

1 ENGROSSED HOUSE AMENDMENT

TO

2 ENGROSSED SENATE BILL NO. 2120

By: Brinkley, Mazzei and
Bingman of the Senate

3

and

4

McDaniel (Randy) of the
House

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An Act relating to the Oklahoma Public Employees Retirement System; creating the Future State Employee Retirement Act; requiring the Oklahoma Public Employees Retirement System to establish defined contribution system; specifying persons eligible for participation in system; prescribing procedures related to date of service accrual; requiring defined contribution system to be qualified pursuant to provisions of the Internal Revenue Code of 1986, as amended; prescribing minimum employee contribution amount; prescribing maximum employee contribution amount; providing for salary deductions for employee contributions; providing for employer matching contributions; specifying amount of employer matching contributions; prescribing procedures related to employer matching contributions; providing for modifications to matching amounts; prescribing procedures for cost computation; providing for payment of certain costs related to administration of defined contribution system; providing for vesting schedule; providing for applicability of provisions of Section 414(h) of the Internal Revenue Code of 1986, as amended, with respect to employee contributions; imposing duty on Board of Trustees of Oklahoma Public Employees Retirement System with respect to investment of funds in defined contribution system accounts; providing for payment of certain revenues to the Oklahoma Public Employees Retirement System; providing for deposit of funds with existing defined benefit plan; amending 74 O.S. 2011, Sections 913.4, as last amended by Section 113, Chapter 15, O.S.L. 2012, 920, as amended by Section 929, Chapter 304, O.S.L. 2012 and 920A (74 O.S. Supp.

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1 2013, Sections 913.4 and 920), which relate to the
2 Oklahoma Public Employees Retirement System;
3 requiring certain elected officials to participate in
4 defined contribution retirement system; modifying
5 provisions related to employer contributions;
6 requiring payment of certain differential amount to
7 the Oklahoma Public Employees Retirement System for
8 specified purpose; providing for effect of enactment
9 on certain rights; prohibiting certain collection
10 activity with respect to funds; authorizing offsets;
11 providing for enforcement of qualified domestic
12 orders; defining term; prescribing procedures with
13 respect to alternate payees; prescribing content;
14 imposing restrictions; authorizing rules; amending 74
15 O.S. 2011, Sections 1316.2, as amended by Section
16 962, Chapter 304, O.S.L. 2012 and 1707, as amended by
17 Section 986, Chapter 304, O.S.L. 2012 (74 O.S. Supp.
18 2013, Sections 1316.2 and 1707), which relate to
19 certain provisions affecting the Oklahoma Public
20 Employees Retirement System; modifying provisions
21 based on certain employee election; providing for
22 codification; and providing an effective date.

23 AMENDMENT NO. 1. Strike the title, enacting clause and entire bill
24 and insert

"An Act relating to the Teachers' Retirement System
of Oklahoma; amending 70 O.S. 2011, Section 17-101,
as amended by Section 1, Chapter 101, O.S.L. 2013
(70 O.S. Supp. 2013, Section 17-101), which relates
to definitions; modifying definition of regular
annual compensation; excluding certain compensation;
and providing an effective date.

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

1 SECTION 1. AMENDATORY 70 O.S. 2011, Section 17-101, as
2 amended by Section 1, Chapter 101, O.S.L. 2013 (70 O.S. Supp. 2013,
3 Section 17-101), is amended to read as follows:

4 Section 17-101. The following words and phrases as used in this
5 act, unless a different meaning is clearly required by the context,
6 shall have the following meanings:

7 (1) "Retirement system" shall mean the Teachers' Retirement
8 System of Oklahoma, as defined in Section 17-102 of this title.

9 (2) "Public school" shall mean a school district, a state
10 college or university, the State Board of Education, the State Board
11 of Career and Technology Education and any other state educational
12 entity conducted within the state supported wholly or partly by
13 public funds and operating under the authority and supervision of a
14 legally constituted board or agency having authority and
15 responsibility for any function of public education. "Public
16 school" shall also mean a tuition free, nonprofit alternative school
17 of choice that provides education, therapeutic counseling and
18 outreach programs which is aligned with a school district and which
19 receives grant funds from governmental sources.

20 (3) "Classified personnel" shall mean any teacher, principal,
21 superintendent, supervisor, administrator, librarian, certified or
22 registered nurse, college professor, or college president whose
23 salary is paid wholly or in part from public funds. An employee of
24 any state department, board, board of regents or board of trustees,

1 who is in a supervisory or an administrative position, the function
2 of which is primarily devoted to public education, shall be
3 considered classified personnel under the meaning of this act, at
4 the discretion of the Board of Trustees of the Teachers' Retirement
5 System. The term "teacher" shall also include instructors and
6 counselors employed by the Department of Corrections and holding
7 valid teaching certificates issued by the State Department of
8 Education. Provided, that a person employed by the Department of
9 Corrections as an instructor or counselor shall have been actively
10 engaged in the teaching profession for a period of not less than
11 three (3) years prior to employment to be eligible to participate in
12 the Oklahoma Teachers' Retirement System. The Department of
13 Corrections shall contribute the employer's share to the Oklahoma
14 Teachers' Retirement System.

15 (4) "Nonclassified optional personnel" shall include cooks,
16 janitors, maintenance personnel not in a supervisory capacity, bus
17 drivers, noncertified or nonregistered nurses, noncertified
18 librarians, and clerical employees of the public schools, state
19 colleges, universities or any state department, board, board of
20 regents or board of trustees, the functions of which are primarily
21 devoted to public education and whose salaries are paid wholly or in
22 part from public funds.

23 (5) "Employer" shall mean the state and any of its designated
24 agents or agencies with responsibility and authority for public

1 education, such as boards of education of elementary and independent
2 school districts, boards of regents, boards of control or any other
3 agency of and within the state by which a person may be employed for
4 service in public education. "Employer" shall also mean the board
5 of directors of a tuition free, nonprofit alternative school of
6 choice that provides education, therapeutic counseling and outreach
7 programs which is aligned with a school district and which receives
8 grant funds from governmental sources.

9 (6) "Member" shall mean any teacher or other employee included
10 in the membership of the system as provided in Section 17-103 of
11 this title.

12 (7) "Board of Trustees" shall mean the board provided for in
13 Section 17-106 of this title to administer the retirement system.

14 (8) "Service" shall mean service as a classified or
15 nonclassified optional employee in the public school system, or any
16 other service devoted primarily to public education in the state.

17 (9) "Prior service" shall mean service rendered prior to July
18 1, 1943.

19 (10) "Membership service" shall mean service as a member of the
20 classified or nonclassified personnel as defined in paragraphs (3)
21 and (4) of this section.

22 (11) "Creditable service" shall mean membership service plus
23 any prior service authorized under this title.

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1 (12) "Annuitant" shall mean any person in receipt of a
2 retirement allowance as provided in this title.

3 (13) "Accumulated contributions" shall mean the sum of all
4 amounts deducted from the compensation of a member and credited to
5 his individual account in the Teacher Savings Fund, together with
6 interest as of June 30, 1968.

7 (14) "Earnable compensation" shall mean the full rate of the
8 compensation that would be payable to a member if he worked the full
9 normal working time.

10 (15) "Average salary":

11 (a) for those members who joined the System prior to July
12 1, 1992, shall mean the average of the salaries for
13 the three (3) years on which the highest contributions
14 to the Teachers' Retirement System was paid not to
15 exceed the maximum contribution level specified in
16 Section 17-116.2 of this title or the maximum
17 compensation level specified in ~~subsection~~ paragraph
18 (28) of this section. Provided, no member shall
19 retire with an average salary in excess of Twenty-five
20 Thousand Dollars (\$25,000.00) unless the member has
21 made the required election and paid the required
22 contributions on such salary in excess of Twenty-five
23 Thousand Dollars (\$25,000.00), or unless an eligible
24 member fulfills the requirements of Section 17-116.2C

1 of this title in order to have pre-cap removal service
2 included in the retirement benefit computation of the
3 member using the regular annual compensation of the
4 member for any pre-cap removal year of service so
5 included subject to the maximum average salary amount,
6 and

7 (b) for those members who join the System after June 30,
8 1992, shall mean the average of the salaries for five
9 (5) consecutive years on which the highest
10 contribution to the Teachers' Retirement System was
11 paid. Only salary on which required contributions
12 have been made may be used in computing average
13 salary.

14 (16) "Annuity" shall mean payments for life derived from the
15 "accumulated contributions" of a member. All annuities shall be
16 payable in equal monthly installments.

17 (17) "Pension" shall mean payments for life derived from money
18 provided by the employer. All pensions shall be payable in equal
19 monthly installments.

20 (18) "Monthly retirement allowance" is one-twelfth (1/12) of
21 the annual retirement allowance which shall be payable monthly.

22 (19) "Retirement Benefit Fund" shall mean the fund from which
23 all retirement benefits shall be paid based on such mortality tables
24 as shall be adopted by the Board of Trustees.

1 (20) "Actuary" shall mean a person especially skilled through
2 training and experience in financial calculation respecting the
3 expectancy and duration of life.

4 (21) "Actuarial equivalent" shall mean a benefit of equal value
5 when computed upon the basis of such mortality and other tables as
6 shall be adopted by the Board of Trustees.

7 (22) The masculine pronoun, whenever used, shall include the
8 feminine.

9 (23) "Actuarially determined cost" shall mean the single sum
10 which is actuarially equivalent in value to a specified pension
11 amount as determined on the basis of mortality and interest
12 assumptions adopted by the Board of Trustees.

13 (24) "Normal retirement age" means the earliest date upon
14 which:

15 (a) a member reaches the age sixty-two (62) with respect
16 to a member whose first creditable service occurs
17 prior to November 1, 2011, unless the member reaches a
18 normal retirement date pursuant to subparagraph (c) or
19 subparagraph (d) of this paragraph, or

20 (b) a member reaches the age of sixty-five (65) with
21 respect to a member whose first creditable service
22 occurs on or after November 1, 2011, or with respect
23 to a member whose first creditable service occurs on
24 or after November 1, 2011, reaches a normal retirement

- 1 date pursuant to subparagraph (d) of this paragraph
2 having attained a minimum age of sixty (60) years, or
3 (c) the age at which the sum of a member's age and number
4 of years of creditable service total eighty (80), with
5 respect to a member whose first creditable service
6 occurred prior to July 1, 1992, and who does not reach
7 a normal retirement age pursuant to subparagraph (a)
8 of this paragraph, or
9 (d) the age at which the sum of a member's age and number
10 of years of creditable service total ninety (90), with
11 respect to a member whose first creditable service
12 occurred on or after July 1, 1992, but prior to
13 November 1, 2011, if the member does not reach a
14 normal retirement age pursuant to subparagraph (a) of
15 this paragraph.

16 (25) "Regular annual compensation" means salary plus fringe
17 benefits, excluding the flexible benefit allowance pursuant to
18 Section 26-105 of this title and for purposes pursuant to Section
19 17-101 et seq. of this title. For purposes of this definition,
20 regular annual compensation shall include:

- 21 (a) salary which accrues on a regular basis in proportion
22 to the service performed, including payments for staff
23 development,
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1 (b) amounts that would otherwise qualify as salary under
2 ~~paragraph subparagraph~~ (a) of this ~~subsection~~
3 paragraph but are not received directly by the member
4 pursuant to a good faith, voluntary written salary
5 reduction agreement in order to finance payments to a
6 deferred compensation or tax-sheltered annuity program
7 or to finance benefit options under a cafeteria plan
8 qualifying under the United States Internal Revenue
9 Code, 26 U.S.C., Section 101 et seq.,

10 (c) group health and disability insurance, group term life
11 insurance, annuities and pension plans, provided on a
12 periodic basis to all qualified employees of the
13 employer, which qualify as fringe benefits under the
14 United States Internal Revenue Code, and

15 (d) excluded from regular annual compensation are:

- 16 1. expense reimbursement payments,
- 17 2. office, vehicle, housing or other maintenance
18 allowances,
- 19 3. the flexible benefit allowance provided pursuant
20 to Section 26-105 of this title,
- 21 4. payment for unused vacation and sick leave,
- 22 5. any payment made for reason of termination or
23 retirement not specifically provided for in
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1 subparagraphs (a) through (c) of this ~~subsection~~
2 paragraph,

3 6. maintenance or other nonmonetary compensation,

4 7. payment received as an independent contractor or
5 consultant, pursuant to a lawful contract which
6 complies with the requirements of subsection B of
7 Section 6-101.2 of this title,

8 8. any benefit payments not made pursuant to a valid
9 employment agreement,

10 9. compensation for clinical related activity
11 performed in the University of Oklahoma Health
12 Sciences Center (OUHSC) or Oklahoma State
13 University Center for Health Sciences (OSU-CHS)
14 Professional Practice ~~Plan~~ Plans, and

15 10. any other compensation not described in
16 subparagraphs (a) through (c) of this ~~subsection~~
17 paragraph.

18 (26) "Teacher" means classified personnel and nonclassified
19 optional personnel.

20 (27) "Active classroom teacher" means a person employed by a
21 school district to teach students specifically identified classes
22 for specifically identified subjects during the course of a
23 semester, and who holds a valid certificate or license issued by and
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1 in accordance with the rules and regulations of the State Board of
2 Education.

3 (28) "Maximum compensation level" shall, except as otherwise
4 authorized pursuant to the provisions of Section 17-116.2C of this
5 title, mean:

6 (a) Twenty-five Thousand Dollars (\$25,000.00) for
7 creditable service authorized and performed prior to
8 July 1, 1995, for members not electing a higher
9 maximum compensation level,

10 (b) Forty Thousand Dollars (\$40,000.00) for creditable
11 service authorized and performed prior to July 1,
12 1995, for members electing a maximum compensation
13 level in excess of Twenty-five Thousand Dollars
14 (\$25,000.00),

15 (c) Twenty-seven Thousand Five Hundred Dollars
16 (\$27,500.00) for members who, as of June 30, 1995, had
17 elected to have a maximum compensation level not in
18 excess of Twenty-five Thousand Dollars (\$25,000.00),
19 and who were employed by an entity or institution
20 within The Oklahoma State System of Higher Education
21 for creditable service authorized and performed on or
22 after July 1, 1995, but not later than June 30, 1996,
23 if such member does not elect a higher maximum
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1 compensation level for this period as authorized by
2 Section 17-116.2A of this title,

3 (d) Thirty-two Thousand Five Hundred Dollars (\$32,500.00)
4 for members employed by a comprehensive university if
5 the member meets the requirements imposed by Section
6 17-116.2A of this title and the member elects to
7 impose a higher maximum compensation level for service
8 performed on or after July 1, 1995, but not later than
9 June 30, 1996,

10 (e) Forty-four Thousand Dollars (\$44,000.00) for members
11 who, as of June 30, 1995, had elected to have a
12 maximum compensation level in excess of Twenty-five
13 Thousand Dollars (\$25,000.00), and who were employed
14 by an entity or institution within The Oklahoma State
15 System of Higher Education for creditable service
16 authorized and performed on or after July 1, 1995, but
17 not later than June 30, 1996, if such member does not
18 elect a higher maximum compensation level for this
19 period as authorized by Section 17-116.2A of this
20 title,

21 (f) Forty-nine Thousand Dollars (\$49,000.00) for members
22 employed by a comprehensive university if the member
23 meets the requirements imposed by Section 17-116.2A of
24 this title and the member elects to impose a higher

1 maximum compensation level for service performed on or
2 after July 1, 1995, but not later than June 30, 1996,
3 (g) the following amounts for creditable service
4 authorized and performed by members employed by a
5 comprehensive university, based upon the election of
6 the member in effect as of June 30, 1995:

7 1. for members who elected a maximum compensation
8 level not in excess of Twenty-five Thousand
9 Dollars (\$25,000.00):

10 (i) Thirty-two Thousand Five Hundred Dollars
11 (\$32,500.00) for service authorized and
12 performed on or after July 1, 1996, but not
13 later than June 30, 1997,

14 (ii) Thirty-seven Thousand Five Hundred Dollars
15 (\$37,500.00) for service authorized and
16 performed on or after July 1, 1997, but not
17 later than June 30, 1998,

18 (iii) Forty-two Thousand Five Hundred Dollars
19 (\$42,500.00) for service authorized and
20 performed on or after July 1, 1998, but not
21 later than June 30, 2000,

22 (iv) Forty-seven Thousand Five Hundred Dollars
23 (\$47,500.00) for service authorized and
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1 performed on or after July 1, 2000, but not
2 later than June 30, 2001,

3 (v) Fifty-two Thousand Five Hundred Dollars
4 (\$52,500.00) for service authorized and
5 performed on or after July 1, 2001, but not
6 later than June 30, 2002,

7 (vi) Fifty-seven Thousand Five Hundred Dollars
8 (\$57,500.00) for service authorized and
9 performed on or after July 1, 2002, but not
10 later than June 30, 2003,

11 (vii) Sixty-two Thousand Five Hundred Dollars
12 (\$62,500.00) for service authorized and
13 performed on or after July 1, 2003, but not
14 later than June 30, 2004,

15 (viii) Sixty-seven Thousand Five Hundred Dollars
16 (\$67,500.00) for service authorized and
17 performed on or after July 1, 2004, but not
18 later than June 30, 2005,

19 (ix) Seventy-two Thousand Five Hundred Dollars
20 (\$72,500.00) for service authorized and
21 performed on or after July 1, 2005, but not
22 later than June 30, 2006,

23 (x) Seventy-seven Thousand Five Hundred Dollars
24 (\$77,500.00) for service authorized and

1 performed on or after July 1, 2006, but not
2 later than June 30, 2007,

3 (xi) the full amount of regular annual
4 compensation for service authorized and
5 performed on or after July 1, 2007, and

6 2. for members who elected a maximum compensation
7 level in excess of Twenty-five Thousand Dollars
8 (\$25,000.00):

9 (i) Forty-nine Thousand Dollars (\$49,000.00) for
10 service authorized and performed on or after
11 July 1, 1996, but not later than June 30,
12 1997,

13 (ii) Fifty-four Thousand Dollars (\$54,000.00) for
14 service authorized and performed on or after
15 July 1, 1997, but not later than June 30,
16 1998,

17 (iii) Fifty-nine Thousand Dollars (\$59,000.00) for
18 service authorized and performed on or after
19 July 1, 1998, but not later than June 30,
20 2000,

21 (iv) Sixty-four Thousand Dollars (\$64,000.00) for
22 service authorized and performed on or after
23 July 1, 2000, but not later than June 30,
24 2001,

1 (v) Sixty-nine Thousand Dollars (\$69,000.00) for
2 service authorized and performed on or after
3 July 1, 2001, but not later than June 30,
4 2002,

5 (vi) Seventy-four Thousand Dollars (\$74,000.00)
6 for service authorized and performed on or
7 after July 1, 2002, but not later than June
8 30, 2003,

9 (vii) Seventy-nine Thousand Dollars (\$79,000.00)
10 for service authorized and performed on or
11 after July 1, 2003, but not later than June
12 30, 2004,

13 (viii) Eighty-four Thousand Dollars (\$84,000.00)
14 for service authorized and performed on or
15 after July 1, 2004, but not later than June
16 30, 2005,

17 (ix) Eighty-nine Thousand Dollars (\$89,000.00)
18 for service authorized and performed on or
19 after July 1, 2005, but not later than June
20 30, 2006,

21 (x) Ninety-four Thousand Dollars (\$94,000.00)
22 for service authorized and performed on or
23 after July 1, 2006, but not later than June
24 30, 2007,

1 (xi) the full amount of regular annual
2 compensation for service authorized and
3 performed on or after July 1, 2007,

4 (h) the full amount of regular annual compensation of:

- 5 1. a member of the retirement system not employed by
6 an entity or institution within The Oklahoma
7 State System of Higher Education for all
8 creditable service authorized and performed on or
9 after July 1, 1995,
- 10 2. a member of the retirement system first employed
11 on or after July 1, 1995, by an entity or
12 institution within The Oklahoma State System of
13 Higher Education for all creditable service
14 authorized and performed on or after July 1,
15 1995, but not later than June 30, 1996,
- 16 3. a member of the retirement system employed by an
17 entity or institution within The Oklahoma State
18 System of Higher Education, other than a
19 comprehensive university, if the member elects to
20 impose a higher maximum compensation level for
21 service performed on or after July 1, 1995, but
22 not later than June 30, 1996, pursuant to
23 subsection B of Section 17-116.2A of this title,
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- 1 4. a member of the retirement system who is first
2 employed on or after July 1, 1996, by any entity
3 or institution within The Oklahoma State System
4 of Higher Education, including a comprehensive
5 university, for creditable service authorized and
6 performed on or after July 1, 1996,
- 7 5. a member of the retirement system who, as of July
8 1, 1996, is subject to a maximum compensation
9 level pursuant to ~~paragraph~~ subparagraph (g) of
10 this ~~subsection~~ paragraph if the member
11 terminates service with a comprehensive
12 university and is subsequently reemployed by a
13 comprehensive university,
- 14 6. a member of the retirement system employed by a
15 comprehensive university for all service
16 performed on and after July 1, 2007, or
- 17 7. an eligible member of the retirement system who
18 fulfills the requirements of Section ~~2~~ 17-116.2C
19 of this ~~act~~ title with respect to pre-cap removal
20 service included in the retirement benefit
21 computation of the member at the average salary
22 of the member subject to the maximum average
23 salary amount.

24 (29) "Comprehensive university" shall mean:

1 (a) the University of Oklahoma and all of its constituent
2 agencies, including the University of Oklahoma Health
3 Sciences Center, the University of Oklahoma Law Center
4 and the Geological Survey, and

5 (b) Oklahoma State University and all of its constituent
6 agencies, including the Oklahoma State University
7 Agricultural Experiment Station, the Oklahoma State
8 University Agricultural Extension Division, the
9 Oklahoma State University College of Veterinary
10 Medicine, the Oklahoma State University Center for
11 Health Sciences, the Technical Branch at Oklahoma
12 City, the Oklahoma State University Institute of
13 Technology-Okmulgee and Oklahoma State University-
14 Tulsa.

15 (30) "Retirement contract" means the document prepared by the
16 Teachers' Retirement System upon member request, which incorporates
17 member's selected retirement option, and which must be executed and
18 submitted to the Teachers' Retirement System no less than thirty
19 (30) days prior to the projected retirement date.

20 SECTION 2. This act shall become effective November 1, 2014."
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1 Passed the House of Representatives the 16th day of April, 2014.

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4 Presiding Officer of the House of
Representatives
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6 Passed the Senate the ____ day of _____, 2014.

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9 Presiding Officer of the Senate
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