

SENATE FLOOR VERSION

March 3, 2022

AS AMENDED

SENATE BILL NO. 1281

By: Montgomery of the Senate

and

Roberts (Dustin) of the
House

[defined contribution system - Oklahoma Pension
Legislation Actuarial Analysis Act - nonfiscal
retirement bills - employer matching amount]

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

SECTION 1. AMENDATORY 62 O.S. 2021, Section 3103, is
amended to read as follows:

Section 3103. As used in the Oklahoma Pension Legislation
Actuarial Analysis Act:

1. "Amendment" means any amendment, including a substitute
bill, made to a retirement bill by any committee of the House of
Representatives or Senate, any conference committee of the House of
Representatives or Senate or by the House of Representatives or
Senate;

2. "RB number" means that number preceded by the letters "RB"
assigned to a retirement bill by the respective staffs of the
~~Oklahoma State~~ Senate and the ~~Oklahoma~~ House of Representatives when

1 the respective staff office prepares a retirement bill for a member
2 of the Legislature;

3 3. "Legislative Actuary" means the firm or entity that enters
4 into a contract with the Legislative Service Bureau pursuant to
5 Section 452.15 of Title 74 of the Oklahoma Statutes to provide the
6 actuarial services and other duties provided for in the Oklahoma
7 Pension Legislation Actuarial Analysis Act;

8 4. "Nonfiscal amendment" means an amendment to a retirement
9 bill having a fiscal impact, which amendment does not change any
10 factor of an actuarial investigation specified in subsection A of
11 Section 3109 of this title;

12 5. "Nonfiscal retirement bill" means a retirement bill:

13 a. which does not affect the cost or funding factors of a
14 retirement system,

15 b. which affects such factors only in a manner which does
16 not:

17 (1) grant a benefit increase under the retirement
18 system affected by the bill,

19 (2) create an actuarial accrued liability for or
20 increase the actuarial accrued liability of the
21 retirement system affected by the bill, or

22 (3) increase the normal cost of the retirement system
23 affected by the bill,
24

- 1 c. which authorizes the purchase by an active member of
2 the retirement system, at the actuarial cost for the
3 purchase as computed pursuant to the statute in effect
4 on the effective date of the measure allowing such
5 purchase, of years of service for purposes of reaching
6 a normal retirement date in the applicable retirement
7 system, but which cannot be used in order to compute
8 the number of years of service for purposes of
9 computing the retirement benefit for the member,
- 10 d. which provides for the computation of a service-
11 connected disability retirement benefit for members of
12 the Oklahoma Law Enforcement Retirement System
13 pursuant to Section 2-305 of Title 47 of the Oklahoma
14 Statutes if the members were unable to complete twenty
15 (20) years of service as a result of the disability,
- 16 e. which requires membership in the defined benefit plan
17 authorized by Section 901 et seq. of Title 74 of the
18 Oklahoma Statutes for persons whose first elected or
19 appointed service occurs on or after November 1, 2018,
20 if such persons had any prior service in the Oklahoma
21 Public Employees Retirement System prior to November
22 1, 2015,
- 23 f. which provides for a one-time increase in retirement
24 benefits if the increase in retirement benefits is not

1 a permanent increase in the gross annual retirement
2 benefit payable to a member or beneficiary, occurs
3 only once pursuant to a single statutory authorization
4 and does not exceed:

5 (1) the lesser of two percent (2%) of the gross
6 annual retirement benefit of the member or One
7 Thousand Dollars (\$1,000.00) and requires that
8 the benefit may only be provided if the funded
9 ratio of the affected retirement system would not
10 be less than sixty percent (60%) but not greater
11 than eighty percent (80%) after the benefit
12 increase is paid,

13 (2) the lesser of two percent (2%) of the gross
14 annual retirement benefit of the member or One
15 Thousand Two Hundred Dollars (\$1,200.00) and
16 requires that the benefit may only be provided if
17 the funded ratio of the affected retirement
18 system would be greater than eighty percent (80%)
19 but not greater than one hundred percent (100%)
20 after the benefit increase is paid,

21 (3) the lesser of two percent (2%) of the gross
22 annual retirement benefit of the member or One
23 Thousand Four Hundred Dollars (\$1,400.00) and
24 requires that the benefit may only be provided if

1 the funded ratio of the affected retirement
2 system would be greater than one hundred percent
3 (100%) after the benefit increase is paid, or
4 (4) the greater of two percent (2%) of the gross
5 annual retirement benefit of the volunteer
6 firefighter or One Hundred Dollars (\$100.00) for
7 persons who retired from the Oklahoma
8 Firefighters Pension and Retirement System as
9 volunteer firefighters and who did not retire
10 from the Oklahoma Firefighters Pension and
11 Retirement System as a paid firefighter.

12 As used in this subparagraph, "funded ratio" means the
13 figure derived by dividing the actuarial value of
14 assets of the applicable retirement system by the
15 actuarial accrued liability of the applicable
16 retirement system,

17 g. which modifies the disability pension standard for
18 police officers who are members of the Oklahoma Police
19 Pension and Retirement System as provided by Section ~~3~~
20 50-115 of ~~this act~~ Title 11, or

21 h. which provides a cost-of-living benefit increase
22 pursuant to the provisions of Sections ~~2 through 7~~ of
23 ~~this act~~ 49-143.7 and 50-136.9 of Title 11, Section

1 1104K of Title 20, Sections 2-305.12 and 930.11 of
2 Title 47, and Section 17-116.22 of Title 70.

3 A nonfiscal retirement bill shall include any retirement bill that
4 has as its sole purpose the appropriation or distribution or
5 redistribution of monies in some manner to a retirement system for
6 purposes of reducing the unfunded liability of such system or the
7 earmarking of a portion of the revenue from a tax to a retirement
8 system or increasing the percentage of the revenue earmarked from a
9 tax to a retirement system. Notwithstanding any other provision of
10 law, a nonfiscal retirement bill shall also include any measure that
11 increases the employer and employee contribution rates in the
12 defined contribution retirement system;

13 6. "Reduction-in-cost amendment" means an amendment to a
14 retirement bill having a fiscal impact which reduces the cost of the
15 bill as such cost is determined by the actuarial investigation for
16 the bill prepared pursuant to Section 3109 of this title;

17 7. "Retirement bill" means any bill or joint resolution
18 introduced or any bill or joint resolution amended by a member of
19 the Oklahoma Legislature which creates or amends any law directly
20 affecting a retirement system. A retirement bill shall not mean a
21 bill or resolution that impacts the revenue of any state tax in
22 which a portion of the revenue generated from such tax is earmarked
23 for the benefit of a retirement system;

1 8. "Retirement bill having a fiscal impact" means any
2 retirement bill creating or establishing a retirement system and any
3 other retirement bill other than a nonfiscal retirement bill; and

4 9. "Retirement system" means the Teachers' Retirement System of
5 Oklahoma, the Oklahoma Public Employees Retirement System, the
6 Uniform Retirement System for Justices and Judges, the Oklahoma
7 Firefighters Pension and Retirement System, the Oklahoma Police
8 Pension and Retirement System, the Oklahoma Law Enforcement
9 Retirement System, or a retirement system established after January
10 1, 2006.

11 SECTION 2. AMENDATORY 74 O.S. 2021, Section 935.5, is
12 amended to read as follows:

13 Section 935.5. A. Except as otherwise provided by subsection B
14 of this section, employers of employees who become participants in
15 the defined contribution retirement system shall match the employee
16 contribution paid on a monthly or more frequent basis at the rate of
17 ~~six percent (6.0%)~~ **eight percent (8.0%)** based on the same
18 compensation amount used to compute the employee contribution
19 amount.

20 B. If an employee selects a contribution rate of ~~seven percent~~
21 ~~(7.0%)~~ **eight percent (8.0%)** or more, but not higher than allowed
22 pursuant to the maximum annual contribution limit prescribed by
23 Section 415 of the Internal Revenue Code of 1986, as amended, the
24

1 employer matching amount shall be ~~seven percent (7.0%)~~ **ten percent**
2 **(10%)**.

3 C. The initial four and five-tenths percent (4.5%) employee
4 contribution shall be the only mandatory contribution of an employee
5 participating in the defined contribution retirement system created
6 by this act. These funds shall be placed by the System in either a
7 401(a) plan or a 457(b) plan, to be determined by the Board to
8 maintain the plan consistent with the Internal Revenue Code. Any
9 employee contributions eligible to be matched under this section
10 over the four and five-tenths percent (4.5%) initial contribution
11 shall be considered voluntary deferrals of compensation and placed
12 in a 457(b) plan. All employer matching funds shall be placed in a
13 401(a) plan.

14 Any contribution rate that is more than the four and five-tenths
15 percent (4.5%) rate can be chosen by the participating employee upon
16 the employee's initial participation, and can be changed once per
17 month. The employee contribution rate chosen shall continue until
18 the employee elects to change the contribution rate or terminates
19 service or retires.

20 D. The employer match as set forth in subsection A of this
21 section may be increased at any time by the Legislature without
22 affecting the then-existing rights of participating employees and
23 beneficiaries in order to encourage participating employees to
24 accumulate deferred income reserves for themselves and their

1 dependents. The employer match may be decreased at any time by the
2 Legislature without affecting the then-existing rights of
3 participating employees and beneficiaries in order to provide
4 funding as may be needed to reduce the unfunded liabilities of the
5 defined benefit plan as set forth in Section 901 et seq. of this
6 title, but shall not be less than six percent (6.0%) for any year
7 during which the defined contribution plan is maintained.

8 E. Increases in the employee and employer contribution rate to
9 the defined contribution retirement system shall not be subject to
10 the provisions of the Oklahoma Pension Legislation Actuarial
11 Analysis Act pursuant to Section 3103 of Title 62 of the Oklahoma
12 Statutes.

13 COMMITTEE REPORT BY: COMMITTEE ON APPROPRIATIONS
14 March 3, 2022 - DO PASS AS AMENDED
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