

## STATE OF OKLAHOMA

2nd Session of the 57th Legislature (2020)

HOUSE BILL 3599

By: Roberts (Dustin)

AS INTRODUCED

An Act relating to the Teachers' Retirement System of Oklahoma; amending 70 O.S. 2011, Section 17-108, which relates to contributions; modifying provisions related to computation of certain employer contributions; specifying treatment of contributions with respect to nonfederal source of funds; providing an effective date; and declaring an emergency.

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

SECTION 1. AMENDATORY 70 O.S. 2011, Section 17-108, is amended to read as follows:

Section 17-108. A. Each local school district, ~~or~~ state college or university, ~~or~~ State Board of Education, or State Board of Career and Technology Education, or other state ~~agencies~~ agency whose employees are members of the Teachers' Retirement System, shall match, on a pro rata basis, in accordance with subsection B of this section the contributions of members whose salaries are paid by based on the member's regular annual compensation, regardless of the source of funds, except federal funds or externally sponsored

1 ~~agreements such as grants, contracts and cooperative agreements,~~  
2 which shall be calculated pursuant to subsection B of this section.  
3 These funds shall be remitted by the member's employer at the same  
4 time as the regular contributions of members are remitted to the  
5 Teachers' Retirement System of Oklahoma and deposited in the  
6 Retirement Benefit Fund.

7 B. On an annual basis, the Board of Trustees shall set the  
8 contribution rate to be paid by contributing employers because of  
9 the use of federal funds as provided in subsection A of this  
10 section. The contribution rate shall be determined using cost  
11 principles established by federal regulations and shall be  
12 consistent with policies, regulations and procedures that apply  
13 uniformly to ~~both~~ federally assisted ~~and other~~ activities, and be  
14 accorded consistent treatment through application of generally  
15 accepted accounting principles. The Board shall approve the  
16 contribution rate for each fiscal year ending June 30, no later than  
17 April 1 of the previous fiscal year. No additional contribution by  
18 the member or employer shall be required or allowed because of any  
19 other nonfederal source of funds in subsection A of this section.

20 C. All the assets of the retirement system shall be credited  
21 according to the purpose for which they are held to one of eight  
22 funds, namely: The Teachers' Savings Fund, the Retirement Benefit  
23 Fund, the Interest Fund, the Permanent Retirement Fund, the Expense  
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1 Fund, the Suspense Fund, the Teachers' Deposit Fund, and the Retiree  
2 Medical Benefit Fund.

3 1. The Teachers' Savings Fund shall be a fund in which shall be  
4 accumulated the regular contributions from the compensation of  
5 members, including interest earnings prior to July 1, 1968.

6 Contributions to and payments from the Teachers' Savings Fund shall  
7 be made as specifically provided in each plan available within the  
8 retirement system.

9 2. The deductions provided for in the plans within the  
10 retirement system shall be made notwithstanding that the minimum  
11 compensation provided for any member shall be reduced thereby.

12 Every member shall be deemed to consent and agree to the deductions  
13 made and provided for herein and payment of salary or compensation,  
14 less the deduction, shall be a full and complete discharge and  
15 acquittance of all claims and demands whatsoever for the services  
16 rendered by such person during the period covered by such payment,  
17 except as to the benefits provided under this act. The employer  
18 shall certify to the Board of Trustees on each and every payroll, or  
19 in such other manner as the Board may prescribe, the amounts to be  
20 deducted, and each of the amounts shall be deducted, and when  
21 deducted shall be paid into the Teachers' Savings Fund, and shall be  
22 credited to the individual account of the member from whose  
23 compensation the deduction was made.

1        3. Following the termination of membership in the retirement  
2 system for any member who has been absent from service for five (5)  
3 years in any period of six (6) consecutive years, the Teachers'  
4 Savings Fund Account of such member shall be closed and the amount  
5 due the member as provided in Section 17-105 of this title shall be  
6 paid upon the filing of formal application. At the time such  
7 membership is terminated the amount due the member as provided in  
8 Section 17-105 of this title shall be transferred to the Suspense  
9 Fund.

10       4. Upon the retirement of a member, the balance of money he or  
11 she had in the Teachers' Savings Fund shall be transferred to the  
12 Retirement Benefit Fund.

13       5. Retirement Benefit Fund.

14           a. After August 2, 1969, there shall be transferred from  
15 the Teachers' Savings Fund for those members drawing  
16 retirement benefits from the Teachers' Retirement  
17 System of Oklahoma an amount necessary to provide the  
18 monthly annuity payments and pension payments as  
19 required in Section 17-107 of this title. In addition  
20 the fund shall consist of monies received from any  
21 state dedicated revenue, monies received from state  
22 appropriations, monies received from federal matching  
23 funds, and the residue of the interest on investments  
24 after the requirements of Section 17-107 of this title

1 have been fully met. The Retirement Benefit Fund  
2 shall consist of an amount of money necessary for the  
3 making of retirement payments to retirees.

4 b. Should a member have deposits in the Teachers' Deposit  
5 Fund or the Tax-Sheltered Annuity Fund and wish to  
6 receive monthly retirement benefits on such deposits,  
7 the actuarial equivalent of a two-year period and each  
8 succeeding fiscal year thereafter shall be transferred  
9 to the Retirement Benefit Fund. The member may choose  
10 any of the plans available in the Teachers' Retirement  
11 Act as a method of receiving monthly retirement  
12 benefits on the money he has on deposit in the  
13 Teachers' Deposit Fund or the Tax-Sheltered Annuity  
14 Fund. The monthly retirement benefits paid from the  
15 Teachers' Deposit Fund or the Tax-Sheltered Annuity  
16 Fund shall be in addition to the regular retirement  
17 benefits and the money transferred from the Teachers'  
18 Deposit Fund or Tax-Sheltered Annuity Fund shall not  
19 be matched by the State of Oklahoma.

20 c. From the Retirement Benefit Fund shall be paid all  
21 monthly retirement benefits.

22 d. At the death of a retired member who has retired under  
23 the Maximum Plan of Retirement, Option 1 or Option 4,  
24 the balance of money the member has in the Teachers'

1 Savings Fund shall be transferred to the Retirement  
2 Benefit Fund and the amount due the beneficiary or his  
3 or her estate under Option 1 or Option 4 shall be paid  
4 from the Retirement Benefit Fund.

5 e. At the death of both a retired member and the retired  
6 member's spouse, who had retired under Option 2 or 3,  
7 any balance in the Teachers' Savings Fund shall be  
8 transferred from the Teachers' Savings Fund to the  
9 Retirement Benefit Fund.

10 f. At the death of a retired member who had retired under  
11 Option 5, the balance of any monies the member had in  
12 the Teachers' Savings Fund shall be transferred to the  
13 Retirement Benefit Fund for the purpose of making a  
14 lump-sum settlement to the beneficiary or his estate.  
15 Providing that if the surviving spouse elects to  
16 receive the balance under the Maximum Plan of  
17 Retirement or Option 1 the member's money, if any, on  
18 a monthly basis, constituting actuarial equivalent of  
19 two (2) years' payments, and each year thereafter the  
20 annual actuarial equivalent, shall be transferred from  
21 the Teachers' Savings Fund for the purpose of paying  
22 monthly retirement benefits to the spouse under this  
23 option.  
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1       6. The Interest Fund is hereby created to facilitate the  
2       crediting of interest to the various other funds to which interest  
3       is to be credited. All income, interest and dividends derived from  
4       the deposits and investments authorized by this act shall be paid  
5       into the Interest Fund. On June 30, each year, interest shall be  
6       transferred to the other funds as herein provided.

7       7. The Permanent Retirement Fund shall consist of the  
8       accumulated gifts, awards, and bequests made to the retirement  
9       system, and transfers from the Suspense Fund, the principal of which  
10      is hereby held and dedicated as a perpetual endowment of the  
11      retirement system and shall not be diverted or appropriated to any  
12      other cause or purpose unless specifically provided for in such  
13      gifts, awards or bequests.

14      8. The Expense Fund shall be the fund from which the expense of  
15      administration and maintenance of the retirement system shall be  
16      paid. The Board of Trustees shall cause to be prepared and adopt  
17      annually an itemized budget showing the amount required to defray  
18      the expenses for the ensuing fiscal year.

19      Transfers to and payments from this fund shall be made as  
20      follows: first, from the Interest Fund; second, from any dedicated  
21      revenue; and, third, from appropriation by the Oklahoma Legislature.

22      All monies for the operation of the Teachers' Retirement System  
23      of Oklahoma shall be paid from the Expense Fund upon the approval by  
24      the Board of Trustees and the checks signed by two people designated

1 to sign such checks by the Board of Trustees of the Teachers'  
2 Retirement System of Oklahoma.

3 9. The Suspense Fund shall be comprised of amounts transferred  
4 to the fund as provided in this section and Section 17-105 of this  
5 title and obligations of the retirement system to any member or  
6 person which cannot be legally discharged.

7 10. Teachers' Deposit Fund.

8 Any member may request, prior to a pay period, that his or her  
9 employer make additional deposits for him or her, for tax-sheltered  
10 annuity purposes. However, the amount deposited shall not exceed  
11 the limits as defined in Section 402(g) and Section 415 of the  
12 Internal Revenue Code of 1986, as amended, and applicable federal  
13 regulations. All such deposits shall be credited to the member's  
14 account in the Teachers' Deposit Fund for the purchase of a tax-  
15 sheltered annuity. The amount thus accumulated, with earnings,  
16 shall be used upon the member's retirement, separation from service,  
17 death or disability to purchase an annuity in addition to his or her  
18 regular service retirement allowance. The amount a member  
19 accumulates in the Teachers' Deposit Fund, not including interest,  
20 may be used to pay distributions in the case of hardship as provided  
21 in Section 403(b)(11) of the Internal Revenue Code of 1986, as  
22 amended, and applicable federal regulations.

23 11. Collection of Contributions.  
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1 The collection of members' contributions shall be as  
2 follows:

3 (1) Each employer shall cause to be deducted on each  
4 and every payroll or claim of a member for each  
5 and every payroll claim period subsequent to the  
6 date of establishment of the retirement system  
7 the contribution payable by such member as  
8 provided in this act. With each and every  
9 payroll or claim the employer shall deliver to  
10 the treasurer of the employer warrants issued to  
11 the employees as shown to be due by the payroll  
12 or claim, together with a warrant or warrants in  
13 favor of the Teachers' Retirement System as shown  
14 by the payroll or claim.

15 (2) The treasurer or disbursing officer upon delivery  
16 of the warrants and a true copy of the payroll or  
17 claims as provided above shall register the  
18 warrants as provided for the registration of  
19 other school warrants, and shall deliver to the  
20 employer warrants issued in favor of the  
21 employees, and shall deliver warrants issued in  
22 favor of the Teachers' Retirement System and the  
23 copy of the payroll or claims to the school  
24 district superintendent as designated by the

1 Board of Trustees. For the purpose of collecting  
2 contributions of teachers in the public schools,  
3 the superintendent of a school district is hereby  
4 designated to receive the Teachers' Retirement  
5 warrants from the treasurer or proper disbursing  
6 officer of the several school districts for the  
7 purpose of transmitting such warrants and payroll  
8 or claims to the Executive Director of the  
9 Teachers' Retirement System of the State of  
10 Oklahoma. Any college or university or other  
11 educational institution or agency operated in  
12 whole or in part by the state shall have the  
13 amount retained or deducted from the funds  
14 regularly appropriated by the state for the  
15 current maintenance for such educational  
16 departments and institutions.

- 17 (3) For the purpose of enabling the collection of the  
18 contributions of the members of the retirement  
19 system to be made as simple as possible, the  
20 Board of Trustees shall require the secretary or  
21 other officer of each employer-board or agency,  
22 within thirty (30) days after the beginning of  
23 each school year, to make a list of all teachers  
24 in its employ who are members of the retirement

1 system, certify to the correctness of this list,  
2 and file the same with the Executive Director of  
3 the Board of Trustees of the Teachers' Retirement  
4 System. If additions to or deductions from this  
5 list should be made during the year such  
6 additions or deductions shall likewise be  
7 certified to the Board of Trustees of the  
8 Teachers' Retirement System.

9 (4) The State Treasurer shall furnish annually to the  
10 Board of Trustees a sworn statement of the amount  
11 of the funds in his or her custody belonging to  
12 the retirement system. The records of the Board  
13 of Trustees shall be open to public inspection  
14 and any member of the retirement system shall be  
15 furnished with a statement of the amount of the  
16 credit to his or her individual account upon  
17 written request by such member, provided the  
18 Board of Trustees shall not be required to answer  
19 more than one such request of a member in any one  
20 (1) year.

21 (5) Failure of any superintendent, officer, or other  
22 person to discharge the duties imposed upon him  
23 or her by this act shall render him or her or his  
24 or her bondsman liable for any loss occasioned

1                   thereby to the Teachers' Retirement System or the  
2                   employees of the school district, or both.

3           (6) On a showing by the Teachers' Retirement System  
4           that a warrant, voucher or check issued to it  
5           has, for any reason, been lost or never received,  
6           after ninety (90) days from the date of issue or  
7           from transmittal for payment, it shall be the  
8           duty of the issuing authority forthwith, without  
9           any indemnifying bond or other requirements, to  
10          issue a duplicate thereof in lieu of that which  
11          was lost, to the Teachers' Retirement System; and  
12          the Teachers' Retirement System shall save  
13          harmless any school district or agency of state  
14          government making payment under the provisions  
15          hereof to the State Teachers' Retirement System  
16          if the original warrant, voucher or check is  
17          later presented for payment and same is paid  
18          after a duplicate warrant, voucher or check has  
19          been issued and paid to the Teachers' Retirement  
20          System, and any loss sustained therefrom shall be  
21          charged to the Interest Fund.

22          12. Rollover Contributions and Direct Trustee-to-Trustee  
23 Transfers from Other Plans.

1 Any member may purchase credit for service, to the extent  
2 specified in this title, with rollovers from an eligible retirement  
3 plan as defined by the Internal Revenue Code of 1986, as amended  
4 from time to time. A member may also purchase permissive service  
5 credit, as defined by Code Section 415(n)(3)(A), with a direct  
6 trustee-to-trustee transfer from a governmental Code Section 403(b)  
7 plan or governmental Code Section 457(b) plan. All rollovers and  
8 direct trustee-to-trustee transfers shall be allowed to the extent  
9 permitted by federal law. Rollovers or direct transfers in excess  
10 of the amount necessary to purchase such service credit shall not be  
11 allowed.

12 13. Retiree Medical Benefit Fund.

13 The Retiree Medical Benefit Fund shall be maintained as a  
14 subaccount under the Retirement Benefit Fund. The Retiree Medical  
15 Benefit Fund is composed of all assets contributed to this  
16 subaccount to pay the retirement system's portion of the monthly  
17 retiree health insurance benefits described in Section 1316.3 of  
18 Title 74 of the Oklahoma Statutes. All allocated assets and the  
19 earnings thereon in the Retiree Medical Benefit Fund shall be held  
20 for the exclusive purpose of providing retiree medical benefits  
21 pursuant to Section 1316.3 of Title 74 of the Oklahoma Statutes.  
22 The Retiree Medical Benefit Fund shall be administered in accordance  
23 with the requirements under Section 401(h) of the Internal Revenue  
24 Code of 1986, as amended from time to time. An amount necessary to

1 pay the health insurance premiums for retired members as provided by  
2 Section 1316.3 of Title 74 of the Oklahoma Statutes shall be  
3 deposited each month into the Retiree Medical Benefit Fund.

4 SECTION 2. This act shall become effective March 1, 2020.

5 SECTION 3. It being immediately necessary for the preservation  
6 of the public peace, health or safety, an emergency is hereby  
7 declared to exist, by reason whereof this act shall take effect and  
8 be in full force from and after its passage and approval.

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10 57-2-9602 MAH 01/08/20  
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January 8, 2020

Representative Dustin Roberts  
Room 440

Re: RBH No. 9602

This bill contains no benefit changes provisions.

RBH No. 9602 is a non fiscal bill as defined by the Oklahoma Pension Legislation Actuarial Analysis Act.

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