

STATE OF OKLAHOMA

2nd Session of the 60th Legislature (2026)

POLICY COMMITTEE

RECOMMENDATION

FOR

HOUSE BILL NO. 3313

By: Eaves

POLICY COMMITTEE RECOMMENDATION

An Act relating to retirement; amending 74 O.S. 2021, Sections 935.2, 935.3, 935.5, 935.7, as amended by Section 3, Chapter 47, O.S.L. 2024 (74 O.S. Supp. 2025, Section 935.7), and 935.9, which relate to the Retirement Freedom Act; providing purpose; directing the plan to provide certain opportunities and services; directing the Board of Trustees to create an operating plan document; modifying minimum employer contribution amount; modifying minimum employee contribution amount; eliminating vesting schedule for certain funds; directing the Board to provide individualized planning services; requiring the Board to provide certain information and investment options to participants; specifying when participant may receive distribution of benefits; providing the method by which the distribution shall be paid; allowing the participant to elect an alternative distribution form; directing that remaining value of account be paid to spouse or beneficiary in certain circumstances; providing for codification; and providing an effective date.

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

SECTION 1. AMENDATORY 74 O.S. 2021, Section 935.2, is amended to read as follows:

1 Section 935.2. A. The Oklahoma Public Employees Retirement
2 System (System) shall establish a defined contribution system for
3 those persons who first become employed in a full-time equivalent
4 position or a position which is less than full-time but more than
5 half-time position and which qualifies for employee benefits,
6 including but not limited to, health insurance and leave time by any
7 participating employer of the System, as defined by paragraph (25)
8 of Section 902 of this title, on or after November 1, 2015. Any
9 person first licensed by the Department of Rehabilitation Services
10 as a vending stand operator or managing operator on or after
11 November 1, 2015, as defined by Section 929 of this title, shall be
12 eligible for participation in the defined contribution system.

13 B. The primary purpose of the plan is to help eligible
14 employees achieve an adequate and secure income for life in
15 retirement. The plan shall provide opportunities and services for
16 eligible employees to customize the investments and benefit forms to
17 meet their personal needs and objectives.

18 C. The provisions of subsection A of this section and the
19 provisions of this act shall not be applicable to employees who are
20 initially employed in the positions described in division (i), (ii),
21 (iii), or (iv) of subparagraph (d) of paragraph (24) of Section 902
22 of this title, district attorneys, assistant district attorneys or
23 other employees of the district attorney's office, and any employees
24 of a county, county elected officials, county hospital, city or

1 town, conservation district, circuit engineering district, and any
2 public or private trust in which a county, city or town participates
3 and is the primary beneficiary.

4 ~~C.~~ D. An employee described by subsection A of this section
5 shall become a participant in the defined contribution system and
6 the employee shall not accrue any service credit in the Oklahoma
7 Public Employees Retirement System as established pursuant to
8 Section 901 et seq. of this title.

9 ~~D.~~ E. Employees who participate in the defined contribution
10 system shall be deemed to begin service in the defined contribution
11 system on the first day of the month following employment.

12 ~~E.~~ F. An employee who begins participating in the defined
13 benefit plan on or after November 1, 2015, in one of the positions
14 described in subsection ~~B~~ C of this section, shall continue to
15 participate in the defined benefit plan only as long as he or she
16 continues to be employed in a position described in subsection ~~B~~ C
17 of this section.

18 ~~F.~~ G. Any employee employed on or after November 1, 2015, by
19 the Legislative Service Bureau, Oklahoma State Senate, or Oklahoma
20 House of Representatives for the full duration of a regular
21 legislative session shall be eligible for membership only in the
22 defined contribution system regardless of classification as a
23 temporary employee. The temporary session employee may participate
24 in the defined contribution system during the regular legislative

1 session at the option of the employee. Once the temporary session
2 employee makes a choice to participate, the choice shall be binding
3 for all future legislative sessions during which the temporary
4 session employee is employed. For purposes of this subparagraph,
5 the determination of whether an employee is employed for the full
6 duration of a regular legislative session shall be made by the
7 employer.

8 SECTION 2. AMENDATORY 74 O.S. 2021, Section 935.3, is
9 amended to read as follows:

10 Section 935.3. A. The Board of Trustees of the Oklahoma Public
11 Employees Retirement System (Board) shall create an operating plan
12 document consistent with this chapter and may adopt any additional
13 provision to the plan necessary and appropriate for its operation
14 and purpose.

15 B. The Board shall take whatever action is reasonable and
16 necessary to have the defined contribution system authorized by this
17 act to be recognized as a tax-qualified plan as that term is defined
18 by Section 401 et seq. of Title 26 of the United States Code, or any
19 other applicable provisions of federal law. The Board is also
20 authorized to establish a plan or use an existing plan established
21 under Section 457(b) of Title 26 of the United States Code, if it is
22 necessary to carry out the intent of this act. The Board shall take
23 whatever action is reasonable and necessary to obtain confirmation
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1 from the Internal Revenue Service that any such 457(b) plan is
2 consistent with the requirements of Section 457(b).

3 SECTION 3. AMENDATORY 74 O.S. 2021, Section 935.5, is
4 amended to read as follows:

5 Section 935.5. A. Except as otherwise provided by subsection B
6 of this section, employers of employees who become participants in
7 the defined contribution retirement system shall match the employee
8 contribution paid on a monthly or more frequent basis at the rate of
9 ~~six percent (6.0%)~~ seven percent (7.0%) based on the same
10 compensation amount used to compute the employee contribution
11 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%)~~ five percent
18 (5.0%) employee contribution shall be the only mandatory
19 contribution of an employee participating in the defined
20 contribution retirement system created by this act. These funds
21 shall be placed by the System in either a 401(a) plan or a 457(b)
22 plan, to be determined by the Board to maintain the plan consistent
23 with the Internal Revenue Code. Any employee contributions eligible
24 to be matched under this section over the ~~four and five-tenths~~

1 ~~percent (4.5%)~~ five percent (5.0%) initial contribution shall be
2 considered voluntary deferrals of compensation and placed in a
3 457(b) plan. All employer matching funds shall be placed in a
4 401(a) plan.

5 Any contribution rate that is more than the ~~four and five tenths~~
6 ~~percent (4.5%)~~ five percent (5.0%) rate can be chosen by the
7 participating employee upon the employee's initial participation,
8 and can be changed once per month. The employee contribution rate
9 chosen shall continue until the employee elects to change the
10 contribution rate or terminates service or retires.

11 D. The employer match as set forth in subsection A of this
12 section may be increased at any time by the Legislature without
13 affecting the then-existing rights of participating employees and
14 beneficiaries in order to encourage participating employees to
15 accumulate deferred income reserves for themselves and their
16 dependents. The employer match may be decreased at any time by the
17 Legislature without affecting the then-existing rights of
18 participating employees and beneficiaries in order to provide
19 funding as may be needed to reduce the unfunded liabilities of the
20 defined benefit plan as set forth in Section 901 et seq. of this
21 title, but shall not be less than ~~six percent (6.0%)~~ seven percent
22 (7.0%) for any year during which the defined contribution plan is
23 maintained.

SECTION 4. AMENDATORY 74 O.S. 2021, Section 935.7, as amended by Section 3, Chapter 47, O.S.L. 2024 (74 O.S. Supp. 2025, Section 935.7), is amended to read as follows:

Section 935.7. A. Participating employees shall at all times be vested at one hundred percent (100%) of their accounts containing solely their employee contributions, and the gains or losses on these contributions. Participating employees will have investment discretion over these accounts within the available options offered by the Board.

B. Participating employees shall at all times be vested with respect to the employer matching amounts, and the gains or losses on these funds, deposited into their defined contribution system account or accounts ~~according to the following schedule based on years of participating service:~~

~~Year 1 — 20%~~

~~Year 2 — 40%~~

~~Year 3 — 60%~~

~~Year 4 — 80%~~

~~Year 5 and thereafter — 100%.~~

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

~~D. For purposes of determining a participating employee's right to withdraw employer matching contributions and any investment gains upon such employer contribution matching amounts, the vesting~~

~~percentages apply at the end of each full year of service as described in subsection B of this section.~~

~~E. C.~~ For participating employees who do not select any investment options, the OPERS Board will establish default investment options for the contributions received from participating employees and default investment options for matching employer contributions.

~~F. To the extent that participants leave employment and have not vested in all of the employer contributions, the nonvested employer contributions, including any gains or losses, shall be immediately forfeited to the 401(a) plan and may be used to offset costs of administering the plan or as permitted by federal law. Upon reemployment with an employer and satisfying the eligibility requirements to become a participant, the reemployed participant shall receive credit for previous service and be vested at the same percentage the participant was vested when service was previously terminated. However, under no circumstances shall the participant be entitled to any previously forfeited employer contributions.~~

SECTION 5. AMENDATORY 74 O.S. 2021, Section 935.9, is amended to read as follows:

Section 935.9. A. The Board of Trustees shall provide plan participants with individualized ongoing investment and retirement income planning services, including education and plan-based tools and independent investment advice to help set, measure, and adjust

1 personal retirement income and savings goals as appropriate during
2 their working years to help the participant meet their financial
3 objectives in retirement and changing circumstances.

4 B. The Board shall provide a standard investment menu of
5 investment choices for participants, including:

6 1. A set of predetermined investment portfolio options designed
7 to reflect different risk profiles that automatically reallocate and
8 rebalance contributions as a participant ages and constructed to
9 help create high probabilities of achieving the retirement income
10 objectives of the plan. The standard options under this provision
11 shall be the default investments for individual accounts unless the
12 participant chooses alternative investments under the plan. The
13 standard investment portfolios shall be constructed to adjust the
14 investment allocation on an individual basis over an individual's
15 career with the intent to accumulate assets at retirement
16 sufficient, in combination with federal Social Security benefits, to
17 provide the retirement income objectives of each participant. The
18 standard investment portfolios shall be constructed to allow
19 participants to include other assets and retirement plan benefits
20 outside of the plan in determining their investments under the plan.
21 While the level of retirement income may be targeted, it is in no
22 way an obligation of the plan, the employer, the Board, or the
23 state, nor is there any expressed or implied guarantee of a certain
24 outcome; and

1 2. A set of diversified investment options allowing the
2 participant to construct an alternative investment portfolio.

3 C. The Board of Trustees shall contract with one or more
4 business entities ~~in order~~ to create a range of choices regarding
5 investment of funds deposited into defined contribution system
6 accounts. The investment options ~~shall~~ may be substantially similar
7 to the options provided to members of the Oklahoma Public Employees
8 Retirement System that maintain a Deferred Savings Incentive Plan
9 account as offered by the System pursuant to the provisions of the
10 Deferred Savings Incentive Plan. In selecting investment options
11 for participants in the plan, the Board shall ~~give due consideration~~
12 ~~to offering investment~~ offer options provided by business entities
13 that provide guaranteed lifetime income in retirement such as
14 annuities, ~~guaranteed investment contracts,~~ or similar products as
15 appropriate to achieve the primary purpose of the plan, pursuant to
16 Section 74-935.2 of this title. The Board may amend any of its
17 existing contracts with its current service providers to perform
18 substantially the same type of service the provider is currently
19 performing for the Board, in order to facilitate the timely
20 introduction of the new defined contribution system created by this
21 act. Thereafter, the contracting process for the selection of
22 service providers carrying out duties related to the administration
23 of the plan shall be the same as the selection process for other
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1 providers selected by the Board under subsection D of Section 909.1
2 of ~~Title 74 of the Oklahoma Statutes~~ this title.

3 SECTION 6. NEW LAW A new section of law to be codified
4 in the Oklahoma Statutes as Section 935.12 of Title 74, unless there
5 is created a duplication in numbering, reads as follows:

6 A. A participant may receive distribution of vested benefits
7 from his or her individual account in the plan after:

- 8 1. Attainment of age sixty-five (65); or
- 9 2. Separation of all eligible employment under the plan.

10 B. The standard form of distribution shall be a lifetime
11 annuity made available by the Board of Trustees of the Oklahoma
12 Public Employees Retirement System based on the value of the
13 individual account of a participant. The standard lifetime annuity
14 shall be paid as a fifty percent (50%) joint and survivor annuity if
15 the participant has a spouse unless the spouse waives this form in a
16 manner established by the Board.

17 C. A participant may elect one or a combination of the
18 following alternative distribution forms:

- 19 1. A lifetime annuity based on a portion of his or her
20 individual account;
- 21 2. Lump-sum amounts;
- 22 3. Periodic distributions, as authorized by the Board; or
- 23 4. Deferred distributions until otherwise required by federal
24 law.

1 D. If the participant dies before receiving the entire value of
2 the individual account, it shall be paid to the surviving spouse or
3 an alternative beneficiary designated by the participant or, under
4 applicable law, in a form allowed pursuant to this section.

5 SECTION 7. This act shall become effective November 1, 2026.

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