

STATE OF OKLAHOMA

2nd Session of the 58th Legislature (2022)

COMMITTEE SUBSTITUTE
FOR ENGROSSED
HOUSE BILL NO. 2486

By: Frix and Randleman of the
House

and

Pemberton of the Senate

COMMITTEE SUBSTITUTE

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

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

SECTION 1. AMENDATORY 62 O.S. 2021, Section 3103, is amended to read as follows:

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

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

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

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

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

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

- 23 a. which does not affect the cost or funding factors of a
24 retirement system,

- 1 b. which affects such factors only in a manner which does
2 not:
3 (1) grant a benefit increase under the retirement
4 system affected by the bill,
5 (2) create an actuarial accrued liability for or
6 increase the actuarial accrued liability of the
7 retirement system affected by the bill, or
8 (3) increase the normal cost of the retirement system
9 affected by the bill,
- 10 c. which authorizes the purchase by an active member of
11 the retirement system, at the actuarial cost for the
12 purchase as computed pursuant to the statute in effect
13 on the effective date of the measure allowing such
14 purchase, of years of service for purposes of reaching
15 a normal retirement date in the applicable retirement
16 system, but which cannot be used in order to compute
17 the number of years of service for purposes of
18 computing the retirement benefit for the member,
- 19 d. which provides for the computation of a service-
20 connected disability retirement benefit for members of
21 the Oklahoma Law Enforcement Retirement System
22 pursuant to Section 2-305 of Title 47 of the Oklahoma
23 Statutes if the members were unable to complete twenty
24 (20) years of service as a result of the disability,

1 e. which requires membership in the defined benefit plan
2 authorized by Section 901 et seq. of Title 74 of the
3 Oklahoma Statutes for persons whose first elected or
4 appointed service occurs on or after November 1, 2018,
5 if such persons had any prior service in the Oklahoma
6 Public Employees Retirement System prior to November
7 1, 2015,

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

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

22 (2) the lesser of two percent (2%) of the gross
23 annual retirement benefit of the member or One
24 Thousand Two Hundred Dollars (\$1,200.00) and

1 requires that the benefit may only be provided if
2 the funded ratio of the affected retirement
3 system would be greater than eighty percent (80%)
4 but not greater than one hundred percent (100%)
5 after the benefit increase is paid,

6 (3) the lesser of two percent (2%) of the gross
7 annual retirement benefit of the member or One
8 Thousand Four Hundred Dollars (\$1,400.00) and
9 requires that the benefit may only be provided if
10 the funded ratio of the affected retirement
11 system would be greater than one hundred percent
12 (100%) after the benefit increase is paid, or

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

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

3 g. which modifies the disability pension standard for
4 police officers who are members of the Oklahoma Police
5 Pension and Retirement System as provided by Section ~~3~~
6 50-115 of this act Title 11 of the Oklahoma Statutes,
7 or

8 h. which provides a cost-of-living benefit increase
9 pursuant to the provisions of Sections ~~2 through 7 of~~
10 this act 49-143.7 and 50-136.9 of Title 11 of the
11 Oklahoma Statutes, Section 1104K of Title 20 of the
12 Oklahoma Statutes, Section 2-305.12 of Title 47 of the
13 Oklahoma Statutes, Section 17-116.22 of Title 70 of
14 the Oklahoma Statutes, and Section 930.11 of Title 74
15 of the Oklahoma Statutes.

16 A nonfiscal retirement bill shall include any retirement bill that
17 has as its sole purpose the appropriation or distribution or
18 redistribution of monies in some manner to a retirement system for
19 purposes of reducing the unfunded liability of such system or the
20 earmarking of a portion of the revenue from a tax to a retirement
21 system or increasing the percentage of the revenue earmarked from a
22 tax to a retirement system. Notwithstanding any other provision of
23 law, a nonfiscal retirement bill shall also include any measure that
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1 increases the employer and employee contribution rates in the
2 defined contribution retirement system;

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

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

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

17 9. "Retirement system" means the Teachers' Retirement System of
18 Oklahoma, the Oklahoma Public Employees Retirement System, the
19 Uniform Retirement System for Justices and Judges, the Oklahoma
20 Firefighters Pension and Retirement System, the Oklahoma Police
21 Pension and Retirement System, the Oklahoma Law Enforcement
22 Retirement System, or a retirement system established after January
23 1, 2006.

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

3 Section 935.5. A. Except as otherwise provided by subsection B
4 of this section, employers of employees who become participants in
5 the defined contribution retirement system shall match the employee
6 contribution paid on a monthly or more frequent basis at the rate of
7 ~~six percent (6.0%)~~ eight percent (8.0%) based on the same
8 compensation amount used to compute the employee contribution
9 amount.

10 B. If an employee selects a contribution rate of seven percent
11 (7.0%) or more, but not higher than allowed pursuant to the maximum
12 annual contribution limit prescribed by Section 415 of the Internal
13 Revenue Code of 1986, as amended, the employer matching amount shall
14 be ~~seven percent (7.0%)~~ ten percent (10%).

15 C. The initial four and five-tenths percent (4.5%) employee
16 contribution shall be the only mandatory contribution of an employee
17 participating in the defined contribution retirement system created
18 by ~~this act~~ the Retirement Freedom Act. These funds shall be placed
19 by the System in either a 401(a) plan or a 457(b) plan, to be
20 determined by the Board to maintain the plan consistent with the
21 Internal Revenue Code. Any employee contributions eligible to be
22 matched under this section over the four and five-tenths percent
23 (4.5%) initial contribution shall be considered voluntary deferrals

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1 of compensation and placed in a 457(b) plan. All employer matching
2 funds shall be placed in a 401(a) plan.

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

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

21 E. Increases in the employee and employer contribution rate to
22 the defined contribution retirement system shall not be subject to
23 the provisions of the Oklahoma Pension Legislation Actuarial

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1 Analysis Act pursuant to Section 3103 of Title 62 of the Oklahoma
2 Statutes.

3 SECTION 3. This act shall become effective November 1, 2022.

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