

1 ENGROSSED SENATE
2 BILL NO. 2120

By: Brinkley, Mazzei and
Bingman of the Senate

3 and

4 McDaniel (Randy) of the
5 House

6
7 An Act relating to the Oklahoma Public Employees
8 Retirement System; creating the Future State Employee
9 Retirement Act; requiring the Oklahoma Public
10 Employees Retirement System to establish defined
11 contribution system; specifying persons eligible for
12 participation in system; prescribing procedures
13 related to date of service accrual; requiring defined
14 contribution system to be qualified pursuant to
15 provisions of the Internal Revenue Code of 1986, as
16 amended; prescribing minimum employee contribution
17 amount; prescribing maximum employee contribution
18 amount; providing for salary deductions for employee
19 contributions; providing for employer matching
20 contributions; specifying amount of employer matching
21 contributions; prescribing procedures related to
22 employer matching contributions; providing for
23 modifications to matching amounts; prescribing
24 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;

1 requiring certain elected officials to participate in
2 defined contribution retirement system; modifying
3 provisions related to employer contributions;
4 requiring payment of certain differential amount to
5 the Oklahoma Public Employees Retirement System for
6 specified purpose; providing for effect of enactment
7 on certain rights; prohibiting certain collection
8 activity with respect to funds; authorizing offsets;
9 providing for enforcement of qualified domestic
10 orders; defining term; prescribing procedures with
11 respect to alternate payees; prescribing content;
12 imposing restrictions; authorizing rules; amending 74
13 O.S. 2011, Sections 1316.2, as amended by Section
14 962, Chapter 304, O.S.L. 2012 and 1707, as amended by
15 Section 986, Chapter 304, O.S.L. 2012 (74 O.S. Supp.
16 2013, Sections 1316.2 and 1707), which relate to
17 certain provisions affecting the Oklahoma Public
18 Employees Retirement System; modifying provisions
19 based on certain employee election; providing for
20 codification; and providing an effective date.

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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
system for those persons who first become employed by any

1 participating employer of the System, as defined by paragraph (25)
2 of Section 902 of Title 74 of the Oklahoma Statutes, on or after
3 November 1, 2015. Such eligible persons shall become participants
4 in the defined contribution system, exempting those members
5 classified as Hazardous Duty Employees.

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

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

21 SECTION 4. NEW LAW A new section of law to be codified
22 in the Oklahoma Statutes as Section 935.4 of Title 74, unless there
23 is created a duplication in numbering, reads as follows:
24

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 935.5 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. The Board shall promulgate rules prohibiting
15 participating employees from borrowing or receiving an extension of
16 credit based on the value of the employee's defined contribution
17 account.

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

21 A. Participating employees shall at all times be vested at one
22 hundred percent (100%) of the amount of the employee contributions.
23 Participating employees shall have investment discretion over the
24 contributions within the available options offered by the Board.

B. Participating employees shall be vested with respect to the employer matching amounts deposited into their defined contribution system account based upon years of participating service according to the following schedule:

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

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

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

A. Each participating employer shall pick up under the provisions of Section 414(h)(2) of the Internal Revenue Code of

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

16 B. Contributions by the participating employee into a 457(b)
17 plan may not be picked up by the employer but shall be a voluntary
18 deferral of the employee's compensation. Participating employers
19 within the System that are not eligible to participate in the
20 Oklahoma State Employees Deferred Savings Incentive Plan as provided
21 by Section 1707 of Title 74 of the Oklahoma Statutes, and have
22 established a plan pursuant to the Internal Revenue Code, Section
23 457(b) for their employees, shall ensure that their employees do not
24

1 exceed the maximum annual contributions to a 457(b) plan under the
2 Internal Revenue Code.

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

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

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 Notwithstanding any other provision of the statutes governing
5 the System to the contrary, each participating employer shall remit
6 to the System the difference between the amount of money which would
7 be remitted to the System using the employer contribution rate
8 required by either Section 920 or Section 920A of Title 74 of the
9 Oklahoma Statutes and the amount of money required for the
10 participating employer to make the required matching contribution
11 amount on behalf of a participating employee in the defined
12 contribution system authorized pursuant to the provisions of Section
13 4 of this act.

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

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

1 execution, garnishment or attachment, or any other process or claim
2 whatsoever, and shall be unassignable, except as specifically
3 provided by this section. Notwithstanding the foregoing, the Board
4 may offset any amounts held by a participant in the plan or
5 beneficiary to pay a judgment or settlement against a member or
6 beneficiary for a crime involving the System, for a fraud or breach
7 of the member's fiduciary duty to the System, or for funds or monies
8 incorrectly paid to a member or a beneficiary, provided such offset
9 is in accordance with the requirements of Section 401(a)(13) or
10 similar provisions of the Internal Revenue Code. The offset applies
11 to any assets held in the plan which may otherwise be payable to a
12 member or beneficiary from the plan administered by the Board.

13 B. 1. The provisions of subsection A of this section shall not
14 apply to a qualified domestic order as provided pursuant to this
15 subsection.

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

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

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

9 5. A qualified domestic order shall clearly specify:

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

21 6. A qualified domestic order meets the requirements of this
22 subsection only if such order:
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- 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
- c. does not require the payment of funds or assets to an alternate payee which are required to be paid to another alternate payee pursuant to another order previously determined to be a qualified domestic order or an order recognized by the System as a valid order prior to the effective date of this act.

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

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

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

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

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

5 SECTION 11. AMENDATORY 74 O.S. 2011, Section 913.4, as
6 last amended by Section 113, Chapter 15, O.S.L. 2013 (74 O.S. Supp.
7 2013, Section 913.4), is amended to read as follows:

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

23 2. Contributions and benefits will be based upon the elected
24 official's annual compensation as defined in Section 902 of this

1 title. Employer and elected official contributions shall be
 2 remitted at least monthly, or as the Board may otherwise provide, to
 3 the System for deposit in the Oklahoma Public Employees Retirement
 4 Fund. Effective July 1, 1994, and thereafter, the participating
 5 employer shall contribute as provided in Section 920 of this title.

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

10 Elected official	Computation	Alternate
11 Contribution Rate	Factor	Formula
12 4.5%	1.9%	\$12.50
13 6%	2.5%	\$20.00
14 7.5%	3.0%	\$25.00
15 8.5%	3.4%	\$27.50
16 9%	3.6%	\$30.00
17 10%	4.0%	\$40.00

18 4. Elected officials who are first elected or appointed to an
 19 elected office on or after November 1, 2010, shall elect a
 20 computation factor of either 1.9% or 4%. The elected official
 21 contribution rate for the 1.9% computation factor is currently 4.5%
 22 and the contribution rate for the 4% computation factor is currently
 23 10%. All other computation factors and contribution rates set forth
 24 in paragraph 3 of this subsection shall not be available to any

1 person first elected or appointed to an elected office on or after
2 November 1, 2010.

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

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

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

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

System created pursuant to Section 901 et seq. of this title. For the purposes of this paragraph, an elected official shall not include a person elected to a county office.

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%

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

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

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

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

24

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~~ in this subsection.

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

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

1 SECTION 13. AMENDATORY 74 O.S. 2011, Section 1316.2, as
2 amended by Section 962, Chapter 304, O.S.L. 2012 (74 O.S. Supp.
3 2013, Section 1316.2), is amended to read as follows:

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

1 conditions established by the Office. Provided also, any employee
2 other than an education employee who commences employment with a
3 participating employer on or after September 1, 1991, who terminates
4 service with such employer on or after July 1, 1996, but who
5 otherwise has insufficient years of service to retire or terminate
6 service with a vested benefit pursuant to the provisions of the
7 Oklahoma Public Employees Retirement System or to elect to continue
8 coverage as a nonvested employee as provided in this section, but
9 who, immediately prior to employment with the participating employer
10 was covered as a dependent on the health and dental insurance policy
11 of a spouse who was an active employee other than an education
12 employee, may count as part of his or her credited service for the
13 purpose of determining eligibility to elect to continue coverage
14 under this section, the time during which said terminating employee
15 was covered as such a dependent.

16 B. 1. Health insurance benefit plans offered pursuant to this
17 section shall include:

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

1 through the Office. All Medicare risk-sharing
2 contracts shall be subject to a risk adjustment
3 factor, based on generally accepted actuarial
4 principles for adverse selection which may occur, and
5 e. for the Oklahoma Public Employee Retirement System,
6 other employer-provided health insurance benefit plans
7 if the employer does not participate in the plans
8 offered pursuant to the Oklahoma Employees Insurance
9 and Benefits Act.

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

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

20 a. a retired employee, other than an education employee,
21 or an employee who participates in the defined
22 contribution system administered by the Oklahoma
23 Public Employees Retirement System on or after
24 November 1, 2015, who is receiving benefits from the

Oklahoma Public Employees Retirement System after September 30, 1988, shall have One Hundred Five Dollars (\$105.00), or the premium rate of the health insurance benefit plan, whichever is less, paid by the Oklahoma Public Employees Retirement System to the Board or other insurance carrier of the employer if the employer does not participate in the plans offered by the Office in the manner specified in subsection G of this section,

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

c. a retired employee other than an education employee who is receiving benefits from the Oklahoma Law Enforcement Retirement System after September 30, 1988, is sixty-five (65) years of age or older or who is under sixty-five (65) years of age and is eligible

1 for Medicare shall have One Hundred Five Dollars
2 (\$105.00), or the premium rate of the health insurance
3 benefit plan, whichever is less, paid by the Oklahoma
4 Law Enforcement Retirement System to the Office in the
5 manner specified in subsection G of this section, and

6 d. a retired employee other than an education employee
7 who is receiving benefits from the Uniform Retirement
8 System for Justices and Judges after September 30,
9 1988, shall have One Hundred Five Dollars (\$105.00),
10 or the premium rate of the health insurance plan,
11 whichever is less, paid by the Uniform Retirement
12 System for Justices and Judges to the Office in the
13 manner specified in subsection G of this section.

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

16 a. the health plan shall be authorized by the provisions
17 of the Oklahoma Employees Insurance and Benefits Act,
18 except that if an employer from which an employee
19 retired or with a vested benefit pursuant to the
20 provisions of the Oklahoma Public Employees Retirement
21 System does not participate in the plans authorized by
22 the provisions of the Oklahoma Employees Insurance and
23 Benefits Act, the health plan will be the health
24

1 insurance benefits of the employer from which the
2 individual retired or vested,

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

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

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

16 D. For any member of the Oklahoma Law Enforcement Retirement
17 System killed in the line of duty, whether the member was killed in
18 the line of duty prior to ~~the effective date of this act~~ May 18,
19 2005, or on or after ~~the effective date of this act~~ May 18, 2005, or
20 if the member was on a disability leave status at the time of death,
21 the surviving spouse or dependents of such deceased member of the
22 Oklahoma Law Enforcement Retirement System may elect to continue or
23 commence health and dental insurance benefits provided said
24 dependents pay the full cost of such insurance and for deaths

1 occurring on or after July 1, 2002, such election is made within
2 thirty (30) days of the date of death. The eligibility for said
3 benefits shall terminate for the surviving children when said
4 children cease to qualify as dependents.

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

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

1 the full cost of such insurance and they were covered as eligible
2 dependents at the time of such death and such election is made
3 within thirty (30) days of date of death. The eligibility for said
4 benefits shall terminate for the surviving children when said
5 children cease to qualify as dependents.

6 G. The amounts required to be paid by the Oklahoma Public
7 Employees Retirement System, the Uniform Retirement System for
8 Justices and Judges and the Oklahoma Law Enforcement Retirement
9 System pursuant to this section shall be forwarded no later than the
10 tenth day of each month following the month for which payment is due
11 by the Oklahoma Public Employees Retirement System Board of Trustees
12 or the Oklahoma Law Enforcement Retirement Board to the Office for
13 deposit in the Health, Dental and Life Insurance Reserve Fund or to
14 another insurance carrier as provided for in subsection H of Section
15 1315 of this title.

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

benefits authorized by the provisions of the Oklahoma Employees Insurance and Benefits Act for retired participants, including health, dental and life insurance benefits, if such election to participate is made within thirty (30) days from the date of termination of service. Life insurance benefits for any such person who transferred employment shall not exceed the coverage the person had at the time of such transfer. Retirees who transferred employment and who participate pursuant to this paragraph shall pay the premium for elected benefits less any amounts paid by a state retirement system pursuant to this section.

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

Section 1707. A. Effective January 1, 1998, for each qualified participant as defined in this section who is a state employee as defined in this section, the Oklahoma Public Employees Retirement System shall pay each month from funds appropriated or deposited to the Oklahoma State Employees Deferred Savings Incentive Plan Fund created pursuant to this section the sum of Twenty-five Dollars (\$25.00) to a plan established pursuant to the Internal Revenue Code, Section 401(a), for the benefit of the employee; provided, if monies in the fund are insufficient to fully fund the contributions in any month, payments shall be suspended until such time as sufficient monies are available. Employees receiving payroll other

1 than monthly shall have an amount contributed which is equivalent to
2 Twenty-five Dollars (\$25.00) per month.

3 B. For the purposes of this section, "qualified participant"
4 means a state employee as defined in this section who is an active
5 participant in the Oklahoma State Employees Deferred Compensation
6 Plan making deferrals of at least Twenty-five Dollars (\$25.00) per
7 month. A qualified participant shall not include an employee who
8 participates in the defined contribution system administered by the
9 Oklahoma Public Employees Retirement System after November 1, 2015.

10 Effective July 1, 2000, each qualified participant shall be eligible
11 for a contribution of Twenty-five Dollars (\$25.00) to the Oklahoma
12 State Employees Deferred Savings Incentive Plan beginning with the
13 first employee deferral into the Oklahoma State Employees Deferred
14 Compensation Plan. The Director of the Office of Management and
15 Enterprise Services shall be responsible for the provision of such
16 information and assistance as may be necessary to determine which
17 employees are qualified participants and shall provide for
18 appropriate payroll transactions to accomplish contributions to the
19 Oklahoma State Employees Deferred Savings Incentive Plan and the
20 Oklahoma State Employees Deferred Compensation Plan. The Oklahoma
21 Public Employees Retirement System shall be responsible for
22 establishing rules and plan documents for administration of such
23 contributions. Funds so credited shall be held and invested in the
24

1 same manner as the Oklahoma State Employees Deferred Compensation
2 Plan, as provided in Section 1701 of this title.

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

7 1. Employees of the public elementary, secondary, or area
8 vocational school districts;

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

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

18 4. Persons employed pursuant to Section 1.6a of Title 53 of the
19 Oklahoma Statutes.

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

1 No legislator shall be eligible to make contributions to the Section
2 401(a) plan described by this section until such contributions have
3 been approved by the Board on Legislative Compensation. The
4 provisions of this subsection shall be applicable only in the event
5 that the Plan permits employee contributions.

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

1 F. Effective July 1, 2000, every employer which has state
2 employees participating in the Oklahoma State Employees Deferred
3 Savings Incentive Plan shall pay to the Fund an amount equal to
4 Twenty-five Dollars (\$25.00) each month for each qualified
5 participant as defined in this section, along with an amount to
6 reimburse the cost of administration of the Oklahoma State Employees
7 Deferred Savings Incentive Plan and the Oklahoma State Employees
8 Deferred Compensation Plan for each qualified participant, as
9 determined by the Board.

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

18 2. Each employer shall pay at least monthly to the Fund the sum
19 sufficient to satisfy the obligation under this section as certified
20 by the Board.

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

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

Passed the Senate the 19th day of February, 2014.

Presiding Officer of the Senate

Passed the House of Representatives the ____ day of _____,
2014.

Presiding Officer of the House
of Representatives