

HOUSE OF REPRESENTATIVES - FLOOR VERSION

STATE OF OKLAHOMA

1st Session of the 57th Legislature (2019)

HOUSE BILL 1090

By: Osburn

AS INTRODUCED

An Act relating to public retirement systems; amending 62 O.S. 2011, Section 3103, as last amended by Section 2, Chapter 245, O.S.L. 2018 (62 O.S. Supp. 2018, Section 3103), which relates to the Oklahoma Pension Legislation Actuarial Analysis Act; modifying definitions; amending 70 O.S. 2011, Section 17-116.2, as last amended by Section 1, Chapter 250, O.S.L. 2015 (70 O.S. Supp. 2018, Section 17-116.2), which relates to the Teachers' Retirement System of Oklahoma; modifying provisions related to purchase of out-of-state teaching service credit; removing limitation on years of service; eliminating requirement related to performance of additional years of service; requiring payment for service at actuarial cost pursuant to certain procedures; and providing effective dates.

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

SECTION 1. AMENDATORY 62 O.S. 2011, Section 3103, as last amended by Section 2, Chapter 245, O.S.L. 2018 (62 O.S. Supp. 2018, Section 3103), is amended to read as follows:

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

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

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

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

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

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

- 20 a. which does not affect the cost or funding factors of a
21 retirement system, or
22 b. which affects such factors only in a manner which does
23 not:

- (1) grant a benefit increase under the retirement system affected by the bill,
 - (2) create an actuarial accrued liability for or increase the actuarial accrued liability of the retirement system affected by the bill, or
 - (3) increase the normal cost of the retirement system affected by the bill,
- c. which authorizes the purchase by an active member of the retirement system, at the actuarial cost for the purchase as computed pursuant to the statute in effect on the effective date of the measure allowing such purchase, of years of service for purposes of reaching a normal retirement date in the applicable retirement system, but which cannot be used in order to compute the number of years of service for purposes of computing the retirement benefit for the member,
- d. which provides for the computation of a service-connected disability retirement benefit for members of the Oklahoma Law Enforcement Retirement System pursuant to Section 2-305 of Title 47 of the Oklahoma Statutes if the members were unable to complete twenty (20) years of service as a result of the disability,
- e. which requires membership in the defined benefit plan authorized by Section 901 et seq. of Title 74 of the

Oklahoma Statutes for persons whose first elected or appointed service occurs on or after November 1, 2018, if such persons had any prior service in the Oklahoma Public Employees Retirement System prior to November 1, 2015, ~~or~~

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

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

(2) the lesser of two percent (2%) of the gross annual retirement benefit of the member or One Thousand Two Hundred Dollars (\$1,200.00) and requires that the benefit may only be provided if the funded ratio of the affected retirement

1 system would be greater than eighty percent (80%)
2 but not greater than one hundred percent (100%)
3 after the benefit increase is paid,

4 (3) the lesser of two percent (2%) of the gross
5 annual retirement benefit of the member or One
6 Thousand Four Hundred Dollars (\$1,400.00) and
7 requires that the benefit may only be provided if
8 the funded ratio of the affected retirement
9 system would be greater than one hundred percent
10 (100%) after the benefit increase is paid, or

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

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

1 g. which provides for the purchase of service credit in
2 the Teachers' Retirement System of Oklahoma pursuant
3 to the provisions of Section 2 of this act.

4 A nonfiscal retirement bill shall include any retirement bill that
5 has as its sole purpose the appropriation or distribution or
6 redistribution of monies in some manner to a retirement system for
7 purposes of reducing the unfunded liability of such system or the
8 earmarking of a portion of the revenue from a tax to a retirement
9 system or increasing the percentage of the revenue earmarked from a
10 tax to a retirement system;

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

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

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

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

8 SECTION 2. AMENDATORY 70 O.S. 2011, Section 17-116.2, as
9 last amended by Section 1, Chapter 250, O.S.L. 2015 (70 O.S. Supp.
10 2018, Section 17-116.2), is amended to read as follows:

11 Section 17-116.2 A. 1. Beginning July 1, 1987, and prior to
12 July 1, 1995, a member who retires on or after the member's normal
13 retirement age or whose retirement is because of disability shall
14 receive an annual allowance for life, payable monthly, in an amount
15 equal to two percent (2%) of the member's highest three-year average
16 salary upon which member contributions were made, multiplied by the
17 number of the member's years of creditable service.

18 A classified member who retired prior to July 1, 1986, shall
19 have the member's retirement allowance calculated on a minimum
20 average salary of Eleven Thousand Five Hundred Dollars (\$11,500.00)
21 or on the member's current minimum average salary plus Two Thousand
22 Dollars (\$2,000.00), whichever is greater. Beginning July 1, 1994,
23 a classified member who retired prior to July 1, 1993, shall have
24 the member's retirement allowance calculated on the member's current

1 minimum average salary plus Five Hundred Fifty Dollars (\$550.00).

2 An unclassified member who retired prior to July 1, 1986, shall have
3 the member's retirement allowance calculated on a minimum average
4 salary of Nine Thousand Five Hundred Dollars (\$9,500.00) or on the
5 member's current minimum average salary plus One Thousand Dollars
6 (\$1,000.00), whichever is greater. Beginning July 1, 1994, an
7 unclassified member who retired prior to July 1, 1993, shall have
8 the member's retirement allowance calculated on the member's current
9 minimum average salary plus Two Hundred Seventy-five Dollars
10 (\$275.00). Those individuals receiving benefits pursuant to
11 subsection (3) of Section 17-105 of this title whose benefits
12 commenced prior to July 1, 1993, shall receive an increase in
13 benefits of two and one-half percent (2 1/2%). No retirement
14 benefit payments shall be made retroactively.

15 For those members retiring before normal retirement age, except
16 for those members retiring because of a disability, the retirement
17 allowance shall be subject to adjustment in accordance with the
18 actuarial equivalent factors adopted by the Board of Trustees.

19 2. Beginning July 1, 1995, a member, who has no service
20 performed on or after July 1, 1995, for an entity or institution
21 within The Oklahoma State System of Higher Education, who retires on
22 or after the member's normal retirement age or whose retirement is
23 because of disability shall receive an annual allowance for life,
24 payable monthly as follows:

- 1 a. if the member becomes a member after June 30, 1995,
2 and was not eligible to become a member prior to July
3 1, 1995, in an amount equal to two percent (2%) of the
4 member's average salary upon which member
5 contributions were made, multiplied by the number of
6 the member's years of creditable service, or
- 7 b. if the member became a member or is eligible to become
8 a member prior to July 1, 1995, and elected to have a
9 maximum compensation level in excess of Twenty-five
10 Thousand Dollars (\$25,000.00) pursuant to paragraph 1
11 of subsection C of this section or pursuant to
12 subsection E of this section, or if the member's
13 salary has never exceeded Twenty-five Thousand Dollars
14 (\$25,000.00) prior to July 1, 1995, in an amount equal
15 to:
- 16 (1) two percent (2%) of the member's average salary
17 upon which member contributions were made not to
18 exceed Forty Thousand Dollars (\$40,000.00),
19 multiplied by the number of the member's years of
20 credited service authorized and performed prior
21 to July 1, 1995, plus any years of prior service
22 authorized under this title, plus
- 23 (2) two percent (2%) of the member's average salary
24 upon which member contributions were made,

1 multiplied by the number of the member's years of
2 credited service authorized and performed after
3 June 30, 1995, or

4 c. if the member became a member or is eligible to become
5 a member prior to July 1, 1995, and was eligible to
6 elect to have a maximum compensation level in excess
7 of Twenty-five Thousand Dollars (\$25,000.00) and did
8 not elect or elected not to have a maximum
9 compensation level of Forty Thousand Dollars
10 (\$40,000.00) pursuant to paragraph 1 of subsection C
11 of this section or pursuant to subsection E of this
12 section, in an amount equal to:

13 (1) two percent (2%) of the member's average salary
14 upon which member contributions were made not to
15 exceed Twenty-five Thousand Dollars (\$25,000.00),
16 multiplied by the number of the member's years of
17 credited service authorized and performed prior
18 to July 1, 1995, plus any years of prior service
19 authorized under this title, plus

20 (2) two percent (2%) of the member's average salary
21 upon which member contributions were made,
22 multiplied by the number of the member's years of
23 credited service authorized and performed after
24 June 30, 1995.

1 B. Except as otherwise provided for in this section, the amount
2 contributed by each member to the retirement system shall be:

3 1. Beginning July 1, 1992, through June 30, 1996, six percent
4 (6%) of the regular annual compensation of such member not in excess
5 of Twenty-five Thousand Dollars (\$25,000.00) and beginning July 1,
6 1995, through June 30, 1996, six percent (6%) of the maximum
7 compensation level;

8 2. Beginning July 1, 1996, through June 30, 1997, six and one-
9 half percent (6 1/2%) of the regular annual compensation of members,
10 who are not employed by an entity or institution within The Oklahoma
11 State System of Higher Education not in excess of Twenty-five
12 Thousand Dollars (\$25,000.00) and beginning July 1, 1996, through
13 June 30, 1997, six and one-half percent (6 1/2%) of the regular
14 annual compensation of members, who are employed by an entity or
15 institution within The Oklahoma State System of Higher Education,
16 not in excess of Twenty-five Thousand Dollars (\$25,000.00);

17 3. Beginning July 1, 1997, seven percent (7%) of the regular
18 annual compensation of the member not in excess of any applicable
19 maximum compensation level of the member; and

20 4. All public schools in this state shall treat the employee
21 contributions as being picked up under the provisions of Section 414
22 (h) (2) of the Internal Revenue Code of 1986 in determining tax
23 treatment.
24

1 Subject to Internal Revenue Service approval, paragraph 4 of this
2 subsection shall not apply to a comprehensive university group
3 established on or before July 1, 1998, whose employee contributions
4 were consistently treated as not picked up as of July 1, 1998, and
5 at all times thereafter.

6 C. 1. Prior to July 1, 1995, an active member of the System
7 may elect to have a maximum compensation level of Forty Thousand
8 Dollars (\$40,000.00). Such an election shall be made in writing and
9 filed with the System. Members whose salaries are in excess of
10 Twenty-five Thousand Dollars (\$25,000.00) on July 20, 1987, shall
11 file the election with the System prior to January 1, 1988. Members
12 whose salaries exceed Twenty-five Thousand Dollars (\$25,000.00)
13 after July 20, 1987, shall file the election when the salary exceeds
14 Twenty-five Thousand Dollars (\$25,000.00). If a member makes such
15 an election, the member shall contribute the following amounts:

16 a. beginning July 1, 1992, through June 30, 1993, eleven
17 percent (11%) of the regular annual compensation of
18 such member that is in excess of Twenty-five Thousand
19 Dollars (\$25,000.00) and is not in excess of Forty
20 Thousand Dollars (\$40,000.00),

21 b. beginning July 1, 1993, through June 30, 1994, nine
22 percent (9%) of the regular annual compensation of
23 such member that is in excess of Twenty-five Thousand
24

1 Dollars (\$25,000.00) and is not in excess of Forty
2 Thousand Dollars (\$40,000.00), and

3 c. beginning July 1, 1994, through June 30, 1995, eight
4 percent (8%) of the regular annual compensation of
5 such member that is in excess of Twenty-five Thousand
6 Dollars (\$25,000.00) and is not in excess of Forty
7 Thousand Dollars (\$40,000.00). Except as provided in
8 subsection E of this section, any such election shall
9 be irrevocable.

10 2. After June 30, 1995, in addition to the amount contributed
11 by each member to the retirement system pursuant to subsection B of
12 this section, the total amount contributed by each member to the
13 retirement system shall include, beginning July 1, 1995, through
14 June 30, 1997, seven percent (7%) of the regular annual compensation
15 of each member, who is not employed by an entity or institution
16 within The Oklahoma State System of Higher Education, that is in
17 excess of Twenty-five Thousand Dollars (\$25,000.00) and beginning
18 July 1, 1996, through June 30, 1997, seven percent (7%) of the
19 regular annual compensation of each member who is employed by an
20 entity or institution within The Oklahoma State System of Higher
21 Education in excess of Twenty-five Thousand Dollars (\$25,000.00),
22 but not in excess of any applicable maximum compensation level of
23 the member.

1 D. 1. Any member who was a contributing member of the
2 Retirement System between July 1, 1987, and June 30, 1995, who at
3 the time the member was eligible to make an election to increase the
4 maximum compensation level of the member, failed to make an election
5 or chose not to increase the maximum compensation level of the
6 member to Forty Thousand Dollars (\$40,000.00), may elect to make
7 back contributions to the Retirement System. The member shall
8 complete a new election form and file with the Board of Trustees,
9 the form and a payment equaling the difference between the amount
10 contributed at the twenty-five-thousand-dollar level and the
11 appropriate contribution on compensation in excess of Twenty-five
12 Thousand Dollars (\$25,000.00) up to a maximum of Forty Thousand
13 Dollars (\$40,000.00) shall be made prior to the official retirement
14 date of the member. The required payment shall include any
15 contribution required by the employing school district, and shall
16 include interest compounded annually at ten percent (10%) per annum
17 of both employer and employee contributions.

18 2. Any changes made pursuant to this subsection shall be
19 irrevocable.

20 E. 1. An individual who withdrew from the Teachers' Retirement
21 System and whose salary was in excess of Seven Thousand Eight
22 Hundred Dollars (\$7,800.00) and had elected to contribute only on
23 Seven Thousand Eight Hundred Dollars (\$7,800.00) before his or her
24 withdrawal shall contribute on the earning ceiling as provided for

1 in this section on his or her reentry into membership in the
2 Teachers' Retirement System.

3 2. An individual who elected to contribute on a maximum of
4 Seven Thousand Eight Hundred Dollars (\$7,800.00) per annum shall,
5 beginning July 1, 1979, contribute on his or her earning ceiling as
6 provided for in this section.

7 3. Any member who elected to contribute on Seven Thousand Eight
8 Hundred Dollars (\$7,800.00) prior to January 1, 1978, and whose
9 salary was more than Seven Thousand Eight Hundred Dollars
10 (\$7,800.00) during the school years 1974-75 through 1978-79 may
11 elect to make back contributions to the retirement system by paying
12 the five percent (5%) contributions on the difference between Seven
13 Thousand Eight Hundred Dollars (\$7,800.00) and the actual salary of
14 the member, not to exceed Ten Thousand Dollars (\$10,000.00) for each
15 applicable school year, plus interest compounded annually at ten
16 percent (10%) per annum. Such payment shall be made prior to the
17 official retirement date of the member.

18 F. Each employer shall cause to be deducted from the salary of
19 each member on each and every payroll of such employer for each and
20 every payroll period, the proper percentage of his or her earnable
21 compensation as provided for in subsection B or subsection C of this
22 section.

23 1. Deductions shall begin with the first payroll period of the
24 school year. In determining the amount earnable by a member in a

1 payroll period, the Board of Trustees shall consider the rate of
2 annual compensation payable to such member on the first day of the
3 payroll period as continuing throughout such payroll period, and it
4 may omit deductions from compensation for any period less than a
5 full period, and to facilitate the making of deductions, it may
6 modify the deduction required of any member by such an amount as
7 shall not exceed one-tenth of one percent (1/10 of 1%) of the annual
8 compensation upon the basis of which such deduction is to be made.
9 Prior to January 1, 1991, any active contributing member who joined
10 the System subsequent to July 1, 1943, may pay the normal cost,
11 which shall mean the single sum which would have been paid under
12 existing statutes at the time the service was performed, plus
13 interest, for years of teaching service in Oklahoma from the date of
14 establishment of the System in 1943 to date of membership, in a lump
15 sum, or in installments equal to establishing one (1) year of
16 creditable service. Effective January 1, 1991, any active
17 contributing member who joined the System subsequent to July 1,
18 1943, may pay the amount determined by the Board of Trustees
19 pursuant to Section 17-116.8 of this title for years of teaching
20 service in Oklahoma from the date of establishment of the System in
21 1943 to date of membership, in a lump sum, or in installments equal
22 to establishing one (1) year of creditable service. For purposes of
23 this option, teaching service in Oklahoma shall include the teaching
24 of vocational agricultural courses within Oklahoma for the federal

1 government. Years for which contributions are paid shall count as
2 membership service under this plan. A On or after November 1, 2019,
3 an active member may receive credit for ~~not more than five (5) years~~
4 of teaching service rendered while in the Peace Corps or in the
5 public schools of a territory of the United States or the public
6 schools, American Military Dependent Schools or state colleges or
7 state universities outside this state by paying ~~his or her~~
8 ~~contributions, plus interest, and membership fees to the retirement~~
9 ~~system, subject to the regulations of the Board of Trustees,~~
10 ~~providing he or she is not receiving and is not eligible to receive~~
11 ~~retirement credit or benefits from said service in any other public~~
12 ~~retirement system of this state, or any other state or territory of~~
13 ~~the United States subject to the following provisions:~~

14 a. ~~the member is required to have two (2) years of~~
15 ~~employed service teaching earned in Oklahoma for each~~
16 ~~year of Peace Corps, territorial, out-of-state,~~
17 ~~noncovered in-state or military membership credit~~
18 ~~granted.~~

19 b. ~~prior to January 1, 1991, the out-of-state or~~
20 ~~noncovered in-state payment shall be the normal cost,~~
21 ~~which means the single sum which would have been paid~~
22 ~~under existing law at the time the service was~~
23 ~~performed, plus interest, on the basis of what his or~~
24 ~~her annual salary would have been in Oklahoma or out~~

1 ~~of state, whichever is greater, had he or she been~~
2 ~~employed as a teacher. Effective January 1, 1991, the~~
3 ~~Peace Corps, territorial, out-of-state or noncovered~~
4 ~~in-state payment shall be the amount determined by the~~
5 Board of Trustees pursuant to Section 17-116.8 of this
6 title, provided he or she is not receiving and is not
7 eligible to receive retirement credit or benefits from
8 said service in any other public retirement system of
9 this state, or any other state or territory of the
10 United States.

11 2. In addition to the deductions hereinabove provided for, any
12 member who becomes a member of the Armed Forces of the United States
13 of America during any period of national emergency, including World
14 War II, the Korean conflict, the Vietnam conflict or others as may
15 be determined by the Board of Trustees, or whose entrance into or
16 training for the teaching profession was interrupted by his or her
17 entrance into the Armed Forces, and who was or shall have become a
18 member of the Teachers' Retirement System shall be granted the
19 privilege of making up his or her five percent (5%) contributions as
20 provided for in this section until January 1, 1991, for not to
21 exceed five (5) years of service in the Armed Forces by electing to
22 pay said contributions on the basis of the rate of pay in his or her
23 contract as a teacher at the time his or her service in the Armed
24 Forces commenced or in the case of a teacher who was not teaching

1 prior to entering the Armed Forces, on the basis of the salary of
2 the first year of teaching after being honorably discharged from the
3 Armed Forces. Effective January 1, 1991, the member will receive
4 such service upon payment of the amount determined by the Board of
5 Trustees pursuant to Section 17-116.8 of this title. Such
6 contributions shall be credited in the regular manner, and the
7 period for which said contributions were paid shall be counted as
8 creditable years of service and allocated to the period during which
9 the military service was rendered, except that the period for which
10 contributions were paid must have been continuous and shall be
11 credited in the aggregate, regardless of fiscal year limitations.
12 Notwithstanding any provision herein to the contrary, contributions,
13 benefits and service credit with respect to qualified military
14 service as defined by Section 414(u) of the Internal Revenue Code of
15 1986 shall be provided in accordance with Section 414(u) of the
16 Internal Revenue Code.

17 3. Retirement benefits for all service credits purchased
18 pursuant to this subsection shall be determined in accordance with
19 the provisions of paragraph 2 of this subsection.

20 G. Effective July 1, 2004, the total creditable service of a
21 member who retires or terminates employment and elects a vested
22 benefit shall include not to exceed one hundred twenty (120) days of
23 unused sick leave accumulated subsequent to August 1, 1959. Twenty
24 (20) days of unused sick leave shall equal one (1) month for

1 purposes of creditable service credit. If the member becomes a
2 member or was eligible to become a member prior to July 1, 1995, the
3 year of credit received in this section shall be treated as service
4 earned prior to July 1, 1995. This subsection shall apply to
5 members retiring or vesting on or after the effective date of this
6 act and shall not be retroactive.

7 H. Any member who:

8 1. Shall be absent from the teaching service because of
9 election to the State Legislature or appointment to the executive
10 branch in an education-related capacity shall be allowed thirty (30)
11 days from the date as of which the person is officially elected or
12 appointed to file an election with the Teachers' Retirement System
13 to retain his or her membership in the Teachers' Retirement System
14 upon payment of the contribution required of other members and
15 employers of said members as provided for in this section and his or
16 her service credits shall continue to be accumulated during such
17 absence, provided he or she is not receiving retirement credits or
18 benefits from said service beginning after July 1, 1992, in other
19 public retirement systems; or

20 2. Became an employee of the Oklahoma Commission for Teacher
21 Preparation on or subsequent to June 1, 2001, but prior to July 1,
22 2002, who was previously employed by a participating employer within
23 the Teachers' Retirement System of Oklahoma, may elect to cancel any
24 accumulated service credit accrued within the Oklahoma Public

1 Employees Retirement System on or after June 1, 2001, but prior to
2 July 1, 2002, by filing an election with the Oklahoma Public
3 Employees Retirement System for the cancellation of such service
4 credit. The election shall be irrevocable and shall require the
5 Oklahoma Public Employees Retirement System to transfer all
6 accumulated employer and employee contributions made on behalf of or
7 by the person making such election to the Teachers' Retirement
8 System for such period of time. The Teachers' Retirement System
9 shall compute the employee contributions that would have been made
10 to the System by such employee if the contributions had been
11 computed pursuant to this section. In order to receive the full
12 amount of creditable service for the period of time on or after June
13 1, 2001, but not later than June 30, 2002, the employee shall be
14 required to pay any difference between the transferred employee
15 contributions and the amount computed by the Teachers' Retirement
16 System. The employee may make payment of any required amount in the
17 manner provided by and subject to the requirements of Section 17-
18 116.8 of this title. After payment of all required employee
19 contributions, the Teachers' Retirement System shall credit the
20 period of time represented by the transferred employee contributions
21 as creditable service within the meaning of Section 17-101 of this
22 title. After the transfer of the employee contributions, the
23 Oklahoma Public Employees Retirement System shall cancel any service
24 credit previously accumulated for the period of time represented by

1 such transferred employee contributions. Any person who makes the
2 election provided for by this paragraph, and who continues
3 employment with the Oklahoma Commission for Teacher Preparation on
4 or after July 1, 2002, shall continue to accrue service credit in
5 the Teachers' Retirement System of Oklahoma. The employer shall
6 make employer contributions according to the requirements of Section
7 17-108.1 of this title and shall provide for the deduction of
8 employee contributions as required by this section.

9 I. Any member who shall be absent from the teaching service
10 because of election or appointment as a local, state or national
11 education association officer, prior to January 1, 2011, shall be
12 allowed to retain his or her membership in the Teachers' Retirement
13 System upon payment of the contribution required of other members
14 and employers of said members as provided for in this section and
15 his or her service credits shall continue to be accumulated during
16 such absence. Provided, however, any one such absence shall not
17 exceed twelve (12) continuous years. No member who has less than
18 ten (10) years of contributory service on July 1, 1994, may make
19 this election after June 30, 1994. Members contributing to the
20 System on July 1, 1994, may continue to contribute under this
21 subsection until they have completed eight (8) years allowed by this
22 subsection. The member may file for retirement when otherwise
23 eligible for retirement as provided by Section 17-105 of this title.

J. A member may receive credit for those years of service accumulated by the member while employed by an entity which is a participating employer in the Oklahoma Firefighters Pension and Retirement System, the Oklahoma Police Pension and Retirement System, the Uniform Retirement System for Justices and Judges, the Oklahoma Law Enforcement Retirement System, or the Oklahoma Public Employees Retirement System, if the member is not receiving or eligible to receive retirement credit or benefits from said service in any other public retirement system. A member also may receive credit for those years of service with the Department of Wildlife Conservation or with an employer that is a participating employer within one of the state retirement systems specifically referred to in this section when at the time of such service by the member the employer was not such a participating employer, if the member is not receiving or eligible to receive retirement credit or benefits from said service in any other public retirement system. To receive the service credit provided in this subsection, the member shall pay the amount determined by the Board of Trustees pursuant to Section 17-116.8 of this title. For purposes of this subsection, creditable service transferred from the Oklahoma Public Employees Retirement System shall include service authorized under paragraph (f) of subsection (2) of Section 913 of Title 74 of the Oklahoma Statutes as amended from time to time. Members who retire prior to July 1, 1993, shall have their monthly benefit adjusted to include all

1 services accrued under paragraph (f) of subsection (2) of Section
2 913 of Title 74 of the Oklahoma Statutes. Provided however, any
3 adjustment of existing retirement benefits caused by reason of
4 inclusion of such service authorized under paragraph (f) of
5 subsection (2) of Section 913 of Title 74 of the Oklahoma Statutes
6 shall not affect any retirement benefit paid prior to July 1, 1993.

7 K. 1. An active member of the Teachers' Retirement System of
8 Oklahoma may receive credit for those years of service accumulated
9 by the member while a member of the Oklahoma Public Employees
10 Retirement System if:

- 11 a. the member is an active member of the Teachers'
12 Retirement System of Oklahoma, and
- 13 b. the member provides notice to the Oklahoma Public
14 Employees Retirement System and the Teachers'
15 Retirement System of Oklahoma of the member's election
16 to transfer said service credit. The notice shall
17 include a list of the years to be transferred, and
- 18 c. the member is not receiving or eligible to receive
19 retirement credit or benefits from said service in any
20 other public retirement system, notwithstanding the
21 years of service sought to be transferred under this
22 subsection.

23 Members electing to take advantage of the transfer authorized by
24 this subsection who are receiving or eligible to receive retirement

1 credit or benefits from said service in any other public retirement
2 system shall have all service credit with the Oklahoma Public
3 Employees Retirement System canceled which is not transferred to the
4 Teachers' Retirement System of Oklahoma or used as a cash offset in
5 such a transfer pursuant to subparagraph d of paragraph 2 of this
6 subsection. Service credit transferred to the Teachers' Retirement
7 System of Oklahoma under this subsection shall also be canceled with
8 the Oklahoma Public Employees Retirement System.

9 2. For purposes of this subsection, the "sending system" shall
10 mean the Oklahoma Public Employees Retirement System. The
11 "receiving system" shall mean the Teachers' Retirement System of
12 Oklahoma.

13 a. Within thirty (30) days notification of an intent to
14 transfer is received by the sending system, the
15 sending system shall, according to its own rules and
16 regulations:

17 (1) for members who have accrued at least eight (8)
18 years of credited service with the sending
19 system, determine the present value of the
20 member's earned benefits attributable to the
21 years of service sought to be transferred,
22 discounted according to the member's age at the
23 time of transfer and computed as of the earliest
24 age at which the member would be able to retire.

1 Said computation shall assume an unreduced
2 benefit and be computed using interest and
3 mortality assumptions consistent with the
4 actuarial assumptions adopted by the Board of
5 Trustees for purposes of preparing the annual
6 actuarial evaluation, but shall not make any
7 projections regarding future salary. For
8 employees who have accrued at least eight (8)
9 years of credited service, the sending system
10 shall use the product of this calculation for
11 purposes of determining the transfer fee to be
12 paid by the employee under subparagraph c of this
13 paragraph so long as it is greater than the
14 product of the calculation in division (2) of
15 this subparagraph, and

- 16 (2) determine the sum of the employee and employer
17 contributions applicable to the years of service
18 sought to be transferred plus interest consistent
19 with the actuarial assumptions adopted by the
20 Board of Trustees for purposes of preparing the
21 annual actuarial evaluation. For all nonvested
22 members, and for members who have accrued at
23 least eight (8) years of credited service, if the
24 product of this calculation is greater than the

1 product of the calculation in division (1) of
2 this subparagraph, the sending system shall use
3 the product of this calculation for purposes of
4 determining the amount to be transferred by the
5 sending system under subparagraph c of this
6 paragraph and any transfer fee to be paid by the
7 member under subparagraph d of this paragraph.

- 8 b. Within thirty (30) days notification of an intent to
9 transfer is received by the receiving system, the
10 receiving system shall determine, according to the
11 system's own rules and regulations, the present value
12 of the member's incremental projected benefits
13 discounted according to the member's age at the time
14 of the transfer. Incremental projected benefits shall
15 be the difference between the projected benefit said
16 member would receive without transferring the service
17 credit and the projected benefit after transfer of
18 service credit computed as of the earliest age at
19 which the member would be able to retire. Said
20 computation shall assume an unreduced benefit and be
21 computed using interest, salary projections and
22 mortality assumptions consistent with the actuarial
23 assumptions adopted by the Board of Trustees for
24 purposes of preparing the annual actuarial evaluation.

1 c. The sending system shall, within sixty (60) days from
2 the date notification of an intent to transfer is
3 received by the sending system, transfer to the
4 receiving system the amount determined in subparagraph
5 a of this paragraph. Except if the cost as calculated
6 under subparagraph a of this paragraph is greater than
7 the actuarial value of the incremental benefit in the
8 receiving system, as established in subparagraph b of
9 this paragraph, the sending system shall send the
10 receiving system an amount equal to the actuarial
11 value of the incremental projected benefit in the
12 receiving system.

13 d. In order to receive the credit provided for in
14 paragraph 1 of this subsection, if the cost of the
15 actuarial value of the incremental benefit to the
16 receiving system is greater than the cost as
17 calculated under subparagraph a of this paragraph for
18 the same years of service to the sending system as
19 established in subparagraphs a and b of this
20 paragraph, the employee shall elect to:

- 21 (1) pay any difference to receive full credit for the
22 years sought to be transferred, or
23 (2) receive prorated service credit for only the
24 amount received from the Oklahoma Public

1 Employees Retirement System pursuant to this
2 subsection.

3 Such an election shall be made in writing, filed with
4 the System prior to receiving the credit provided for
5 in paragraph 1 of this subsection, and shall be
6 irrevocable.

7 3. Within sixty (60) days of successfully completing all of the
8 requirements for transfer under this subsection, the sending system
9 shall pay the receiving system any amount due under this subsection.
10 Within sixty (60) days of successfully completing all of the
11 requirements for transfer under this subsection, the member shall
12 pay the receiving system any amount due under this subsection. In
13 the event that the member is unable to pay the transfer fee provided
14 for in this subsection by the due date, the Board of Trustees of the
15 receiving system shall permit the member to amortize the transfer
16 fee over a period not to exceed sixty (60) months. Said payments
17 shall be made by payroll deductions unless the Board of Trustees
18 permits an alternate payment source. The amortization shall include
19 interest in an amount not to exceed the actuarially assumed interest
20 rate adopted by the Board of Trustees for investment earnings each
21 year. Any member who ceases to make payment, terminates, retires or
22 dies before completing the payments provided for in this section
23 shall receive prorated service credit for only those payments made,
24 unless the unpaid balance is paid by said member, his or her estate

1 or successor in interest within six (6) months after said member's
2 death, termination of employment or retirement, provided no
3 retirement benefits shall be payable until the unpaid balance is
4 paid, unless said member or beneficiary affirmatively waives the
5 additional six-month period in which to pay the unpaid balance.

6 4. Years of service transferred pursuant to this subsection
7 shall be used both in determining the member's retirement benefit
8 and in determining the years of service for retirement and/or
9 vesting purposes. Years of service rendered as a member of the
10 Oklahoma Public Employees Retirement System prior to July 1, 1992,
11 if any, shall be deemed to be years of service rendered as a member
12 of the Teachers' Retirement System of Oklahoma prior to July 1,
13 1992, and shall qualify such person as a member of the Teachers'
14 Retirement System of Oklahoma before July 1, 1992.

15 5. Notwithstanding the requirements of subsection (5) of
16 Section 917 of Title 74 of the Oklahoma Statutes, members electing
17 to take advantage of the transfer authorized by this subsection who
18 have withdrawn their contributions from the sending system shall
19 remit to the sending system the amount of the accumulated
20 contributions the member has withdrawn plus simple interest of ten
21 percent (10%) per annum prior to making said election or the
22 election shall be deemed invalid and the transfer shall be canceled.
23 If such an election is deemed invalid and the transfer is canceled,
24 the accumulated contribution remitted to the sending system by the

1 member who originally withdrew their contributions shall be returned
2 to the member. The member's rights and obligations regarding any
3 service credit reestablished in the sending system due to a failure
4 to satisfy the requirements of this subsection shall be determined
5 by the sending system in accordance with Section 901 et seq. of
6 Title 74 of the Oklahoma Statutes.

7 6. If any member fails for any reason to satisfy the
8 requirements of this subsection, the election to transfer service
9 credit shall be void and of no effect, and any service credited as a
10 result of this transfer shall be canceled. If such service is
11 canceled, the years of canceled service credit which were
12 unsuccessfully transferred to the receiving system from the sending
13 system shall be reestablished in the sending system. The member's
14 rights and obligations regarding any service credit reestablished in
15 the sending system due to a failure to satisfy the requirements of
16 this subsection shall be determined by the sending system in
17 accordance with Section 901 et seq. of Title 74 of the Oklahoma
18 Statutes.

19 7. The Board of Trustees shall promulgate such rules as are
20 necessary to implement the provisions of this subsection.

21 L. Any member whose regular annual compensation was not
22 determined as provided for by law may pay the member contribution
23 required pursuant to subsection B of this section on such amount not
24 included in the member's regular annual compensation and receive

1 credit for such amount in the calculation of the member's benefit.
2 The employees must pay the employer contributions required pursuant
3 to Section 17-108.1 of this title. Interest at the rate of ten
4 percent (10%) per annum shall be charged to both employee and
5 employer contributions. Provided that the employing district may
6 pay all or any portion of the contributions and interest the member
7 is required to pay. Any payment by the employing district for a
8 prior year obligation shall be considered a current obligation of
9 the employer.

10 M. Any active member who elected during the 1978-79 school year
11 to pay the difference between five percent (5%) on actual salary not
12 exceeding Ten Thousand Dollars (\$10,000.00) and six percent (6%) on
13 actual salary not exceeding Fifteen Thousand Dollars (\$15,000.00)
14 shall receive credit for one (1) year of credited service upon
15 receipt and approval of a proper request by the Board of Trustees.

16 N. Effective July 1, 1988, any member who is employed by the
17 Governor, the State Senate, the House of Representatives or the
18 Legislative Service Bureau shall be allowed to elect to retain
19 membership in the Retirement System upon payment of the accrued and
20 current member contributions and employer contributions as provided
21 in subsection B of this section and Section 17-108.1 of this title.
22 Such contributions may be paid on behalf of the member by the
23 employing entity. Upon payment of such contributions, service
24 credits shall continue to be accumulated during such employment.

1 Accrued contributions shall be paid to the Retirement System by
2 August 1, 1989. Current contributions shall be paid to the
3 Retirement System by the tenth of the following month beginning with
4 the month of July 1989.

5 O. Notwithstanding any requirements of this title to restrict
6 the payment of service purchases, the Board of Trustees shall
7 promulgate such rules as necessary to allow active members of the
8 System to make installment payments for the redeposit of withdrawn
9 accounts or other payments due under the provisions of this title.
10 The rules shall permit the member to amortize the balance due over a
11 period not to exceed sixty (60) months, and shall include interest
12 consistent with the actuarial assumptions adopted by the Board of
13 Trustees for purposes of preparing the annual actuarial evaluation.
14 Further, the rules shall provide that all payments must be completed
15 prior to the effective retirement date of the member.

16 P. 1. A member of the Oklahoma Public Employees Retirement
17 System who becomes a member of the Teachers' Retirement System of
18 Oklahoma because the member has become employed by an entity or
19 institution within The Oklahoma State System of Higher Education,
20 State Board of Education, State Board of Career and Technology
21 Education, Oklahoma Department of Career and Technology Education,
22 Oklahoma School of Science and Mathematics, Oklahoma Center for the
23 Advancement of Science and Technology, State Department of
24 Rehabilitation Services, Oklahoma State Regents for Higher

1 Education, Department of Corrections, State Department of Education,
2 Oklahoma Board of Private Vocational Schools, Board of Regents of
3 Oklahoma Colleges, Oklahoma Student Loan Authority, or the Teachers'
4 Retirement System of Oklahoma, may elect to receive credit in the
5 Teachers' Retirement System of Oklahoma for those years of service
6 accumulated by the member in the Oklahoma Public Employees
7 Retirement System pursuant to this subsection. A member shall be
8 eligible to elect to receive credit for such years of service if:

9 a. the member is an active member of the Teachers'
10 Retirement System of Oklahoma,

11 b. the member provides notice to the Teachers' Retirement
12 System of Oklahoma and the Oklahoma Public Employees
13 Retirement System of the member's election to transfer
14 such retirement credit. The notice shall include a
15 list of the years to be transferred, and

16 c. the member is not receiving or eligible to receive
17 retirement credit or benefits from such service in any
18 other public retirement system, notwithstanding the
19 years of service sought to be transferred under this
20 subsection.

21 Members electing to take advantage of the transfer authorized by
22 this subsection shall have all service credit with the Oklahoma
23 Public Employees Retirement System canceled which is transferred to
24 the Teachers' Retirement System of Oklahoma.

1 2. For purposes of this subsection, the "sending system" shall
2 mean the Oklahoma Public Employees Retirement System. The
3 "receiving system" shall mean the Teachers' Retirement System of
4 Oklahoma. Within thirty (30) days after notification of an intent
5 to transfer is received by the sending system, the sending system
6 shall, according to its own rules, send to the receiving system all
7 employer and employee contributions made on behalf of the member
8 which were made to the sending system plus an additional amount of
9 earnings based on the actuarial assumed rate of the sending system.
10 Upon receipt of these contributions by the receiving system, the
11 receiving system shall give credit to the transferring member in an
12 amount equal to the years of service accrued in the sending system.

13 3. If the transferring member's normal retirement date
14 calculation is based upon the sum of the member's age and number of
15 years of credited service totaling eighty (80) in the sending
16 system, then the member shall retain such calculation in the
17 receiving system.

18 4. The Board of Trustees shall promulgate such rules as are
19 necessary to implement the provisions of this subsection.

20 Q. A former member of the Teachers' Retirement System of
21 Oklahoma who withdrew his or her contributions from the System prior
22 to January 1, 1983, and who had at least ten (10) years of service
23 in the System and purchased that service in the Oklahoma Public
24 Employees Retirement System, may elect to revoke that purchase from

1 the Oklahoma Public Employees Retirement System and to repay the
2 withdrawn contributions to the System in order to be eligible, once
3 such member reaches the normal retirement age, to receive a
4 retirement benefit that is based upon years of service and
5 compensation at the time such member terminated employment. In
6 addition, such former member may elect to transfer service credit
7 accrued in the Oklahoma Public Employees Retirement System to the
8 Teachers' Retirement System of Oklahoma pursuant to subsection K of
9 this section. The election, pursuant to this subsection, shall be
10 made prior to September 1, 2000. The election and the repayment
11 shall be made according to rules promulgated by the Board.

12 SECTION 3. Section 1 of this act shall become effective October
13 1, 2019.

14 SECTION 4. Section 2 of this act shall become effective
15 November 1, 2019.

16
17 COMMITTEE REPORT BY: COMMITTEE ON BANKING, FINANCIAL SERVICES AND
18 PENSIONS, dated 02/20/2019 - DO PASS.
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THOMAS E. CUMMINS CONSULTING ACTUARY, INC.

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January 9, 2019

Representative Mike Osburn
Room 246B

Re: RBH No. 5049

RBH No. 5049 changes the definition of a OPLAA fiscal bill to exclude the purchase service credit for out of state teaching service in excess of 5 years effective 10/01/2019.

This bill allows active members of Oklahoma Teachers Retirement System to purchase service in excess of 5 years of out of state teaching effective 11/01/2019. The purchaser price to be determined by the OTRS Board of Trustees. Currently the purchase is limited to 5 years.

RBH No. 5049 is non fiscal bill as defined by the Oklahoma Pension Legislation Analysis Act due to the change in definition of a fiscal bill.

I am a member of the American Academy of Actuaries and meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion herein.

Thomas E. Cummins

Thomas E. Cummins, MAAA