

SENATE FLOOR VERSION

April 1, 2014

AS AMENDED

ENGROSSED HOUSE
BILL NO. 2630

By: McDaniel (Randy) and
Wesselhoft of the House

and

Brinkley of the Senate

[Oklahoma Public Employees Retirement System -
creating the Retirement Freedom Act - defined
contribution plan - contributions - procedures -
codification - 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 "Retirement
Freedom Act".

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

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

4 B. The provisions of subsection A of this section and the
5 provisions of this act shall not be applicable to members who are
6 initially employed in the positions described in divisions (i), (ii)
7 and (iii) of subparagraph (d) of paragraph (24) of Section 902 of
8 Title 74 of the Oklahoma Statutes.

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

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

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

20 The Board of Trustees of the Oklahoma Public Employees
21 Retirement System (Board) shall take whatever action is reasonable
22 and necessary to have the defined contribution system authorized by
23 this act to be recognized as a tax-qualified plan as that term is
24 defined by Section 401 et seq. of Title 26 of the United States

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

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

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

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

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

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

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

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

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

D. The employer match as set forth in subsection A of this section may be increased at any time by the Legislature without affecting the then-existing rights of members and beneficiaries in

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

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

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

19 B. All employee contributions to the defined contribution
20 system shall be effected by salary deductions from the salary of the
21 employee and shall be remitted by the participating employer to the
22 System for deposit into the defined contribution system account
23 maintained on behalf of the employee.
24

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

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

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

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

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

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

18 1. The Board shall certify each year to the Office of
19 Management and Enterprise Services and to participating employers
20 whose salary deductions and employer contributions are not remitted
21 to the System through the Office of Management and Enterprise
22 Services, the determined amount for the administrative cost of the
23 defined contribution system which will be required to be paid for
24 each participant. The Board shall promulgate such rules as

1 necessary to implement the provisions of this subsection and provide
 2 the methodology for the determination.

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

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

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

16 A. Members shall at all times be vested at one hundred percent
 17 (100%) of the amount of their employee contributions. Members will
 18 have retirement discretion over these contributions within the
 19 available options offered by the Board.

20 B. Members shall be vested with respect to the employer
 21 matching amounts deposited into their defined contribution system
 22 account according to the following schedule based on years of
 23 participating service:

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

5 C. Members will have investment discretion over all employer
6 contributions.

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

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

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

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

22 A. Each participating employer shall pick up under the
23 provisions of Section 414(h)(2) of the Internal Revenue Code of
24 1986, as amended, and pay the contribution which the member is

1 required by law to make to the System for all compensation earned
2 after the date as of which an employee begins to participate in the
3 defined contribution system. Although the contributions so picked
4 up are designated as member contributions, such contributions shall
5 be treated as contributions being paid by the employer in lieu of
6 contributions by the member in determining tax treatment under the
7 Internal Revenue Code of 1986, as amended, and such picked-up
8 contributions shall not be includable in the gross income of the
9 member until such amounts are distributed or made available to the
10 member or the beneficiary of the member. The member, 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 must be paid by the employer to the System.

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

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

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

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

21 A. Notwithstanding any other provision of the statutes
22 governing the System to the contrary, each participating employer
23 shall remit to the System the difference between the amount of money
24 which would be remitted to the System using the employer

1 contribution rate required by either Section 920 or Section 920A of
2 Title 74 of the Oklahoma Statutes and the amount of money required
3 for the participating employer to make the required matching
4 contribution amount on behalf of a member who participates in the
5 defined contribution system authorized pursuant to the provisions of
6 Section 5 of this act.

7 B. 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 subsection
10 A of this section, 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 SECTION 11. NEW LAW A new section of law to be codified
15 in the Oklahoma Statutes as Section 935.11 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 5 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 relates 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:
23
24

- 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 12. 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. A statewide elected official or legislator whose first
21 service as an elected official occurs on or after November 1, 2015,
22 shall become a participant in the defined contribution system
23 created by Sections 1 through 11 of this act and such elected
24 official shall not accrue any service credit in the defined benefit

plan of the Oklahoma Public Employees Retirement System created pursuant to Section 901 et seq. of this title.

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

	Percentage of Normal
Age	Retirement Benefits
60	100%
59	94%
58	88%

1	57	82%
2	56	76%
3	55	70%

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

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

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

23 2. The retirement benefit may be computed pursuant to the
 24 provisions of paragraph (1) of subsection A of Section 915 of this

1 title if the benefit would be higher. Elected officials who have a
2 vested benefit prior to July 1, 1980, may elect to receive annual
3 benefits based on the alternate formula provided above. Such annual
4 benefits shall be paid in equal monthly installments.

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

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

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

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

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

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

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

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

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

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

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

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

21 | (2) Effective July 1, 1995, every state agency which is a
22 | participating employer shall contribute to the System an amount
23 | equal to eleven and one-half percent (11 1/2%) of the monthly
24 | compensation of each member, not to exceed the allowable annual

compensation as defined in paragraph (9) of Section 902 of this 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%

1 July 1, 2011 - June 30, 2012

2 and each year thereafter 16 1/2%

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

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

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

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

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

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

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

Section 920A. A. Any county, county hospital, city or town, conservation district, circuit engineering district or any public or private trust in which a county, city or town participates and is the primary beneficiary, which is a participating employer and any eligible employee shall contribute to the System. The total employer and employee contributions shall be based on the allowable annual compensation as defined in paragraph (9) of Section 902 of

1 this title. Except as provided for in this section, the employer
 2 shall not pay for the employee any of the employee contribution to
 3 the System.

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

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

18	July 1, 2005 - June 30, 2006	15%
19	July 1, 2006 - June 30, 2007	16%
20	July 1, 2007 - June 30, 2008	17%
21	July 1, 2008 - June 30, 2009	18%
22	July 1, 2009 - June 30, 2010	19%
23	July 1, 2010 - June 30, 2011	
24	and each fiscal year thereafter	20%

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

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

15 E. Each participating employer pursuant to the provisions of
16 this section may pick up under the provisions of Section 414(h) (2)
17 of the Internal Revenue Code of 1986 and pay the contribution which
18 the member is required by law to make to the System for all
19 compensation earned after December 31, 1989. Although the
20 contributions so picked up are designated as member contributions,
21 such contributions shall be treated as contributions being paid by
22 the participating employer in lieu of contributions by the member in
23 determining tax treatment under the Internal Revenue Code of 1986
24 and such picked-up contributions shall not be includable in the

1 gross income of the member until such amounts are distributed or
2 made available to the member or the beneficiary of the member. The
3 member, by the terms of this System, shall not have any option to
4 choose to receive the contributions so picked up directly and the
5 picked up contributions must be paid by the participating employer
6 to the System.

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

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

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

1 difference between such amount and the amount the employer would
2 otherwise have paid pursuant to the provisions of this section to
3 the Oklahoma Public Employees Retirement System.

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

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

20 B. For the purposes of this section, "qualified participant"
21 means a state employee as defined in this section who is an active
22 participant in the Oklahoma State Employees Deferred Compensation
23 Plan making deferrals of at least Twenty-five Dollars (\$25.00) per
24 month. A qualified participant shall not include an employee who

1 participates in the defined contribution system administered by the
2 Oklahoma Public Employees Retirement System on or after November 1,
3 2015. Effective July 1, 2000, each qualified participant shall be
4 eligible for a contribution of Twenty-five Dollars (\$25.00) to the
5 Oklahoma State Employees Deferred Savings Incentive Plan beginning
6 with the first employee deferral into the Oklahoma State Employees
7 Deferred Compensation Plan. The Director of the Office of
8 Management and Enterprise Services shall be responsible for the
9 provision of such information and assistance as may be necessary to
10 determine which employees are qualified participants and shall
11 provide for appropriate payroll transactions to accomplish
12 contributions to the Oklahoma State Employees Deferred Savings
13 Incentive Plan and the Oklahoma State Employees Deferred
14 Compensation Plan. The Oklahoma Public Employees Retirement System
15 shall be responsible for establishing rules and plan documents for
16 administration of such contributions. Funds so credited shall be
17 held and invested in the same manner as the Oklahoma State Employees
18 Deferred Compensation Plan, as provided in Section 1701 of this
19 title.

20 C. For the purposes of this section, "state employee" means any
21 officer or employee of the executive, legislative, or judicial
22 branches of the government of this state who is an active member of
23 a public retirement system of this state, but does not include:
24

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

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

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

12 4. Persons employed pursuant to Section 1.6a of Title 53 of the
13 Oklahoma Statutes.

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

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

19 F. Effective July 1, 2000, every employer which has state
20 employees participating in the Oklahoma State Employees Deferred
21 Savings Incentive Plan shall pay to the Fund an amount equal to
22 Twenty-five Dollars (\$25.00) each month for each qualified
23 participant as defined in this section, along with an amount to
24 reimburse the cost of administration of the Oklahoma State Employees

1 Deferred Savings Incentive Plan and the Oklahoma State Employees
2 Deferred Compensation Plan for each qualified participant, as
3 determined by the Board.

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

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

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

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

20 COMMITTEE REPORT BY: COMMITTEE ON PENSIONS
21 April 1, 2014 - DO PASS AS AMENDED
22
23
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