

ENROLLED HOUSE
BILL NO. 2070

By: Bengé and Sears of the
House

and

Mazzei and Jolley of the
Senate

An Act relating to public retirement systems; amending Sections 2, 3 and 11, Chapter 292, O.S.L. 2006 (62 O.S. Supp. 2006, Sections 3102, 3103 and 3111), which relate to the Oklahoma Pension Legislation Actuarial Analysis Act; modifying provisions for applicability to certain retirement systems; modifying definition; modifying provisions related to concurrent funding requirements for certain retirement measures; amending Section 2, Chapter 46, 2nd Extraordinary Session, O.S.L. 2006 (70 O.S. Supp. 2006, Section 17-116.2C), which relates to computation of certain service credit for the Teachers' Retirement System of Oklahoma; modifying definition; providing effective dates; and declaring an emergency.

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

SECTION 1. AMENDATORY Section 2, Chapter 292, O.S.L. 2006 (62 O.S. Supp. 2006, Section 3102), is amended to read as follows:

Section 3102. The provisions of the Oklahoma Pension Legislation Actuarial Analysis Act shall be applicable to legislation affecting the:

1. The Teachers' Retirement System of Oklahoma, ~~the~~;

2. The Oklahoma Public Employees Retirement System, or the;
3. The Uniform Retirement System for Justices and Judges;
4. The Oklahoma Firefighters Pension and Retirement System;
5. The Oklahoma Police Pension and Retirement System;
6. The Oklahoma Law Enforcement Retirement System; or to any
7. Any new retirement system established by law not in existence as of the effective date of this act.

SECTION 2. AMENDATORY Section 3, Chapter 292, O.S.L. 2006 (62 O.S. Supp. 2006, 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 or Senate or by the House or Senate;

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

3. "Legislative Actuary" means the firm or entity that enters into a contract with the Legislative Service Bureau pursuant to Section ~~15~~ 452.15 of ~~this act~~ Title 74 of the Oklahoma Statutes to provide the actuarial services and other duties provided for in the Oklahoma Pension Legislation Actuarial Analysis Act;

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

5. "Nonfiscal retirement bill" means a retirement bill which does not affect the cost or funding factors of a retirement system or a retirement bill which affects such factors only in a manner which does not:

- a. grant a benefit increase under the retirement system affected by the bill except for cost-of-living adjustments provided to retirees of the retirement system, ~~which shall~~ if the increase in actuarial accrued liability from the increase does not exceed the ~~annual~~ cumulative increase in actuarial accrued liability already fully reflected in its liabilities by the retirement system from an actuarial assumption of a cost-of-living adjustment of an existing retirement system which assumption was established by the retirement system as of December 31, ~~2005~~ 2006, or which shall not exceed two percent (2%) annually on a cumulative basis for a retirement system created on or after January 1, 2006, which bill shall specifically identify such cost-of-living increase,
- b. create an actuarial accrued liability for or increase the actuarial accrued liability of the retirement system affected by the bill, or
- c. increase the normal cost of the retirement system affected by the bill except as otherwise provided by subparagraph a of this paragraph.

6. "Reduction in cost amendment" means an amendment to a retirement bill having a fiscal impact which reduces the cost of the bill as such cost is determined by the actuarial investigation for the bill prepared pursuant to Section ~~9~~ 3109 of this ~~act~~ title;

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

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

9. "Retirement system" means the Teachers' Retirement System of Oklahoma, the Oklahoma Public Employees Retirement System, the Uniform Retirement System for Justices and Judges, the Oklahoma Firefighters Pension and Retirement System, the Oklahoma Police

Pension and Retirement System, the Oklahoma Law Enforcement Retirement System, or a retirement system established after January 1, 2006.

SECTION 3. AMENDATORY Section 11, Chapter 292, O.S.L. 2006 (62 O.S. Supp. 2006, Section 3111), is amended to read as follows:

Section 3111. A. Any retirement bill having a fiscal impact which is enacted by the Legislature and which is approved by the Governor or which otherwise becomes law shall become effective on the first day of July immediately following the regular session during which it was enacted, but only if the enacted bill is concurrently funded as provided by this section and only if the bill is approved as an emergency measure by a vote of two-thirds (2/3) of all members elected to each House. If an enacted bill does not receive a two-thirds (2/3) vote of all members, the law shall become effective on the first day of September immediately following the regular session during which it was enacted. If an enacted bill, including one approved by the Governor, is not concurrently funded as required by this section, then such bill shall not become effective as law.

B. When a retirement bill having a fiscal impact amends a retirement system having employer contributions funded from appropriations by the Legislature, then appropriations for the first fiscal year of effectiveness of the bill, after it becomes law, must include funds to pay the amount determined by the actuarial investigation under paragraph 5 of subsection A of Section ~~9~~ 3109 of this ~~act~~ title. It is the intent of the Legislature that future appropriations for subsequent fiscal years must include an amount necessary to maintain the actuarial soundness of the retirement system in accordance with the findings of the actuarial investigation. Any limitation on the rate of employer contributions that may be included in a law which is the source of authority for a retirement system affected by this subsection shall be amended to the extent necessary to comply with the requirements of this subsection.

C. When a retirement bill having a fiscal impact amends a retirement system having employer contributions funded wholly or partially from the funds of a political subdivision, that political subdivision shall have a duty to produce funds as necessary to pay all or its proportionate share of the amount determined by actuarial

investigation under paragraph 5 of subsection A of Section 9 3109 of this ~~act~~ title.

D. When a retirement bill having a fiscal impact creates a new retirement system, then employer contributions in conformity with paragraph 5 of subsection A of Section 9 3109 of this ~~act~~ title must be made to the retirement system either by direct appropriations by the Legislature or by another source of employer contributions specifically provided for in the bill creating the new retirement system.

E. For purposes of determining the concurrent funding requirement imposed pursuant to this section with respect to a fiscal retirement bill, if a bill to provide a cost-of-living adjustment to the retirees of the applicable retirement system would have the effect of increasing the liabilities of the retirement system in excess of the liabilities already reflected in the retirement system's actuarial assumption for such cost-of-living adjustment, as defined in Section 3103 of this title, only the amount of the excess liabilities not already included in the applicable actuarial assumption for the system shall require concurrent funding.

SECTION 4. AMENDATORY Section 2, Chapter 46, 2nd Extraordinary Session, O.S.L. 2006 (70 O.S. Supp. 2006, Section 17-116.2C), is amended to read as follows:

Section 17-116.2C A. As used in this section:

1. "Contribution deficit" means the amount of money computed for an eligible employee by multiplying the employee contribution rate in effect for any period of service performed on or after July 1, 1987, through June 30, 1995, multiplied by the amount of salary earned by the member in excess of the applicable maximum compensation level of the member for such period with interest at the rate of ten percent (10%) per year compounded annually; provided, that for the designated fiscal years prescribed by subparagraphs a and b of this paragraph, the contribution deficit payment shall be adjusted to:

- a. fifty percent (50%) of the total amount of the computation otherwise prescribed by this paragraph for the fiscal year ending June 30, 2007,

- b. seventy-five percent (75%) of the total amount of the computation otherwise prescribed by this paragraph for the fiscal year ending June 30, 2008, and
- c. one hundred percent (100%) of the total amount of the computation otherwise prescribed by this paragraph for the fiscal year ending June 30, 2009, and for each fiscal year thereafter;

2. "Eligible employee" means a member of the System who has not retired prior to the effective date of this act and who has performed service at any time prior to June 30, 1995, and who fulfills the requirements of this act with respect to inclusion of pre-cap removal years of service in a retirement benefit computation and:

- a. who has already reached a normal retirement age prior to the effective date of this act and has not retired prior to the effective date of this act,
- b. who reaches a normal retirement age on or after the effective date of this act, and
- c. who is employed by an institution within The Oklahoma State System of Higher Education that is not a comprehensive university or a regional institution offering a four-year degree program as designated or authorized by the Oklahoma State Regents for Higher Education;

3. "Maximum average salary amount", subject to the requirements of this paragraph related to the funding level for employer contribution rates, means:

- a. Sixty Thousand Dollars (\$60,000.00) regardless of any otherwise applicable maximum compensation level for the fiscal year ending June 30, 2007,
- b. Eighty Thousand Dollars (\$80,000.00) regardless of any otherwise applicable maximum compensation level for the fiscal year ending June 30, 2008, and
- c. the full amount of the average salary without any limitation for the fiscal year ending June 30, 2009, and or each fiscal year thereafter.

The maximum final average salary amount otherwise authorized pursuant to subparagraph b or subparagraph c of this paragraph shall be contingent upon the participating employer in whose employment the member is active upon the date the member retires receiving, for the fiscal year during which the member's retirement will begin, the amount of funds required pursuant to paragraph 8 of Section 17-108.1 of this title in order to allow the employer contribution rates prescribed by paragraphs 6, 7 and 8 of Section 17-108.1 of this title to be effective as law. If a member is employed by an employer that does not receive the funding required by paragraph 8 of Section 17-108.1 of this title for the fiscal year during which the member's retirement will begin, the member shall not be authorized to use the maximum final average salary otherwise authorized by this paragraph to compute retirement benefits. A member shall be required to have been employed by a participating employer for a period of at least twelve (12) months prior to retirement in order to compute a retirement benefit using the maximum final average salary authorized by this paragraph;

4. "Maximum compensation level" means either:

- a. Twenty-five Thousand Dollars (\$25,000.00) if a member did not elect to make employee contributions on a higher salary amount for any pre-cap removal years of service, or
- b. Forty Thousand Dollars (\$40,000.00) if a member did elect to make employee contributions upon actual salary not in excess of such amount for any pre-cap removal years of service;

5. "Pre-cap removal service" means any service performed by an active member prior to June 30, 1995; and

6. "System" means the Teachers' Retirement System of Oklahoma;

B. Unless otherwise expressly provided by this section, any definition contained in Section 17-101 of ~~Title 70 of the Oklahoma Statutes~~ this title otherwise applicable to computation of benefits for retired members of the Teachers' Retirement System of Oklahoma shall have the same meaning for purposes of this section.

C. Effective July 1, 2006, any eligible member of the Teachers' Retirement System of Oklahoma, who, as of July 1, 2006, has already

reached a normal retirement age or who on or after July 1, 2006, reaches a normal retirement age as defined by paragraph 24 of Section 17-101 of ~~Title 70 of the Oklahoma Statutes~~ this title, shall be eligible to have a retirement benefit computed as provided by this section. If a member is eligible for the benefit computation authorized by this section, the average salary used to compute the retirement benefit of the member shall be governed by the provisions of this section and such provisions shall govern in the event of conflict between this section and the provisions of Section 17-116.2 of ~~Title 70 of the Oklahoma Statutes~~ this title.

D. An eligible employee who performs service in the manner prescribed by subsection E of this section and who makes payment of the applicable contribution deficit amount may have a retirement benefit computed as otherwise authorized by Section 17-105 of ~~Title 70 of the Oklahoma Statutes~~ this title, but shall have such benefit computed without regard to any maximum compensation level that would otherwise be applicable to the compensation of the member for any period of pre-cap removal service.

E. In order to have retirement benefits computed as authorized by subsection C of this section, and in addition to the payment of the contribution deficit amount required by this section, in order to have any pre-cap removal service included in the retirement benefit computation of the member using the average salary earned during such period of participating service subject to the maximum average salary amount, the member shall be required to perform one (1) year of participating service on or after the date as of which the member reaches a normal retirement age, for each two (2) years of service performed prior to July 1, 1995. For purposes of this section, any year of service performed prior to the effective date of this act after a member reached a normal retirement age shall qualify for purposes of the retirement benefit computation authorized by this section.

F. One (1) year of participating service performed by an eligible member who, prior to the effective date of this act has reached a normal retirement age or, who on or after July 1, 2006, reaches a normal retirement age, shall result in the inclusion of the two (2) years of participating service immediately preceding July 1, 1995, in a retirement benefit computation using the average salary of the member, subject to the maximum average salary amount. For each additional year of participating service performed by the eligible member thereafter, whether such service has been performed prior to the effective date of this act or whether such service is

performed on or after the effective date of this act, the two (2) next succeeding years of pre-cap removal service performed prior to the end of the preceding two-year period may be included in the benefit computation without regard to the maximum compensation level of the member that would otherwise be applicable to such pre-cap removal service.

G. The eligible member shall be required to make payment to the Teachers' Retirement System of Oklahoma of the contribution deficit amount for any year of service performed on or after July 1, 1987, but not later than June 30, 1995, as prescribed by subsections H through K of this section in order to have any years of pre-cap removal service included in the retirement benefit computation using the average salary of the member subject to the maximum average salary amount.

H. In order to have years of service included in the benefit computation using average salary subject to the maximum average salary amount, the member shall be required to make payment of the contribution deficit for the following years of service and in the sequence prescribed by subsection I of this section according to the adjustments required by subparagraphs a and b of paragraph 1 of subsection A of this section:

1. July 1, 1987, through June 30, 1988;
2. July 1, 1988, through June 30, 1989;
3. July 1, 1989, through June 30, 1990;
4. July 1, 1990, through June 30, 1991;
5. July 1, 1991, through June 30, 1992;
6. July 1, 1992, through June 30, 1993;
7. July 1, 1993, through June 30, 1994; and
8. July 1, 1994, through June 30, 1995.

I. For each year of service performed by the eligible member prior to the effective date of this act and after having reached a normal retirement age, or for each year of service performed by the member after reaching a normal retirement age on or after the effective date of this act, the member shall be required to make

payment of the contribution deficit amount for each year of service beginning with the years described in paragraphs 7 and 8 of subsection H of this section. For each additional year of service performed by the eligible member after the normal retirement age of the member, the member shall make payment of the contribution deficit amount for each of the next two (2) years of service as described in:

1. Paragraphs 5 and 6 of subsection H of this section;
2. Paragraphs 3 and 4 of subsection H of this section; and
3. Paragraphs 1 and 2 of subsection H of this section.

J. After making payment of all required contribution deficit amounts for all periods of service described in paragraphs 1 through 8 of subsection H of this section, an eligible member who has performed any additional years of service after having reached a normal retirement age, or for each year of service performed by the member after reaching a normal retirement age on or after the effective date of this act, the member may then include any additional two-year period of service performed prior to July 1, 1987, using the average salary of the member, subject to the maximum average salary amount, in the retirement benefit computation for such years of service by performing one (1) additional year of service.

K. No contribution deficit payments shall be required of the eligible member with respect to years of service performed prior to July 1, 1987, if such years of service are included in the retirement benefit computation of the member using average salary as otherwise authorized by this section, subject to the maximum average salary amount.

L. An eligible member may make the payment of the contribution deficit amount required by this section at any time prior to the retirement of the member from the System; however, no years of pre-cap removal service for which full payment of the required contribution deficit has not been made pursuant to the requirements of this section may be included in the retirement benefit computation of the otherwise eligible member using the average salary of the member for such period, subject to the maximum average salary amount.

M. Any pre-cap removal years of service for which the required contribution deficit payment has not been made to the System shall only be included in a retirement benefit computation using the maximum compensation level in effect for the member at the time such years of service were performed.

N. All payments to the System for pre-cap removal service shall be made prior to the date as of which a member retires. No payments to the System for pre-cap removal service otherwise authorized by this section shall be made after a member retires from the System and begins to receive benefits.

O. Any eligible member who, prior to the effective date of this act, has not previously made an election for payment of employee contributions on a maximum compensation level of Twenty-five Thousand Dollars (\$25,000.00) for pre-cap removal service may file an election with the System to make payment of the required contribution deficit amount pursuant to this section. Such an election shall be irrevocable.

P. No participating employer of the System shall make payment of any required contribution deficit amount on behalf of any otherwise eligible member, whether directly or indirectly, in order for the member to have retirement benefits computed according to the provisions of this section.

Q. No member of the System who has retired prior to July 1, 2006, shall be eligible to make any payments of the contribution deficit amount and no such member shall have the ability to have a retirement benefit recomputed as a result of the provisions of this section.

R. The additional retirement benefit attributable to the provisions of this section may be computed for members who retire on or after July 1, 2006, but prior to January 1, 2007, but the additional retirement benefit attributable to the provisions of this section shall not be payable until January 1, 2007. On and after January 1, 2007, the additional retirement benefit attributable to the provisions of this section shall be added to the retirement benefit amount of any member who retires on or after July 1, 2006, and prior to January 1, 2007, and such increased benefit amount shall be payable to the member or any beneficiary of the member as otherwise provided pursuant to the provisions of Section 17-101 of ~~Title 70 of the Oklahoma Statutes~~ this title in the same manner as other retirement benefits are payable.

SECTION 5. Section 4 of this act shall become effective July 1, 2007.

SECTION 6. Sections 1, 2 and 3 of this act shall become effective November 1, 2007.

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

Passed the House of Representatives the 17th day of May, 2007.

Presiding Officer of the House of
Representatives

Passed the Senate the 23rd day of May, 2007.

Presiding Officer of the Senate

January 16, 2007

Rep. Chris Bengtson
Room 432D

Re: RBH No. 5260

RBH No. 5260 as written is a **nonfiscal retirement bill** as defined by the Oklahoma Pension Legislation Actuarial Analysis Act.



Thomas E. Cummins, MAAA
Legislative Actuary

THOMAS E. CUMMINS CONSULTING ACTUARY, INC.

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

(918) 492-9658 · (918) 492- 9659

John McPhetridge
Room 109
House of Representatives
2300 N. Lincoln Blvd.
Oklahoma City, OK 73105

Re: Committee Substitute for House Bill No. 2070 (RBH No. 7385)

Dear Mr. McPhetridge,

Committee Substitute for House Bill No. 2070 makes Police Pension and Retirement System, Firefighter Pension and Retirement System and the Law Enforcement System subject to the provisions of the Oklahoma Pension Actuarial Analysis Act. The bill also contains clean up language.

Impact: This has no financial impact on the systems. It is a nonfiscal retirement bill as defined by the Oklahoma Pension Actuarial Analysis Act

If you have any questions, please contact me.

Sincerely,

Thomas E. Cummins

Thomas E. Cummins, MAAA

cc;
Terry McKenna
Room 109
House of Representatives
2300 N. Lincoln Blvd.
Oklahoma City, OK 73105

John McPhetridge
Room 109
House of Representatives
2300 N. Lincoln Blvd.
Oklahoma City, OK 73105

Re: Floor amendment to Committee Substitute for House Bill No. 2070 (RBH No. 7385)

Dear Mr. McPhetridge,

The floor amendment Committee Substitute for House Bill No. 2070 modifies utilization the EESIP (OTRS) enacted last session. The amendment requires the participant's employer at retirement must have received an appropriation to pay the employers cost before a participant may elect the increased benefit contained in EESIP.

Impact: This amendment does not add any unfunded accrued liability. The bill remains a nonfiscal retirement bill as defined by the Oklahoma Pension Actuarial Analysis Act

If you have any questions, please contact me.

Sincerely,

Thomas E. Cummins

Thomas E. Cummins, MAAA

cc;
Terry McKenna
Room 109
House of Representatives
2300 N. Lincoln Blvd.
Oklahoma City, OK 73105

April 24, 2007

Representative Chris Bengé
Room 432 D

Representative Earl Sears
Room 300 C

Senator Mike Mazzei
Room 417A

Re: Engrossed Senate Amendment to Engrossed House Bill No. 2070 (RBH No. 7385)

Engrossed Senate Amendment to Engrossed House Bill No. 2070 (RBH No. 7385) contains clarifying language and adds the remaining retirement systems to OPLAAA. The bill contains no benefit changes.

Engrossed Senate Amendment to Engrossed House Bill No. 2070 (RBH No. 7385) is a nonfiscal retirement bill as defined in the Oklahoma Pension Actuarial Analysis Act.

Thomas E. Cummins

Thomas E. Cummins, MAAA

May 11, 2007

Representative Chris Bengé
Room 432 D

Senator Mike Mazzei
Room 412A

Re: Conference Committee Substitute for Engrossed House Bill No. 2070
(RBH No. 8077)

Conference Committee Substitute for Engrossed House Bill No. 2070 place Firefighters, Police and Law Enforcement retirement systems subject to the provisions of OPLAAA. The bill also clarifies how to define a cost of living that exceeds the limits contained in the bill. If a cost of living exceeds the limit the bill defines the amount that is subject to the concurrent funding requirement.

The benefits contained in the Education Employee Service Incentive Plan passed last session are linked to the appropriations made by the Legislature to fund the increased benefit

Conference Committee Substitute for Engrossed House Bill No. 2070 (RBH No. 8077) is a nonfiscal retirement bill as defined in the Oklahoma Pension Actuarial Analysis Act.

Thomas E. Cummins

Thomas E. Cummins, MAAA