

STATE OF OKLAHOMA

1st Session of the 56th Legislature (2017)

HOUSE BILL 1172

By: McDaniel

AS INTRODUCED

An Act relating to retirement; enacting the Retirement Freedom Act of 2017; imposing duty on the Teachers' Retirement System of Oklahoma to establish optional defined contribution plan; specifying persons eligible for participation in plan; prescribing procedures related to date of service accrual; 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 modifications to matching amounts; prescribing procedures for cost computation; providing for payment of certain costs related to administration of defined contribution plan administration; providing for vesting schedule; providing for applicability of provisions of Section 414(h) of the Internal Revenue Code of 1986, as amended, with respect to employee contributions; imposing duty on Board of Trustees of Teachers' Retirement System of Oklahoma with respect to investment of funds in defined contribution plan accounts; providing for payment of certain revenues to the Teachers' Retirement System of Oklahoma; providing for deposit of funds with existing defined benefit plan; providing for effect of enactment on certain rights; prohibiting certain collection activity with respect to funds; authorizing offsets; providing for enforcement of qualified domestic orders; defining term; prescribing procedures with respect to alternate payees; prescribing content;

1 imposing restrictions; authorizing rules; amending 70
2 O.S. 2011, Section 17-108.1, as amended by Section 4,
3 Chapter 129, O.S.L. 2016 (70 O.S. Supp. 2016, Section
4 17-108.1), which relates to employer contributions;
5 providing for deposit of certain amounts into the
6 Teachers' Retirement System of Oklahoma; providing
7 for codification; and providing an 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 17-131 of Title 70, unless there
11 is created a duplication in numbering, reads as follows:

12 This act shall be known and may be cited as the "Retirement
13 Freedom Act of 2017".

14 SECTION 2. NEW LAW A new section of law to be codified
15 in the Oklahoma Statutes as Section 17-132 of Title 70, unless there
16 is created a duplication in numbering, reads as follows:

17 A. The Teachers' Retirement System of Oklahoma (System) shall
18 establish an optional defined contribution plan for those persons
19 who first become employed in a full-time equivalent position or a
20 position which is less than full-time but more than half-time
21 position and which qualifies for employee benefits on or after July
22 1, 2018, with respect to employees of an employer of the Teachers'
23 Retirement System of Oklahoma as defined pursuant to Section 17-101
24 of Title 70 of the Oklahoma Statutes.

1 B. The provisions of subsection A of this section and the
2 provisions of this act shall not be applicable to employees of the
3 University of Oklahoma or to employees of Oklahoma State University
4 whose employment with either University begins on or after July 1,
5 2018.

6 C. An employee described by subsection A of this section who
7 makes the election to participate in the defined contribution plan
8 shall become a participant in the defined contribution plan and the
9 employee shall not accrue any service credit in the Teachers'
10 Retirement System as established pursuant to Section 17-101 et seq.
11 of Title 70 of the Oklahoma Statutes.

12 D. An employee described by subsection A of this section who
13 does not make an election to participate in the defined contribution
14 plan within thirty (30) days of their first participating service
15 with an employer of the Teachers' Retirement System of Oklahoma
16 shall be a member of the defined benefit plan authorized pursuant to
17 the provisions of Section 17-101 et seq. of Title 70 of the Oklahoma
18 Statutes and shall accrue service credit in that retirement system
19 as provided by law, including the applicable requirements for
20 employer contributions and employee contributions in that retirement
21 system.

22 E. Employees who participate in the defined contribution plan
23 shall be deemed to begin service in the defined contribution plan on
24 the first day of the month following employment.

1 SECTION 3. NEW LAW A new section of law to be codified
2 in the Oklahoma Statutes as Section 17-133 of Title 70, unless there
3 is created a duplication in numbering, reads as follows:

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

16 SECTION 4. NEW LAW A new section of law to be codified
17 in the Oklahoma Statutes as Section 17-134 of Title 70, unless there
18 is created a duplication in numbering, reads as follows:

19 A. Employee contributions to the defined contribution
20 retirement plan shall consist of a minimum of four and five-tenths
21 percent (4.5%) of compensation.

22 B. Employee contributions to the defined contribution
23 retirement plan that are eligible for an employer match shall not
24 exceed a percentage, based on the employee's compensation, which

1 would exceed the maximum amount allowed pursuant to Section 415 of
2 the Internal Revenue Code of 1986, as amended.

3 SECTION 5. NEW LAW A new section of law to be codified
4 in the Oklahoma Statutes as Section 17-135 of Title 70, unless there
5 is created a duplication in numbering, reads as follows:

6 A. Except as otherwise provided by subsection B of this
7 section, employers of employees who become participants in the
8 defined contribution retirement plan shall match the employee
9 contribution paid on a monthly or more frequent basis at the rate of
10 six percent (6.0%) based on the same compensation amount used to
11 compute the employee contribution amount.

12 B. If an employee selects a contribution rate of seven percent
13 (7.0%) or more, but not higher than allowed pursuant to the maximum
14 annual contribution limit prescribed by Section 415 of the Internal
15 Revenue Code of 1986, as amended, the employer matching amount shall
16 be seven percent (7.0%).

17 C. The initial four and five-tenths percent (4.5%) employee
18 contribution shall be the only mandatory contribution of an employee
19 participating in the defined contribution retirement plan created by
20 this act. These funds shall be placed by the System in either a
21 401(a) plan or a 457(b) plan, to be determined by the Board to
22 maintain the plan consistent with the Internal Revenue Code. Any
23 employee contributions eligible to be matched under this section
24 over the four and five-tenths percent (4.5%) initial contribution

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

4 D. Any contribution rate that is more than the four and five-
5 tenths percent (4.5%) rate can be chosen by the participating
6 employee upon the employee's initial participation, and can be
7 changed once per month. The employee contribution rate chosen shall
8 continue until the employee elects to change the contribution rate
9 or terminates service or retires.

10 E. The employer match as set forth in subsection A of this
11 section may be increased at any time by the Legislature without
12 affecting the then-existing rights of participating employees and
13 beneficiaries in order to encourage participating employees to
14 accumulate deferred income reserves for themselves and their
15 dependents. The employer match may be decreased at any time by the
16 Legislature without affecting the then-existing rights of
17 participating employees and beneficiaries in order to provide
18 funding as may be needed to reduce the unfunded liabilities of the
19 defined benefit plan as set forth in Section 17-101 et seq. of
20 Title 70 of the Oklahoma Statutes, but shall not be less than six
21 percent (6.0%) for any year during which the defined contribution
22 plan is maintained.

1 SECTION 6. NEW LAW A new section of law to be codified
2 in the Oklahoma Statutes as Section 17-136 of Title 70, unless there
3 is created a duplication in numbering, reads as follows:

4 A. Except as otherwise provided by this section, employers
5 shall make payment of the required matching amount as provided by
6 Section 5 of this act within five (5) business days of the
7 participating employee's payroll pay date. The System shall ensure
8 the payment is credited to the defined contribution plan account or
9 accounts maintained on behalf of the participating employee as soon
10 as possible.

11 B. All employee contributions to the defined contribution plan
12 shall be effected by salary deductions from the salary of the
13 employee and shall be remitted by the participating employer to the
14 System for deposit into the defined contribution plan account or
15 accounts maintained on behalf of the employee.

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

- 19 1. Send all such remittances by electronic funds transfer; or
- 20 2. Place all such remittances in a bank account from which the
21 Teachers' Retirement System of Oklahoma can debit the amount due,
22 both within five (5) business days of the payroll pay date of the
23 participating employee. Payroll data shall be remitted by the same
24 deadline.

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

5 E. Each employer which has employees participating in the
6 defined contribution plan shall pay to the System in the same manner
7 and at the same time required for contributions under this section
8 an amount to reimburse the cost of administration of the defined
9 contribution plan, as determined by the Board.

10 1. The Board shall certify each year to the Office of
11 Management and Enterprise Services and to participating employers
12 whose salary deductions and employer contributions are not remitted
13 to the System through the Office of Management and Enterprise
14 Services, the determined amount for the administrative cost of the
15 defined contribution plan which will be required to be paid for each
16 participant. The Board shall promulgate such rules as necessary to
17 implement the provisions of this subsection and provide the
18 methodology for the determination.

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

22 F. The funds held on behalf of each employee participating in
23 the defined contribution plan shall consist of the amount in the
24 account or accounts plus credits representing employer and employee

1 contributions, profits, income and other increments attributable to
2 such contributions, and minus debits representing any losses, other
3 decrements, or expenses under the plan and any distributions made to
4 the employee under the plan.

5 SECTION 7. NEW LAW A new section of law to be codified
6 in the Oklahoma Statutes as Section 17-137 of Title 70, unless there
7 is created a duplication in numbering, reads as follows:

8 A. Participating employees shall at all times be vested at one
9 hundred percent (100%) of their accounts containing solely their
10 employee contributions, and the gains or losses on these
11 contributions. Participating employees will have investment
12 discretion over these accounts within the available options offered
13 by the Board.

14 B. Participating employees shall be vested with respect to the
15 employer matching amounts, and the gains or losses on these funds,
16 deposited into their defined contribution plan account or accounts
17 according to the following schedule based on years of participating
18 service:

19	Year 1	20%
20	Year 2	40%
21	Year 3	60%
22	Year 4	80%
23	Year 5 and thereafter	100%

1 C. Participating employees will have investment discretion over
2 all employer contributions.

3 D. For purposes of determining a participating employee's right
4 to withdraw employer matching contributions and any investment gains
5 upon such employer contribution matching amounts, the vesting
6 percentages apply at the end of each full year of service as
7 described in subsection B of this section.

8 E. For participating employees who do not select any investment
9 options, the Board will establish default investment options for the
10 contributions received from participating employees and default
11 investment options for matching employer contributions.

12 F. To the extent that participants leave employment and have
13 not vested in all of the employer contributions, the nonvested
14 employer contributions, including any gains or losses, shall be
15 immediately forfeited to the 401(a) plan and may be used to offset
16 costs of administering the plan. Upon reemployment with an employer
17 and satisfying the eligibility requirements to become a participant,
18 the reemployed participant shall receive credit for previous service
19 and be vested at the same percentage the participant was vested when
20 service was previously terminated. However, under no circumstances
21 shall the participant be entitled to any previously forfeited
22 employer contributions.

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

2 in the Oklahoma Statutes as Section 17-138 of Title 70, unless there
3 is created a duplication in numbering, reads as follows:

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

22 B. Contributions by the participating employee into a 457(b)
23 plan may not be picked up by the employer but shall be a voluntary
24 deferral of the employee's compensation.

1 SECTION 9. NEW LAW A new section of law to be codified
2 in the Oklahoma Statutes as Section 17-139 of Title 70, unless there
3 is created a duplication in numbering, reads as follows:

4 The Board of Trustees shall contract with one or more business
5 entities in order to create a range of choices regarding investment
6 of funds deposited into defined contribution plan accounts. The
7 investment options shall be substantially similar to the options
8 provided to members of the Oklahoma Public Employees Retirement
9 System that maintain a Deferred Savings Incentive Plan account as
10 offered by the Oklahoma Public Employees Retirement System pursuant
11 to the provisions of the Deferred Savings Incentive Plan. In
12 selecting investment options for participants in the plan, the Board
13 of Trustees for the Teachers' Retirement System of Oklahoma shall
14 give due consideration to offering investment options provided by
15 business entities that provide guaranteed lifetime income in
16 retirement such as annuities, guaranteed investment contracts, or
17 similar products. The Board may amend any of its existing contracts
18 with its current service providers to perform substantially the same
19 type of service the provider is currently performing for the Board,
20 in order to facilitate the timely introduction of the new defined
21 contribution plan created by this act. Thereafter, the contracting
22 process for the selection of service providers carrying out duties
23 related to the administration of the plan shall be the same as the
24 selection process for other providers selected by the Board of

1 Trustees of the Oklahoma Public Employees Retirement System under
2 subsection D of Section 909.1 of Title 74 of the Oklahoma Statutes.

3 SECTION 10. NEW LAW A new section of law to be codified
4 in the Oklahoma Statutes as Section 171-140 of Title 70, unless
5 there is created a duplication in numbering, reads as follows:

6 A. Notwithstanding any other provision of the statutes
7 governing the plan to the contrary, each participating employer
8 shall remit to the plan the difference between the amount of money
9 which would be remitted to the plan using the employer contribution
10 rate required by Section 17-108.1 of Title 70 of the Oklahoma
11 Statutes and the amount of money required for the participating
12 employer to make the required matching contribution amount on behalf
13 of a participating employee who participates in the defined
14 contribution plan authorized pursuant to the provisions of Section 5
15 of this act.

16 B. The System shall deposit the monies remitted to it by
17 employers having participating employees in the defined contribution
18 plan created by this act, as described by subsection A of this
19 section, into the existing defined benefit pension plan authorized
20 pursuant to Section 17-101 et seq. of Title 70 of the Oklahoma
21 Statutes in order to reduce the liabilities of the defined benefit
22 pension plan.

1 SECTION 11. NEW LAW A new section of law to be codified
2 in the Oklahoma Statutes as Section 17-141 of Title 70, unless there
3 is created a duplication in numbering, reads as follows:

4 A. Except as otherwise provided by this section or in
5 subsection E of Section 5 of this act, no alteration, amendment, or
6 repeal of this act shall affect the then-existing rights of
7 participating employees and beneficiaries, but shall be effective
8 only as to rights which would otherwise accrue hereunder as a result
9 of services rendered by an employee after such alteration,
10 amendment, or repeal. Any benefits, fund, property, or rights
11 created by or accruing to any person under the provisions of this
12 act shall not be subject to execution, garnishment or attachment, or
13 any other process or claim whatsoever, and shall be unassignable,
14 except as specifically provided by this section. Notwithstanding
15 the foregoing, the Board may offset any amounts held by a
16 participant in the plan or beneficiary to pay a judgment or
17 settlement against a participating employee or beneficiary for a
18 crime involving the System, for a fraud or breach of the
19 participating employee's fiduciary duty to the System, or for funds
20 or monies incorrectly paid to a participating employee or a
21 beneficiary, provided such offset is in accordance with the
22 requirements of Section 401(a)(13) or similar provisions of the
23 Internal Revenue Code. The offset applies to any assets held in the
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1 plan which may otherwise be payable to a participating employee or
2 beneficiary from the plan administered by the Board.

3 B. 1. The provisions of subsection A of this section shall not
4 apply to a qualified domestic order as provided pursuant to this
5 subsection.

6 2. The term "qualified domestic order" means an order issued by
7 a district court of this state pursuant to the domestic relation
8 laws of the State of Oklahoma which relates to the provision of
9 marital property rights to a spouse or former spouse of a
10 participating employee or provision of support for a minor child or
11 children and which creates or recognizes the existence of the right
12 of an alternate payee, or assigns to an alternate payee the right,
13 to receive a portion of the funds payable with respect to a
14 participant in the plan.

15 3. For purposes of the payment of marital property, to qualify
16 as an alternate payee a spouse or former spouse must have been
17 married to the related participating employee for a period of not
18 less than thirty (30) continuous months immediately preceding the
19 commencement of the proceedings from which the qualified domestic
20 order issues.

21 4. A qualified domestic order is valid and binding on the Board
22 and the related participating employee only if it meets the
23 requirements of this subsection.

24 5. A qualified domestic order shall clearly specify:

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

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

- a. does not require the System to provide any type or form of benefit, or any option not otherwise provided under state law as relates to the System,
- b. does not require the System to provide increased benefits, and
- 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 November 1, 2017.

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

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

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

12 SECTION 12. NEW LAW A new section of law not to be
13 codified in the Oklahoma Statutes reads as follows:

14 The provisions of this act shall not be deemed to create a
15 "retirement system" within the meaning of Section 3103 of Title 62
16 of the Oklahoma Statutes.

17 SECTION 13. AMENDATORY 70 O.S. 2011, Section 17-108.1,
18 as amended by Section 4, Chapter 129, O.S.L. 2016 (70 O.S. Supp.
19 2016, Section 17-108.1), is amended to read as follows:

20 Section 17-108.1 A. 1. Except as provided in paragraph 2 or
21 paragraph 4 of this subsection, the employer of any member of the
22 Teachers' Retirement System of Oklahoma shall make the following
23 contributions to the System:

- 1 a. beginning July 1, 1998, through June 30, 1999, eleven
2 and one-half percent (11 1/2%) of the regular annual
3 compensation of the member not in excess of any
4 applicable maximum compensation level of the member,
- 5 b. beginning July 1, 1999, through June 30, 2000, four
6 and eight-tenths percent (4.8%) of the regular annual
7 compensation of the member not in excess of any
8 applicable maximum compensation level of the member,
- 9 c. beginning July 1, 2000, through June 30, 2001, five
10 and eight-tenths percent (5.8%) of the regular annual
11 compensation of the member not in excess of any
12 applicable maximum compensation level of the member,
- 13 d. beginning July 1, 2001, through June 30, 2002, six and
14 eight-tenths percent (6.8%) of the regular annual
15 compensation of the member not in excess of any
16 applicable maximum compensation level of the member,
- 17 e. beginning July 1, 2002, through December 31, 2006,
18 seven and five-hundredths percent (7.05%) of the
19 regular annual compensation of the member not in
20 excess of any applicable maximum compensation level of
21 the member,
- 22 f. beginning January 1, 2007, through June 30, 2007,
23 seven and six-tenths percent (7.6%) of the regular
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- 1 annual compensation of the member not in excess of any
2 applicable maximum compensation level of the member,
3 g. beginning July 1, 2007, through December 31, 2007,
4 seven and eighty-five hundredths percent (7.85%) of
5 the regular annual compensation of the member not in
6 excess of any applicable maximum compensation level of
7 the member,
8 h. beginning January 1, 2008, through June 30, 2008,
9 eight and thirty-five hundredths percent (8.35%) of
10 the regular annual compensation of the member not in
11 excess of any applicable maximum compensation level of
12 the member,
13 i. beginning July 1, 2008, through December 31, 2008,
14 eight and five-tenths percent (8.5%) of the regular
15 annual compensation of the member not in excess of any
16 applicable maximum compensation level of the member,
17 j. beginning January 1, 2009, through December 31, 2009,
18 nine percent (9%) of the regular annual compensation
19 of the member not in excess of any applicable maximum
20 compensation level of the member,
21 k. beginning January 1, 2010, through June 30, 2010, nine
22 and five-tenths percent (9.5%) of the regular annual
23 compensation of the member not in excess of any
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1 applicable maximum compensation level of the member,
2 and

- 3 1. beginning July 1, 2010, through June 30, 2011, and for
4 each fiscal year thereafter, nine and five-tenths
5 percent (9.5%) of the regular annual compensation of
6 the member not in excess of any applicable maximum
7 compensation level of the member.

8 The employer contribution rate increase that would otherwise be
9 effective, as provided by subparagraphs f, g, h, i, j, k and l of
10 this paragraph, shall not become effective as law unless funding
11 levels to each of the affected participating employers within the
12 System are increased so that the additional employer contribution
13 obligation is funded through an appropriation or transfer of monies
14 instead of requiring the additional employer contribution to be paid
15 for from existing budgetary resources of such participating
16 employers. The participating employers shall use any monies
17 specifically made available for purposes of making employer
18 contributions for such purpose and to the extent of the funds made
19 available for that purpose.

- 20 2. a. Beginning January 1, 2007, through December 31, 2007,
21 a participating employer that employs an employee of a
22 comprehensive university or a regional institution
23 offering a four-year degree program as designated or
24 authorized by the Oklahoma State Regents for Higher

1 Education shall make contributions to the System with
2 respect to such employees at the rate of seven and
3 five-hundredths percent (7.05%) of the regular annual
4 compensation of the member not in excess of any
5 applicable maximum compensation level.

6 b. Beginning January 1, 2008, through December 31, 2008,
7 a participating employer that employs an employee of a
8 comprehensive university or a regional institution
9 offering a four-year degree program as designated or
10 authorized by the Oklahoma State Regents for Higher
11 Education shall make contributions to the System with
12 respect to such employees at the rate of seven and
13 fifty-five hundredths percent (7.55%) of the regular
14 annual compensation of the member not in excess of any
15 applicable maximum compensation level of the member.

16 c. Beginning January 1, 2009, through December 31, 2009,
17 a participating employer that employs an employee of a
18 comprehensive university or a regional institution
19 offering a four-year degree program as designated or
20 authorized by the Oklahoma State Regents for Higher
21 Education shall make contributions to the System with
22 respect to such employees at the rate of eight and
23 five hundredths percent (8.05%) of the regular annual
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1 compensation of the member not in excess of any
2 applicable maximum compensation level of the member.

3 d. Beginning January 1, 2010, through June 30, 2010, a
4 participating employer that employs an employee of a
5 comprehensive university or a regional institution
6 offering a four-year degree program as designated or
7 authorized by the Oklahoma State Regents for Higher
8 Education shall make contributions to the System with
9 respect to such employees at the rate of eight and
10 fifty-five hundredths percent (8.55%) of the regular
11 annual compensation of the member not in excess of any
12 applicable maximum compensation level of the member.

13 e. Beginning July 1, 2010, through June 30, 2011, and for
14 each fiscal year thereafter, a participating employer
15 that employs an employee of a comprehensive university
16 or a regional institution offering a four-year degree
17 program as designated or authorized by the Oklahoma
18 State Regents for Higher Education shall make
19 contributions to the System with respect to such
20 employees at the rate of eight and fifty-five
21 hundredths percent (8.55%) of the regular annual
22 compensation of the member not in excess of any
23 applicable maximum compensation level of the member.

1 The employer contribution rate increase that would otherwise be
2 effective as provided by subparagraphs b, c, d and e of this
3 paragraph shall not become effective as law unless funding levels
4 are increased so that the additional employer contribution
5 obligation is funded through such an appropriation or transfer of
6 monies instead of requiring the additional employer contribution to
7 be paid for from existing budgetary resources of such participating
8 employers. The participating employers shall use any monies
9 specifically made available for purposes of making employer
10 contributions for such purpose and to the extent of the funds made
11 available for that purpose.

12 3. Any employer contribution paid to the System pursuant to
13 this subsection shall not be considered as salary, fringe benefit,
14 or total compensation due to members for the purpose of meeting any
15 legislative or contractual obligation of the employer.

16 4. Effective July 1, 2018, an employer shall be required to
17 make payment to the Teachers' Retirement System of Oklahoma of the
18 amount described by subsection A of Section 10 of this act with
19 respect to any employee who elects to become a participant in the
20 defined contribution plan created pursuant to the provisions of
21 Sections 1 through 11 of this act. The employer shall be required
22 to make the required matching contribution amount for all employees
23 that elect to participate in the defined contribution plan and to
24 remit the difference between such amount and the amount the employer

1 would otherwise have paid pursuant to the provisions of this section
2 to the Teachers' Retirement System of Oklahoma.

3 B. For entities or institutions within The Oklahoma State
4 System of Higher Education, the contributions to the System shall be
5 made on regular annual compensation of a member who is an employee
6 of such entity or institution not to exceed the maximum compensation
7 level in effect for the member as prescribed by law.

8 C. Employers paying contributions to the System pursuant to
9 subsection A or B of this section shall receive credit for that
10 portion of the gross production tax on natural gas and/or casinghead
11 gas apportioned to the System pursuant to subsection 2 of Section
12 1004 of Title 68 of the Oklahoma Statutes in meeting the total
13 required employer contribution. On an annual basis, the Board of
14 Trustees of the Teachers' Retirement System of Oklahoma shall
15 estimate the net additional cost required to be paid by the
16 contributing employers in order to meet the total employer
17 contribution as provided in subsection A or B of this section. The
18 Board of Trustees shall approve the amount of the additional
19 contribution required to be paid by contributing employers as a
20 percentage of total member salaries and fringe benefits for each
21 fiscal year ending June 30, no later than April 1 of the previous
22 fiscal year. In no event shall the additional contribution required
23 to be paid by the contributing employer under this subsection be
24 less than the contribution required under this subsection in the

1 prior year. In the event actual contributions do not equal the
2 required total contribution as provided in subsection A or B of this
3 section, the net difference between the actual contributions and the
4 required total contributions shall be determined and shall be
5 included in the amount of the additional contribution required to be
6 paid by contributing employers for the next fiscal year. All
7 contributing employers shall pay the same percentage of total member
8 salaries and fringe benefits during each fiscal year. The
9 provisions of this subsection shall terminate June 30, 1999.

10 D. Any school district, state college or university, State
11 Board of Education, State Board of Career and Technology Education,
12 or other state agency may, for and on behalf of any member of the
13 System, pay all or any portion of the contribution required by
14 Section 17-108 of this title. Provided, the contribution so paid by
15 any school district, state college or university, State Board of
16 Education, State Board of Career and Technology Education, or other
17 state agency shall be and remain subject to the withdrawal
18 provisions set forth under the System. Wherever the term
19 "contribution" is used, it shall be deemed to include contributions
20 paid for and on behalf of a member by a school district, state
21 college or university, State Board of Education, State Board of
22 Career and Technology Education, or other state agency.

23 E. All participating employers shall provide a complete record
24 of the total compensation paid to each employee, including any

1 person who is a retired member of the System, whether or not
2 employer and employee contributions are made with respect to such
3 compensation. The employer shall provide the report required by
4 this subsection on a monthly basis on a form or using such method as
5 the Teachers' Retirement System of Oklahoma may require and shall
6 provide a comprehensive annual report showing the correct
7 compensation, service credit and contributions for the prior fiscal
8 year. Each participating employer shall provide reasonable access
9 to its payroll records, records of contribution payments to the
10 System and all other records relevant to the participation of its
11 employees in the System, to the System, its employees or authorized
12 agents. A participating employer shall cooperate with auditors
13 retained by the System to audit its financial statements or
14 otherwise audit the financial operations of the System.

15 SECTION 14. This act shall become effective November 1, 2017.

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17 56-1-5120 MAH 01/17/17
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THOMAS E. CUMMINS CONSULTING ACTUARY, INC.

2512 E. 71st Street , Suite D · Tulsa, Oklahoma 74136

(918) 492-9658 · (918) 492- 9659

January 9, 2017

Representative Randy McDaniel
Room 438

Re: RBH No. 5120

RBH No. 5120 creates an optional defined contribution plan for OTRS participants who joined the system on or after July 1, 2018. The participant minimum deferral would be 4.5% of compensation. The employer match would be 6% of compensation. If the employee elects to defer more than 7% of compensation, the employer match would not exceed 7% of compensation.

RBH No. 5120 is a non fiscal bill as defined by the Oklahoma Pension Legislation Analysis Act because the amendment does not contain a benefit increase nor create liability.

I am a member of the American Academy of Actuaries and meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion herein.

Thomas E. Cummins

Thomas E. Cummins, MAAA