

## STATE OF OKLAHOMA

1st Session of the 54th Legislature (2013)

HOUSE BILL 2077

By: McDaniel (Randy)

AS INTRODUCED

An Act relating to public retirement systems; enacting the Sooner Save Special Act; imposing duty on the Oklahoma Public Employees Retirement System to establish defined contribution plan; specifying persons eligible for participation in plan; prescribing period for irrevocable election to participate in defined contribution plan; providing for effect of failure to make election; requiring defined contribution plan to be qualified pursuant to provisions of the Internal Revenue Code of 1986, as amended; prescribing minimum employee contribution amount; prescribing maximum employee contribution amount; providing for salary deductions for employee contributions; providing for employer matching contributions; specifying amount of employer matching contributions; prescribing procedures related to employer matching contributions; providing for 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 requirement with respect to eligibility for employer matching contributions; imposing duty on Board of Trustees of Oklahoma Public Employees Retirement System with respect to investment of funds in defined contribution plan 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 2, Chapter 155, O.S.L. 2012, 920, as amended by Section 929, Chapter 304, O.S.L. 2012, and 920A (74 O.S. Supp. 2012, Sections 913.4 and 920), which relate to the Oklahoma Public Employees Retirement System; imposing requirement on certain elected official with respect to

1 participation in defined contribution retirement  
2 plan; modifying provisions related to employer  
3 contributions; requiring payment of certain  
4 differential amount to the Oklahoma Public Employees  
5 Retirement System for specified purpose; providing  
6 for codification; and providing an effective date;  
7 providing for codification; and providing an  
8 effective date.

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

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

12 This act shall be known and may be cited as the "Sooner Save  
13 Special Act".

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

17 A. Effective November 1, 2013, the Oklahoma Public Employees  
18 Retirement System shall establish a defined contribution plan for  
19 those persons who become members of the System on or after November  
20 1, 2013, whose first participating service in the System occurs on  
21 or after November 1, 2013, and who make the election provided by  
22 this section to become participants in the defined contribution  
23 plan.

1       B. A member eligible to participate in the defined contribution  
2 plan authorized by this section shall have a period of ninety (90)  
3 days from his or her entry date in order to choose between  
4 participation in the Oklahoma Public Employees Retirement System  
5 established pursuant to Section 901 et seq. of Title 74 of the  
6 Oklahoma Statutes or to participate in the defined contribution  
7 retirement plan authorized by this act.

8       C. The election required by subsection B of this section shall  
9 be irrevocable and shall govern the participation of the member for  
10 all years of service performed for any and all participating  
11 employers in the Oklahoma Public Employees Retirement System.

12       D. If a member fails to make the election required by this  
13 section within the time prescribed, the member shall become a  
14 participant in the defined contribution plan and the member shall  
15 not accrue any service credit in the Oklahoma Public Employees  
16 Retirement System as established pursuant to Section 901 et seq. of  
17 Title 74 of the Oklahoma Statutes.

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

21       The Board of Trustees of the Oklahoma Public Employees  
22 Retirement System shall cause the defined contribution plan  
23 authorized by this act to be a tax-qualified plan as that term is  
24

1 defined by Section 401 et seq. of Title 26 of the United States  
2 Code, or any other applicable provisions of federal law.

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

6 A. Employee contributions to the defined contribution  
7 retirement plan shall consist of a minimum of three percent (3.0%)  
8 of compensation.

9 B. Employee contributions to the defined contribution  
10 retirement plan shall consist of a maximum of ten percent (10.0%) of  
11 compensation.

12 C. All employee contributions to the defined contribution plan  
13 shall be effected by mandatory salary deductions from the salary of  
14 the employee and shall be remitted by the participating employer to  
15 the Oklahoma Public Employees Retirement System for deposit into the  
16 defined contribution plan account maintained on behalf of the  
17 employee.

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

21 Employers of members who select the defined contribution  
22 retirement plan shall match the employee contribution to the plan on  
23 a monthly basis according to the following schedule based on the  
24

same compensation amount used to compute the employee contribution amount:

<u>Employee Contribution Rate</u>	<u>Employer Match</u>
3.0%	3.0%
4.0%	4.0%
5.0%	5.0%
6.0%	5.5%
7.0%	5.75%
8.0%	6.0%
9.0%	6.25%
10.0%	6.5%

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

Except as otherwise provided by this section, employers shall make payment of the required matching amount as provided by Section 5 of this act each month and shall ensure the payment is credited to the defined contribution plan account as selected by the member.

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. Members shall at all times be vested at one hundred percent (100%) of the amount of their employee contributions.

1 B. Members shall be vested with respect to the employer  
2 matching amounts deposited into their defined contribution plan  
3 account according to the following schedule based on years of  
4 participating service:

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

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

13 Each participating employer shall pick up under the provisions  
14 of Section 414(h) (2) of the Internal Revenue Code of 1986, as  
15 amended, and pay the contribution which the member is required by  
16 law to make to the System for all compensation earned after the date  
17 as of which an employee elects to participate in the defined  
18 contribution plan. Although the contributions so picked up are  
19 designated as member contributions, such contributions shall be  
20 treated as contributions being paid by the employer in lieu of  
21 contributions by the member in determining tax treatment under the  
22 Internal Revenue Code of 1986, as amended, and such picked up  
23 contributions shall not be includable in the gross income of the  
24 member until such amounts are distributed or made available to the

1 member or the beneficiary of the member. The member, by the terms  
2 of this System, shall not have any option to choose to receive the  
3 contributions so picked up directly and the picked-up contributions  
4 must be paid by the municipality to the System.

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

8 A. A member shall be required to have been employed by a  
9 participating employer with the Oklahoma Public Employees Retirement  
10 System from January 1 of a calendar year until December 15 of a  
11 calendar year in order to be eligible for the matching amount  
12 prescribed by Section 5 of this act.

13 B. If the member is not employed as of the December 15 date,  
14 the member shall not receive the matching contribution amount  
15 otherwise authorized pursuant to Section 5 of this act.

16 C. The provisions of subsection B of this section shall not  
17 prohibit an employer matching contribution if the member is using  
18 annual leave, sick leave, compensatory time or other leave  
19 authorized by federal or state law.

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

23 The Board of Trustees of the Oklahoma Public Employees  
24 Retirement System shall contract with one or more business entities

1 in order to create a range of choices regarding investment of funds  
2 deposited into defined contribution plan accounts. The investment  
3 options shall be substantially similar to the options provided to  
4 members of the Oklahoma Public Employees Retirement System that  
5 maintain a Deferred Savings Incentive Plan account as offered by the  
6 System pursuant to the provisions of the Deferred Savings Incentive  
7 Plan.

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

11 A. Notwithstanding any other provision of the statutes  
12 governing the Oklahoma Public Employees Retirement System to the  
13 contrary, each participating employer shall remit to the Oklahoma  
14 Public Employees Retirement System the difference between the amount  
15 of money which would be remitted to the System using the employer  
16 contribution rate required by either Section 920 or Section 920A of  
17 Title 74 of the Oklahoma Statutes and the amount of money required  
18 for the participating employer to make the required matching  
19 contribution amount on behalf of a member making the irrevocable  
20 election to participate in the defined contribution plan authorized  
21 pursuant to the provisions of Section 5 of this act.

22 B. The Oklahoma Public Employees Retirement System shall  
23 deposit the monies remitted to it by employers having members that  
24 participate in the defined contribution plan created by this act, as



1 described by subsection A of this section, into the existing defined  
2 benefit pension plan authorized pursuant to Section 901 et seq. of  
3 Title 74 of the Oklahoma Statutes in order to reduce the liabilities  
4 of the defined benefit pension plan.

5 SECTION 12. AMENDATORY 74 O.S. 2011, Section 913.4, as  
6 last amended by Section 2, Chapter 155, O.S.L. 2012 (74 O.S. Supp.  
7 2012, 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. A statewide elected official or legislator whose first  
17 service as an elected official occurs on or after November 1, 2013,  
18 shall become a participant in the defined contribution plan created  
19 by Sections 1 through 11 of this act and such elected official shall  
20 not accrue any service credit in the defined benefit plan of the  
21 Oklahoma Public Employees Retirement System created pursuant to  
22 Section 901 et seq. of Title 74 of the Oklahoma Statutes.

23 B. The normal retirement date for an elected official shall be  
24 the first day of the month coinciding with or following the

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

Age	Percentage of Normal Retirement Benefits
60	100%
59	94%
58	88%
57	82%
56	76%
55	70%

1 Except for officials whose first elected or appointed service as  
2 an elected official occurs on or after November 1, 2011, and who  
3 retire at age sixty-two (62) with a minimum of ten (10) years of  
4 elected or appointed service, any elected official first elected or  
5 appointed for an elected office on or after November 1, 2011, who  
6 has a minimum of ten (10) years' participating service may retire  
7 under the early retirement provisions of this act, including those  
8 electing a vested benefit and shall receive an adjustment of annual  
9 benefits in accordance with the following percentage schedule:

Age	Percentage of Normal Retirement Benefits
65	100%
64	93.33%
63	86.67%
62	80%
61	73.33%
60	66.67%

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

1 elected official has made the required election and has paid the  
2 required contributions on such salary.

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

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

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

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

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

1 official's death. Provided the elected official had met the service  
2 requirements, survivor benefits shall be payable when the deceased  
3 member would have met the requirements for normal or early  
4 retirement. The amount of the benefits the surviving spouse may  
5 receive shall be fifty percent (50%) of the amount of benefits the  
6 deceased elected official was receiving or will be eligible to  
7 receive. Remarriage of a surviving spouse shall disqualify the  
8 spouse for the receipt of survivor benefits. Elected officials may  
9 elect a retirement option as provided in Section 918 of this title  
10 in lieu of the survivors benefit provided above.

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

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

24



1       H. Elected officials who terminate participation in the System  
2 and who have a minimum of six (6) years of participating service  
3 shall be entitled to elect a vested benefit and shall be entitled to  
4 the retirement options as provided in Section 918 of this title in  
5 lieu of the survivors benefit provided in subsection E of this  
6 section. Elected officials who terminate participation in the  
7 System and who have a minimum of eight (8) years of participating  
8 service shall be entitled to elect a vested benefit and shall be  
9 entitled to retirement options as provided in Section 918 of this  
10 title in lieu of the survivors benefits provided in subsection E of  
11 this section.

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

18       SECTION 13.       AMENDATORY       74 O.S. 2011, Section 920, as  
19 amended by Section 929, Chapter 304, O.S.L. 2012 (74 O.S. Supp.  
20 2012, Section 920), is amended to read as follows:

21       Section 920. (1) Effective July 1, 1994, every state agency  
22 which is a participating employer shall contribute to the System an  
23 amount equal to eleven and one-half percent (11 1/2%) of the monthly  
24

1 compensation of each member, but not in excess of Forty Thousand  
2 Dollars (\$40,000.00).

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

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

14 (4) Effective July 1, 1999, and through the fiscal year ending  
15 June 30, 2005, every state agency which is a participating employer  
16 shall contribute to the System an amount equal to ten percent (10%)  
17 of the monthly compensation of each member, not to exceed the  
18 allowable annual compensation defined in paragraph (9) of Section  
19 902 of this title.

20 (5) ~~Effective July 1, 2005,~~ Except as otherwise provided by  
21 paragraph (11) of this section, every state agency which is a  
22 participating employer shall contribute an amount to the System  
23 equal to a percentage of monthly compensation of each member, not to  
24

1 exceed the allowable annual compensation defined in paragraph (9) of  
 2 Section 902 of this title as follows:

3	July 1, 2005 - June 30, 2006	11 1/2%
4	July 1, 2006 - June 30, 2007	12 1/2%
5	July 1, 2007 - June 30, 2008	13 1/2%
6	July 1, 2008 - June 30, 2009	14 1/2%
7	July 1, 2009 - June 30, 2011	15 1/2%
8	July 1, 2011 - June 30, 2012	
9	and each year thereafter	16 1/2%

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

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

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

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

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

12       (11) Effective November 1, 2013, an employer shall be required  
13 to make payment to the Oklahoma Public Employees Retirement System  
14 of the amount described by subsection A of Section 11 of this act  
15 with respect to any employee who is a participant in the defined  
16 contribution plan created pursuant to the provisions of Sections 1  
17 through 11 of this act. The employer shall be required to make the  
18 required matching contribution amount for all employees that  
19 participate in the defined contribution plan and to remit the  
20 difference between such amount and the amount the employer would  
21 otherwise have paid pursuant to the provisions of this section to  
22 the Oklahoma Public Employees Retirement System.

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

1       Section 920A. A. Any county, county hospital, city or town,  
2 conservation district, circuit engineering district or any public or  
3 private trust in which a county, city or town participates and is  
4 the primary beneficiary, which is a participating employer and any  
5 eligible employee shall contribute to the System. The total  
6 employer and employee contributions shall be based on the allowable  
7 annual compensation as defined in paragraph (9) of Section 902 of  
8 this title. Except as provided for in this section, the employer  
9 shall not pay for the employee any of the employee contribution to  
10 the System.

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

21       C. The Except as otherwise provided by subsection H of this  
22 section, the total employer and employee contributions for fiscal  
23 years following the fiscal year ending June 30, 2005, shall be as  
24 follows:

1	July 1, 2005 - June 30, 2006	15%
2	July 1, 2006 - June 30, 2007	16%
3	July 1, 2007 - June 30, 2008	17%
4	July 1, 2008 - June 30, 2009	18%
5	July 1, 2009 - June 30, 2010	19%
6	July 1, 2010 - June 30, 2011	
7	and each fiscal year thereafter	20%

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

17       D. For members who make the election pursuant to paragraph (2)  
18 of subsection A of Section 915 of this title, the employee  
19 contribution shall increase by two and ninety-one one-hundredths  
20 percent (2.91%). Such employee contribution increase shall be paid  
21 by the employee.

22       E. Each participating employer pursuant to the provisions of  
23 this section may pick up under the provisions of Section 414(h) (2)  
24 of the Internal Revenue Code of 1986 and pay the contribution which

1 the member is required by law to make to the System for all  
2 compensation earned after December 31, 1989. Although the  
3 contributions so picked up are designated as member contributions,  
4 such contributions shall be treated as contributions being paid by  
5 the participating employer in lieu of contributions by the member in  
6 determining tax treatment under the Internal Revenue Code of 1986  
7 and such picked up contributions shall not be includable in the  
8 gross income of the member until such amounts are distributed or  
9 made available to the member or the beneficiary of the member. The  
10 member, by the terms of this System, shall not have any option to  
11 choose to receive the contributions so picked up directly and the  
12 picked up contributions must be paid by the participating employer  
13 to the System.

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

20 G. The participating employer shall pay the member  
21 contributions from the same source of funds used in paying salary to  
22 the member, by effecting an equal cash reduction in gross salary of  
23 the member.  
24

1     H. Effective November 1, 2013, an employer shall be required to  
2     make payment to the Oklahoma Public Employees Retirement System of  
3     the amount described by subsection A of Section 11 of this act with  
4     respect to any employee who is a participant in the defined  
5     contribution plan created pursuant to the provisions of Sections 1  
6     through 11 of this act. The employer shall be required to make the  
7     required matching contribution amount for all employees that  
8     participate in the defined contribution plan and to remit the  
9     difference between such amount and the amount the employer would  
10    otherwise have paid pursuant to the provisions of this section to  
11    the Oklahoma Public Employees Retirement System.

12         SECTION 15. This act shall become effective November 1, 2013.

14         54-1-5264         MAH         01/17/13



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January 17, 2013

Representative Randy McDaniel  
Room 438

Re: RBH No. 5264

RBH No. 5264 creates an optional defined contribution for new employees hired after 10/31/2013. The employee would have the choice between the new defined contribution plan and the Oklahoma Public Employees Retirement System. Statewide elected officials first elected after 10/31/2013 would be required to be a member of the new defined contribution plan.

Employers would continue make the current required percentage of payroll for the defined contribution participants. The difference in the total contribution for each participant and amount necessary to meet the matching requirement in the defined contribution plan would be used by OPERS to reduce the unfunded accrued liability.

RBH No. 5264 is a nonfiscal retirement bill as defined by the Oklahoma Pension Legislation Actuarial Analysis Act.

*Thomas E. Cummins*

Thomas E. Cummins, MAAA