accrue hereunder as a result of services rendered by
19 an employee after such alteration, amendment, or repeal. Any
20 benefits, fund, property, or rights created by or accruing to any
21 person under the provisions of this act shall not be subject to
22 execution, garnishment or attachment, or any other process or claim
23 whatsoever, and shall be unassignable, except as specifically
24 provided by this section. Notwithstanding the foregoing, the Board

1 may offset any amounts held by a participant in the plan or
2 beneficiary to pay a judgment or settlement against a member or
3 beneficiary for a crime involving the System, for a fraud or breach
4 of the member's fiduciary duty to the System, or for funds or monies
5 incorrectly paid to a member or a beneficiary, provided such offset
6 is in accordance with the requirements of Section 401(a)(13) or
7 similar provisions of the Internal Revenue Code. The offset applies
8 to any assets held in the plan which may otherwise be payable to a
9 member or beneficiary from the plan administered by the Board.

10 B. 1. The provisions of subsection A of this section shall not
11 apply to a qualified domestic order as provided pursuant to this
12 subsection.

13 2. The term "qualified domestic order" means an order issued by
14 a district court of this state pursuant to the domestic relation
15 laws of the State of Oklahoma which relate to the provision of
16 marital property rights to a spouse or former spouse of a member or
17 provision of support for a minor child or children and which creates
18 or recognizes the existence of the right of an alternate payee, or
19 assigns to an alternate payee the right, to receive a portion of the
20 funds payable with respect to a participant in the plan.

21 3. For purposes of the payment of marital property, to qualify
22 as an alternate payee, a spouse or former spouse must have been
23 married to the related member for a period of not less than thirty
24

(30) continuous months immediately preceding the commencement of the proceedings from which the qualified domestic order issues.

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

5. A qualified domestic order shall clearly specify:

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

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

- a. does not require the System to provide any type or form of benefit, or any option not otherwise provided under state law as relates to the System,
- b. does not require the System to provide increased benefits, and

1 c. does not require the payment of funds or assets to an
2 alternate payee which are required to be paid to
3 another alternate payee pursuant to another order
4 previously determined to be a qualified domestic order
5 or an order recognized by the System as a valid order
6 prior to the effective date of this act.

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

10 8. The obligation of the System to pay an alternate payee
11 pursuant to a qualified domestic order shall cease upon the death of
12 the related member.

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

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

20 11. An alternate payee who has acquired beneficiary rights
21 pursuant to a valid qualified domestic order must fully comply with
22 all provisions of the rules promulgated by the Board pursuant to
23 this subsection in order to continue receiving his or her benefit.
24

1 SECTION 11. AMENDATORY 74 O.S. 2011, Section 913.4, as
2 last amended by Section 113, Chapter 15, O.S.L. 2013 (74 O.S. Supp.
3 2013, Section 913.4), is amended to read as follows:

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

19 2. Contributions and benefits will be based upon the elected
20 official's annual compensation as defined in Section 902 of this
21 title. Employer and elected official contributions shall be
22 remitted at least monthly, or as the Board may otherwise provide, to
23 the System for deposit in the Oklahoma Public Employees Retirement
24

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

1 5. The contribution rate for elected officials who are first
2 elected or appointed to an elected office on or after November 1,
3 2011, shall be in the amount specified in paragraph (a) of
4 subsection (1) of Section 919.1 of this title. The amount of the
5 retirement benefit for elected officials who are first elected or
6 appointed to an elected office on or after November 1, 2011, shall
7 be based on the provisions of paragraph (1) of subsection A of
8 Section 915 of this title.

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

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

18 8. Elected officials who are first elected or appointed on or
19 after November 1, 2015, shall be a participant in the defined
20 contribution system created by Sections 1 through 10 of this act and
21 such elected official shall not accrue any service credit in the
22 defined benefit plan of the Oklahoma Public Employees Retirement
23 System created pursuant to Section 901 et seq. of this title.
24

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%
59	94%
58	88%
57	82%
56	76%

1	55	70%
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Any elected official first elected or appointed to an elected office on or after 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
8		
9		
0	62	100%
1	61	93.33%
2	60	86.67%

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

21 2. The retirement benefit may be computed pursuant to the
22 provisions of paragraph (1) of subsection A of Section 915 of this
23 title if the benefit would be higher. Elected officials who have a
24 vested benefit prior to July 1, 1980, may elect to receive annual

1 benefits based on the alternate formula provided above. Such annual
2 benefits shall be paid in equal monthly installments.

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

18 4. Elected officials who are first elected or appointed to an
19 elected office on or after August 22, 2008, may not receive a
20 maximum benefit greater than their single highest annual
21 compensation received as a member of the Oklahoma Public Employees
22 Retirement System.

23 D. Any elected official making an election to participate at a
24 computation factor less than the maximum and later selecting a

1 higher computation factor shall contribute to the System a sum equal
2 to the amount which the elected official would have contributed if
3 the elected official had made such election at the time the elected
4 official first became eligible, plus interest as determined by the
5 Board, in order to receive the additional benefits for all service
6 as an elected official; otherwise, the additional benefits shall be
7 applicable only to service for which the elected official pays the
8 appropriate percent of contributions to the System.

9 E. The surviving spouse of a deceased elected official who was
10 first elected or appointed to an elected office before November 1,
11 2011, and who has at least six (6) years of participating service
12 and the surviving spouse of a deceased elected official who was
13 first elected or appointed to an elected office on or after November
14 1, 2011, and who has at least eight (8) years of participating
15 service shall be entitled to receive survivor benefits in the amount
16 herein prescribed, if married to the decedent continuously for a
17 period of at least three (3) years immediately preceding the elected
18 official's death. Provided the elected official had met the service
19 requirements, survivor benefits shall be payable when the deceased
20 member would have met the requirements for normal or early
21 retirement. The amount of the benefits the surviving spouse may
22 receive shall be fifty percent (50%) of the amount of benefits the
23 deceased elected official was receiving or will be eligible to
24 receive. Remarriage of a surviving spouse shall disqualify the

1 spouse for the receipt of survivor benefits. Elected officials may
2 elect a retirement option as provided in Section 918 of this title
3 in lieu of the survivors benefit provided ~~above~~ in this subsection.

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

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

17 H. Elected officials who terminate participation in the System
18 and who have a minimum of six (6) years of participating service
19 shall be entitled to elect a vested benefit and shall be entitled to
20 the retirement options as provided in Section 918 of this title in
21 lieu of the survivors benefit provided in subsection E of this
22 section. Elected officials, first elected or appointed to an
23 elected office on or after November 1, 2011, who terminate
24 participation in the System and who have a minimum of eight (8)

1 years of participating service shall be entitled to elect a vested
2 benefit and shall be entitled to retirement options as provided in
3 Section 918 of this title in lieu of the survivors benefits provided
4 in subsection E of this section.

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

11 SECTION 12. AMENDATORY 74 O.S. 2011, Section 920, as
12 amended by Section 929, Chapter 304, O.S.L. 2012 (74 O.S. Supp.
13 2013, Section 920), is amended to read as follows:

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

19 (2) Effective July 1, 1995, every state agency which is a
20 participating employer shall contribute to the System an amount
21 equal to eleven and one-half percent (11 1/2%) of the monthly
22 compensation of each member, not to exceed the allowable annual
23 compensation as defined in paragraph (9) of Section 902 of this
24 title.

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

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

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

July 1, 2005 - June 30, 2006	11 1/2%
July 1, 2006 - June 30, 2007	12 1/2%
July 1, 2007 - June 30, 2008	13 1/2%
July 1, 2008 - June 30, 2009	14 1/2%
July 1, 2009 - June 30, 2011	15 1/2%
July 1, 2011 - June 30, 2012	
and each year thereafter	16 1/2%

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

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

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

19 (9) Each participating employer is hereby authorized to pay the
20 employer's contribution from the same fund that the compensation for
21 which said contribution is paid from or from any other funds
22 available to it for such purpose.

23 (10) Forfeitures arising from severance of employment, death or
24 for any other reason may not be applied to increase the benefits any

1 member would otherwise receive under the System's law. However,
2 forfeitures may be used to reduce an employer's contribution.

3 (11) The System shall deposit the monies remitted to it by
4 employers having members that participate in the defined
5 contribution system created by this act, as described by Section 9
6 of this act, into the existing defined benefit pension plan
7 authorized pursuant to Section 901 et seq. of Title 74 of the
8 Oklahoma Statutes in order to reduce the liabilities of the defined
9 benefit pension plan.

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

21 SECTION 13. AMENDATORY 74 O.S. 2011, Section 1316.2, as
22 amended by Section 962, Chapter 304, O.S.L. 2012 (74 O.S. Supp.
23 2013, Section 1316.2), is amended to read as follows:
24

1 Section 1316.2. A. Any employee, other than an education
2 employee, who retires pursuant to the provisions of the Oklahoma
3 Public Employees Retirement System or who has a vested benefit
4 pursuant to the provisions of the Oklahoma Public Employees
5 Retirement System may continue in force the health and dental
6 insurance benefits authorized by the provisions of the Oklahoma
7 Employees Insurance and Benefits Act, or other employer insurance
8 benefits if the employer does not participate in the plans offered
9 by the Office of Management and Enterprise Services, if such
10 election to continue in force is made within thirty (30) days from
11 the date of termination of service. Except as otherwise provided
12 for in Section 840-2.27I of this title and subsection H of this
13 section, health and dental insurance coverage may not be reinstated
14 at a later time if the election to continue in force is declined.
15 Vested employees other than education employees who have terminated
16 service and are not receiving benefits and effective July 1, 1996,
17 nonvested persons who have terminated service with more than eight
18 (8) years of participating service with a participating employer,
19 who within thirty (30) days from the date of termination of service
20 elect to continue such coverage, shall pay the full cost of said
21 insurance premium at the rate and pursuant to the terms and
22 conditions established by the Office. Provided also, any employee
23 other than an education employee who commences employment with a
24 participating employer on or after September 1, 1991, who terminates

1 service with such employer on or after July 1, 1996, but who
2 otherwise has insufficient years of service to retire or terminate
3 service with a vested benefit pursuant to the provisions of the
4 Oklahoma Public Employees Retirement System or to elect to continue
5 coverage as a nonvested employee as provided in this section, but
6 who, immediately prior to employment with the participating employer
7 was covered as a dependent on the health and dental insurance policy
8 of a spouse who was an active employee other than an education
9 employee, may count as part of his or her credited service for the
10 purpose of determining eligibility to elect to continue coverage
11 under this section, the time during which said terminating employee
12 was covered as such a dependent.

13 B. 1. Health insurance benefit plans offered pursuant to this
14 section shall include:

- 15 a. indemnity plans offered through the Office,
- 16 b. managed care plans offered as alternatives to the
17 indemnity plans offered through the Office,
- 18 c. Medicare supplements offered pursuant to the Oklahoma
19 Employees Insurance and Benefits Act,
- 20 d. Medicare risk-sharing contracts offered as
21 alternatives to the Medicare supplements offered
22 through the Office. All Medicare risk-sharing
23 contracts shall be subject to a risk adjustment
24

1 factor, based on generally accepted actuarial
2 principles for adverse selection which may occur, and
3 e. for the Oklahoma Public Employee Retirement System,
4 other employer-provided health insurance benefit plans
5 if the employer does not participate in the plans
6 offered pursuant to the Oklahoma Employees Insurance
7 and Benefits Act.

8 2. Health insurance benefit plans offered pursuant to this
9 section shall provide prescription drug benefits, except for plans
10 designed pursuant to the Medicare Prescription Drug Improvement and
11 Modernization Act of 2003, for which provision of prescription drug
12 benefits is optional, and except for plans offered pursuant to
13 subparagraph e of paragraph 1 of this subsection.

14 C. 1. Designated public retirement systems shall contribute a
15 monthly amount towards the health insurance premium of certain
16 individuals receiving benefits from the public retirement system as
17 follows:

18 a. a retired employee, other than an education employee,
19 or an employee who participates in the defined
20 contribution system administered by the Oklahoma
21 Public Employees Retirement System on or after
22 November 1, 2015, who is receiving benefits from the
23 Oklahoma Public Employees Retirement System after
24 September 30, 1988, shall have One Hundred Five

1 Dollars (\$105.00), or the premium rate of the health
2 insurance benefit plan, whichever is less, paid by the
3 Oklahoma Public Employees Retirement System to the
4 Board or other insurance carrier of the employer if
5 the employer does not participate in the plans offered
6 by the Office in the manner specified in subsection G
7 of this section,

8 b. a retired employee or surviving spouse other than an
9 education employee who is receiving benefits from the
10 Oklahoma Law Enforcement Retirement System after
11 September 30, 1988, is under sixty-five (65) years of
12 age and is not otherwise eligible for Medicare shall
13 have the premium rate for the health insurance benefit
14 plan or One Hundred Five Dollars (\$105.00), whichever
15 is less, paid by the Oklahoma Law Enforcement
16 Retirement System to the Office in the manner
17 specified in subsection G of this section,

18 c. a retired employee other than an education employee
19 who is receiving benefits from the Oklahoma Law
20 Enforcement Retirement System after September 30,
21 1988, is sixty-five (65) years of age or older or who
22 is under sixty-five (65) years of age and is eligible
23 for Medicare shall have One Hundred Five Dollars
24 (\$105.00), or the premium rate of the health insurance

benefit plan, whichever is less, paid by the Oklahoma Law Enforcement Retirement System to the Office in the manner specified in subsection G of this section, and

d. a retired employee other than an education employee who is receiving benefits from the Uniform Retirement System for Justices and Judges after September 30, 1988, shall have One Hundred Five Dollars (\$105.00), or the premium rate of the health insurance plan, whichever is less, paid by the Uniform Retirement System for Justices and Judges to the Office in the manner specified in subsection G of this section.

2. Premium payments made pursuant to this section shall be made subject to the following conditions:

a. the health plan shall be authorized by the provisions of the Oklahoma Employees Insurance and Benefits Act, except that if an employer from which an employee retired or with a vested benefit pursuant to the provisions of the Oklahoma Public Employees Retirement System does not participate in the plans authorized by the provisions of the Oklahoma Employees Insurance and Benefits Act, the health plan will be the health insurance benefits of the employer from which the individual retired or vested,

b. for plans offered by the Oklahoma Employees Insurance and Benefits Act, the amount to be paid shall be determined pursuant to the provisions of this subsection and shall first be applied in whole or in part to the prescription drug coverage premium. Any remaining amount shall be applied toward the medical coverage premium,

c. for all plans, if the amount paid by the public retirement system does not cover the full cost of the elected coverage, the individual shall pay the remaining premium amount, and

d. payment shall be made by the retirement systems in the manner specified under subsection G of this section.

D. For any member of the Oklahoma Law Enforcement Retirement System killed in the line of duty, whether the member was killed in the line of duty prior to ~~the effective date of this act~~ May 18, 2005, or on or after ~~the effective date of this act~~ May 18, 2005, or if the member was on a disability leave status at the time of death, the surviving spouse or dependents of such deceased member of the Oklahoma Law Enforcement Retirement System may elect to continue or commence health and dental insurance benefits provided said dependents pay the full cost of such insurance and for deaths occurring on or after July 1, 2002, such election is made within thirty (30) days of the date of death. The eligibility for said

1 benefits shall terminate for the surviving children when said
2 children cease to qualify as dependents.

3 E. Effective July 1, 2004, a retired member of the Oklahoma Law
4 Enforcement Retirement System who retired from the System by means
5 of a personal and traumatic injury of a catastrophic nature and in
6 the line of duty and any surviving spouse of such retired member and
7 any surviving spouse of a member who was killed in the line of duty
8 shall have one hundred percent (100%) of the retired member's or
9 surviving spouse's health care premium cost, whether the member or
10 surviving spouse elects coverage under the Medicare supplement or
11 Medicare risk-sharing contract, paid by the Oklahoma Law Enforcement
12 Retirement System to the Office in the manner specified in
13 subsection H of this section. For plans offered by the Office, such
14 contributions will first be applied in whole or in part to the
15 prescription drug coverage premium, if any.

16 F. Dependents of a deceased employee who was on active work
17 status or on a disability leave at the time of death or of a
18 participating retardant or of any person who has elected to receive
19 a vested benefit under the Oklahoma Public Employees Retirement
20 System, the Uniform Retirement System for Justices and Judges or the
21 Oklahoma Law Enforcement Retirement System may continue the health
22 and dental insurance benefits in force provided said dependents pay
23 the full cost of such insurance and they were covered as eligible
24 dependents at the time of such death and such election is made

1 within thirty (30) days of date of death. The eligibility for said
2 benefits shall terminate for the surviving children when said
3 children cease to qualify as dependents.

4 G. The amounts required to be paid by the Oklahoma Public
5 Employees Retirement System, the Uniform Retirement System for
6 Justices and Judges and the Oklahoma Law Enforcement Retirement
7 System pursuant to this section shall be forwarded no later than the
8 tenth day of each month following the month for which payment is due
9 by the Oklahoma Public Employees Retirement System Board of Trustees
10 or the Oklahoma Law Enforcement Retirement Board to the Office for
11 deposit in the Health, Dental and Life Insurance Reserve Fund or to
12 another insurance carrier as provided for in subsection H of Section
13 1315 of this title.

14 H. Upon retirement from employment of the Board of Regents of
15 the University of Oklahoma, any person who was or is employed at the
16 George Nigh Rehabilitation Institute and who transferred employment
17 pursuant to Section 3427 of Title 70 of the Oklahoma Statutes, any
18 person who was employed at the Medical Technology and Research
19 Authority and who transferred employment pursuant to Section 7068 of
20 this title, and any person who is a member of the Oklahoma Law
21 Enforcement Retirement System pursuant to the authority of Section
22 2-314 of Title 47 of the Oklahoma Statutes may participate in the
23 benefits authorized by the provisions of the Oklahoma Employees
24 Insurance and Benefits Act for retired participants, including

1 health, dental and life insurance benefits, if such election to
2 participate is made within thirty (30) days from the date of
3 termination of service. Life insurance benefits for any such person
4 who transferred employment shall not exceed the coverage the person
5 had at the time of such transfer. Retirees who transferred
6 employment and who participate pursuant to this paragraph shall pay
7 the premium for elected benefits less any amounts paid by a state
8 retirement system pursuant to this section.

9 SECTION 14. AMENDATORY 74 O.S. 2011, Section 1707, as
10 amended by Section 986, Chapter 304, O.S.L. 2012 (74 O.S. Supp.
11 2013, Section 1707), is amended to read as follows:

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

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

1 C. For the purposes of this section, "state employee" means any
2 officer or employee of the executive, legislative, or judicial
3 branches of the government of this state who is an active member of
4 a public retirement system of this state, but does not include:

5 1. Employees of the public elementary, secondary, or area
6 vocational school districts;

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

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

16 4. Persons employed pursuant to Section 1.6a of Title 53 of the
17 Oklahoma Statutes.

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

1 been approved by the Board on Legislative Compensation. The
2 provisions of this subsection shall be applicable only in the event
3 that the Plan permits employee contributions.

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

22 F. Effective July 1, 2000, every employer which has state
23 employees participating in the Oklahoma State Employees Deferred
24 Savings Incentive Plan shall pay to the Fund an amount equal to

1 Twenty-five Dollars (\$25.00) each month for each qualified
2 participant as defined in this section, along with an amount to
3 reimburse the cost of administration of the Oklahoma State Employees
4 Deferred Savings Incentive Plan and the Oklahoma State Employees
5 Deferred Compensation Plan for each qualified participant, as
6 determined by the Board.

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

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

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

22 SECTION 15. This act shall become effective November 1, 2014.
23

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