

STATE OF OKLAHOMA

2nd Session of the 58th Legislature (2022)

SENATE BILL 1281

By: Montgomery

AS INTRODUCED

An Act relating to the defined contribution system; amending 62 O.S. 2021, Section 3103, which relates to Oklahoma Pension Legislation Actuarial Analysis Act definitions; establishing certain measures increasing certain contributions for system as nonfiscal retirement bills; amending 74 O.S. 2021, Section 935.5, which relates to employer and employee contributions; increasing employer matching amount for certain contributions; increasing amount employees may contribute; further increasing employer match requirement under certain circumstances; exempting certain contribution rate increases from Oklahoma Pension Legislation Actuarial Analysis Act.

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

1 Representatives or Senate or by the House of Representatives or
2 Senate;

3 2. "RB number" means that number preceded by the letters "RB"
4 assigned to a retirement bill by the respective staffs of the
5 ~~Oklahoma State~~ Senate and the ~~Oklahoma~~ House of Representatives when
6 the respective staff office prepares a retirement bill for a member
7 of the Legislature;

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

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

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

- 18 a. which does not affect the cost or funding factors of a
19 retirement system,
20 b. which affects such factors only in a manner which does
21 not:
22 (1) grant a benefit increase under the retirement
23 system affected by the bill,
24

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

1 if such persons had any prior service in the Oklahoma
2 Public Employees Retirement System prior to November
3 1, 2015,

4 f. which provides for a one-time increase in retirement
5 benefits if the increase in retirement benefits is not
6 a permanent increase in the gross annual retirement
7 benefit payable to a member or beneficiary, occurs
8 only once pursuant to a single statutory authorization
9 and does not exceed:

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

18 (2) the lesser of two percent (2%) of the gross
19 annual retirement benefit of the member or One
20 Thousand Two Hundred Dollars (\$1,200.00) and
21 requires that the benefit may only be provided if
22 the funded ratio of the affected retirement
23 system would be greater than eighty percent (80%)
24

1 but not greater than one hundred percent (100%)

2 after the benefit increase is paid,

3 (3) the lesser of two percent (2%) of the gross
4 annual retirement benefit of the member or One
5 Thousand Four Hundred Dollars (\$1,400.00) and
6 requires that the benefit may only be provided if
7 the funded ratio of the affected retirement
8 system would be greater than one hundred percent
9 (100%) after the benefit increase is paid, or

10 (4) the greater of two percent (2%) of the gross
11 annual retirement benefit of the volunteer
12 firefighter or One Hundred Dollars (\$100.00) for
13 persons who retired from the Oklahoma
14 Firefighters Pension and Retirement System as
15 volunteer firefighters and who did not retire
16 from the Oklahoma Firefighters Pension and
17 Retirement System as a paid firefighter.

18 As used in this subparagraph, "funded ratio" means the
19 figure derived by dividing the actuarial value of
20 assets of the applicable retirement system by the
21 actuarial accrued liability of the applicable
22 retirement system,

23 g. which modifies the disability pension standard for
24 police officers who are members of the Oklahoma Police

1 Pension and Retirement System as provided by Section 3
2 50-115 of ~~this act~~ Title 11, or

- 3 h. which provides a cost-of-living benefit increase
4 pursuant to the provisions of Sections ~~2 through 7 of~~
5 ~~this act~~ 49-143.7 and 50-136.9 of Title 11, Section
6 1104K of Title 20, Sections 2-305.12 and 930.11 of
7 Title 47, and Section 17-116.22 of Title 70.

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

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

22 7. "Retirement bill" means any bill or joint resolution
23 introduced or any bill or joint resolution amended by a member of
24 the Oklahoma Legislature which creates or amends any law directly

1 affecting a retirement system. A retirement bill shall not mean a
2 bill or resolution that impacts the revenue of any state tax in
3 which a portion of the revenue generated from such tax is earmarked
4 for the benefit of a retirement system;

5 8. "Retirement bill having a fiscal impact" means any
6 retirement bill creating or establishing a retirement system and any
7 other retirement bill other than a nonfiscal retirement bill; and

8 9. "Retirement system" means the Teachers' Retirement System of
9 Oklahoma, the Oklahoma Public Employees Retirement System, the
10 Uniform Retirement System for Justices and Judges, the Oklahoma
11 Firefighters Pension and Retirement System, the Oklahoma Police
12 Pension and Retirement System, the Oklahoma Law Enforcement
13 Retirement System, or a retirement system established after January
14 1, 2006.

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

17 Section 935.5. A. Except as otherwise provided by subsection B
18 of this section, employers of employees who become participants in
19 the defined contribution retirement system shall match the employee
20 contribution paid on a monthly or more frequent basis at the rate of
21 ~~six percent (6.0%)~~ ten and five-tenths percent (10.5%) based on the
22 same compensation amount used to compute the employee contribution
23 amount.

1 B. If an employee selects a contribution rate of ~~seven percent~~
2 ~~(7.0%)~~ eight percent (8.0%) or more, but not higher than allowed
3 pursuant to the maximum annual contribution limit prescribed by
4 Section 415 of the Internal Revenue Code of 1986, as amended, the
5 employer matching amount shall be ~~seven percent (7.0%)~~ thirteen
6 percent (13%).

7 C. The initial four and five-tenths percent (4.5%) employee
8 contribution shall be the only mandatory contribution of an employee
9 participating in the defined contribution retirement system created
10 by this act. These funds shall be placed by the System in either a
11 401(a) plan or a 457(b) plan, to be determined by the Board to
12 maintain the plan consistent with the Internal Revenue Code. Any
13 employee contributions eligible to be matched under this section
14 over the four and five-tenths percent (4.5%) initial contribution
15 shall be considered voluntary deferrals of compensation and placed
16 in a 457(b) plan. All employer matching funds shall be placed in a
17 401(a) plan.

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

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

13 E. Increases in the employee and employer contribution rate to
14 the defined contribution retirement system shall not be subject to
15 the provisions of the Oklahoma Pension Legislation Actuarial
16 Analysis Act pursuant to Section 3103 of Title 62 of the Oklahoma
17 Statutes.

58-2-2768

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