

Bill Text For HB1660 - Enrolled Text

ENROLLED HOUSE
BILL NO. 1660

By Staggs, Case and Nance
of the House

and

Robinson of the Senate

An Act relating to public retirement systems; amending 70 O.S. 2001, Section 17-108, which relates to the Teachers' Retirement System of Oklahoma; modifying references to limits imposed pursuant to Internal Revenue Code of 1986; modifying provisions related to rollover contributions; authorizing certain purchases of service credit pursuant to Internal Revenue Code; providing for rollovers and trustee-to-trustee transfers as allowed by federal law; amending 74 O.S. 2001, Sections 902, as amended by Section 1 of Enrolled Senate Bill No. 1242 of the 2nd Session of the 48th Oklahoma Legislature, 909 and 918, which relate to the Oklahoma Public Employees Retirement System; modifying definitions; authorizing Board of Trustees to determine forms or types of compensation for retirement purposes; modifying provisions related to election for receipt of benefits by surviving spouse; authorizing applicability of certain provisions to certain surviving spouses; providing an effective date; and declaring an emergency.

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

SECTION 1. AMENDATORY 70 O.S. 2001, Section 17-108, is amended to read as follows:

Section 17-108. A. Each local school district, or state college or university, or State Board of Education or State Board of Career and Technology Education, or other state agencies whose employees are members of the Teachers' Retirement System shall match on a pro rata basis, in accordance with subsection B of this section the contributions of members whose salaries are paid by federal funds or externally sponsored agreements such as grants, contracts and cooperative agreements. These funds shall be remitted at the same time as the regular contributions of members are remitted to the Teachers' Retirement System of Oklahoma and deposited in the

]Retirement Benefit Fund

| B. On an annual basis, the Board of Trustees shall set the contribution rate to be paid by contributing employers as provided in subsection A of this section. The contribution rate shall be [determined using cost principles established by federal regulations and shall be consistent with policies, regulations and procedures [that apply uniformly to both federally assisted and other [activities, and be accorded consistent treatment through application

ENR. H. B. NO. 1660

Page 1

| of generally accepted accounting principles. The Board shall approve the contribution rate for each fiscal year ending June 30, no later than April 1 of the previous fiscal year.

| C. All the assets of the retirement system shall be credited [according to the purpose for which they are held to one of ten [funds, namely: The Teachers' Savings Fund, the Retirement Benefit [Fund, the Interest Fund, the Permanent Retirement Fund, the Expense [Fund, the Suspense Fund, the Reserve for Investment Fluctuations [Fund, the Teachers' Deposit Fund, the Membership Annuity Reserve [Fund and the Retiree Medical Benefit Fund.

| 1. The Teachers' Savings Fund shall be a fund in which shall be accumulated the regular contributions from the compensation of members, including interest earnings prior to July 1, 1968. Contributions to and payments from the Teachers' Savings Fund shall be made as specifically provided in each plan available within the retirement system.

| 2. The deductions provided for in the plans within the (retirement system shall be made notwithstanding that the minimum]compensation provided for any member shall be reduced thereby. [Every member shall be deemed to consent and agree to the deductions made and provided for herein and payment of salary or compensation, (less said deduction, shall be a full and complete discharge and [acquittance of all claims and demands whatsoever for the services [rendered by such person during the period covered by such payment, [except as to the benefits provided under this act. The employer shall certify to the Board of Trustees on each and every payroll, or [in such other manner as said Board may prescribe, the amounts to be deducted, and each of said amounts shall be deducted, and when [deducted shall be paid into said Teachers' Savings Fund, and shall [be credited to the individual account of the member from whose [compensation said deduction was made.

| 3. Following the termination of membership in the retirement [system for any member who has been absent from service for five (5) [years in any period of six (6) consecutive years, the Teachers' [Savings Fund Account of such member shall be closed and the amount [due the member as provided in Section 17-105 of this title shall be paid upon the filing of formal application. At the time such [membership is terminated the amount due the member as provided in [said Section 17-105 of this title shall be transferred to the [Suspense Fund.

| 4. Upon the retirement of a member an amount sufficient to pay (his annuity benefit for a two-year period shall be transferred from [the Teachers' Savings Fund to the Retirement Benefit Fund; an amount

[sufficient to pay his annuity benefit for one (1) year shall be transferred each succeeding year thereafter. Should a member who [has retired under Option 1 die, the balance of money he had in [Teachers' Savings Fund shall be transferred to the Retirement [Benefit Fund for payment to his beneficiary or estate.

5 Retirement Benefit Fund

- a After August 2, 1969, there shall be transferred from the Teachers' Savings Fund and the Membership Annuity Reserve Fund for those members drawing retirement benefits from the Teachers' Retirement System of Oklahoma an amount necessary to provide the monthly annuity payments and pension payments. In addition the fund shall consist of monies received from any state dedicated revenue, monies received from state

ENR. H. B. NO 1660

Page 2

appropriations, monies received from federal matching funds, and the residue of the interest on investments after the requirements of Section 17-107 of this title have been fully met. The Retirement Benefit Fund shall consist of an amount of money necessary for the making of retirement payments to retirees.

- b. Should a member have deposits in the Teachers' Deposit Fund or the Tax-Sheltered Annuity Fund and wish to receive monthly retirement benefits on such deposits, the actuarial equivalent of a two-year period and each succeeding fiscal year thereafter shall be transferred to the Retirement Benefit Fund. The member may choose any of the plans available in the Teachers' Retirement Act as a method of receiving monthly retirement benefits on the money he has on deposit in the Teachers' Deposit Fund or the Tax-Sheltered Annuity Fund. The monthly retirement benefits paid from the Teachers' Deposit Fund or the Tax-Sheltered Annuity Fund shall be in addition to the regular retirement benefits and the money transferred from the Teachers' Deposit Fund or Tax-Sheltered Annuity Fund shall not be matched by the State of Oklahoma.
- c From the Retirement Benefit Fund shall be paid all monthly retirement benefits.
- d. At the death of a retired member who has retired under the Maximum Plan of Retirement, Option 1 or Option 4, the balance of money the member has in the Teachers' Savings Fund shall be transferred to the Retirement Benefit Fund and the amount due the beneficiary or his estate under Option 1 or Option 4 shall be paid from the Retirement Benefit Fund.
- e At the death of both a retired member and the retired member's spouse, who had retired under Option 2 or 3, any balance in the Teachers' Savings Fund shall be transferred from the Teachers' Savings Fund to the Retirement Benefit Fund.

f. At the death of a retired member who had retired under Option 5, the balance of any monies the member had in the Teachers' Savings Fund shall be transferred to the Retirement Benefit Fund for the purpose of making a lump-sum settlement to the beneficiary or his estate. Providing that if the surviving spouse elects to receive the balance under the Maximum Plan of Retirement or Option 1 the member's money, if any, on a monthly basis, constituting actuarial equivalent of two (2) years' payments, and each year thereafter the annual actuarial equivalent, shall be transferred from the Teachers' Savings Fund for the purpose of paying monthly retirement benefits to the spouse under this option.

6. The Interest Fund is hereby created to facilitate the crediting of interest to the various other funds to which interest is to be credited. All income, interest and dividends derived from the deposits and investments authorized by this act shall be paid into the Interest Fund. On June 30, each year, interest shall be transferred to the other funds as herein provided.

ENR H. B NO 1660

Page 3

7. The Permanent Retirement Fund shall consist of the [accumulated gifts, awards, and bequests made to the retirement [system, and transfers from the Suspense Fund, the principal of which [is hereby held and dedicated as a perpetual endowment of the [retirement system and shall not be diverted or appropriated to any [other cause or purpose unless specifically provided for in such [gifts, awards or bequests.

8. The Expense Fund shall be the fund from which the expense of [administration and maintenance of the retirement system shall be [paid. The Board of Trustees shall cause to be prepared and adopt [annually an itemized budget showing the amount required to defray [the expenses for the ensuing fiscal year.

Transfers to and payments from this fund shall be made as follows: first, from the Interest Fund; second, from any dedicated revenue; and, third, from appropriation by the Oklahoma Legislature

All monies for the operation of the Teachers' Retirement System of Oklahoma shall be paid from the Expense Fund upon the approval by the Board of Trustees and the checks signed by two people designated to sign such checks by the Board of Trustees of the Teachers' /Retirement System of Oklahoma.

9. The Suspense Fund shall be comprised of amounts transferred to the fund as provided in this section and Section 17-105 of this title and obligations of the retirement system to any member or person which cannot be legally discharged.

10. The Reserve for Investment Fluctuations Fund shall be the [fund in which eight percent (8%) of the investment earnings and the [realized profits from the sale or exchange of securities shall be [deposited each year until an amount equal to two percent (2%) of the [total investments shall be accumulated, and such fund shall

6/5/02

thereafter be maintained at such level. Upon proper resolution by the Board of Trustees transfers may be made from this fund to reimburse the investment account of other funds wherein a deficit shall have accrued.

11. Teachers' Deposit Fund.

Any member may request, prior to a pay period, that his employer make additional deposits for him, for tax-sheltered annuity purposes. However, the amount deposited shall not exceed the ~~member's "Exclusion Allowance"~~ limits as defined in Section ~~403(b)(2)~~ 402(g) and Section 415 of the Internal Revenue Code of 1986, as amended, and applicable federal regulations. All such deposits shall be credited to the member's account in the Teachers' Deposit Fund for the purchase of a tax-sheltered annuity. The amount thus accumulated, with earnings, shall be used upon the member's retirement, separation from service, death or disability to purchase an annuity in addition to his regular service retirement allowance. The amount a member accumulates in the Teachers' Deposit Fund, not including interest, may be used to pay distributions in the case of hardship as provided in Section 403(b)(11) of the Internal Revenue Code of 1986, as amended, and applicable federal regulations.

12. The Membership Annuity Reserve Fund is composed of teachers' contributions and state matching funds for those members who retired before August 2, 1968. From this fund there shall be transferred the actuarial equivalent necessary to pay retirement benefits for a period of two (2) years and thereafter the actuarial

ENR. H B NO. 1660

Page 4

equivalent necessary to pay retirement benefits for one (1) succeeding year.

13. Collection of Contributions

a. The collection of members' contributions shall be as follows:

- (1) Each employer shall cause to be deducted on each and every payroll or claim of a member for each and every payroll claim period subsequent to the date of establishment of the retirement system the contribution payable by such member as provided in this act. With each and every payroll or claim the employer shall deliver to the treasurer of said employer warrants issued to the employees as shown to be due by said payroll or claim, together with a warrant or warrants in favor of the Teachers' Retirement System as shown by said payroll or claim.
- (2) The treasurer or disbursing officer upon delivery of the warrants and a true copy of the payroll or claims as provided above shall register said warrants as provided for the registration of other school warrants, and shall deliver to the employer warrants issued in favor

of the employees, and shall deliver warrants issued in favor of the Teachers' Retirement System and the copy of the payroll or claims to the school district superintendent as designated by the Board of Trustees. For the purpose of collecting contributions of teachers in the public schools, the superintendent of a school district is hereby designated to receive the Teachers' Retirement warrants from the treasurer or proper disbursing officer of the several school districts for the purpose of transmitting such warrants and payroll or claims to the Executive Secretary of the Teachers' Retirement System of the State of Oklahoma. Any college or university or other educational institution or agency operated in whole or in part by the state shall have the amount retained or deducted from the funds regularly appropriated by the state for the current maintenance for such educational departments and institutions.

- (3) For the purpose of enabling the collection of the contributions of the members of the retirement system to be made as simple as possible, the Board of Trustees shall require the secretary or other officer of each employer-board or agency, within thirty (30) days after the beginning of each school year, to make a list of all teachers in its employ who are members of the retirement system, certify to the correctness of this list, and file the same with the Executive Secretary of the Board of Trustees of the Teachers' Retirement System. If additions to or deductions from this list should be made during the year such additions or deductions shall likewise be certified to the Board of Trustees of the Teachers' Retirement System.

- (4) The State Treasurer shall furnish annually to the Board of Trustees a sworn statement of the amount of the funds in his custody belonging to the retirement system. The records of the Board of Trustees shall be open to public inspection and any member of the retirement system shall be furnished with a statement of the amount of the credit to his individual account upon written request by such member, provided the Board of Trustees shall not be required to answer more than one such request of a member in any one (1) year.
- (5) Failure of any superintendent, officer, or other person to discharge the duties imposed upon him by this act shall render him or his bondsman liable for any loss occasioned thereby to the Teachers' Retirement System or the employees of the school district, or both.

- (6) On a showing by the Teachers' Retirement System that a warrant, voucher or check issued to it has, for any reason, been lost or never received, after ninety (90) days from the date of issue or from transmittal for payment, it shall be the duty of the issuing authority forthwith, without any indemnifying bond or other requirements, to issue a duplicate thereof in lieu of that which was lost, to the Teachers' Retirement System; and the Teachers' Retirement System shall save harmless any school district or agency of state government making payment under the provisions hereof to the State Teachers' Retirement System if the original warrant, voucher or check is later presented for payment and same is paid after a duplicate warrant, voucher or check has been issued and paid to the Teachers' Retirement System, and any loss sustained therefrom shall be charged to the Interest Fund.

14. Rollover Contributions ~~from other Governmental Plans and~~
Direct Trustee-to-Trustee Transfers from Other Plans.

Any member may purchase credit for service, to the extent specified in ~~the retirement system law~~ this title, with rollovers ~~or direct transfers~~ from another governmental ~~an eligible~~ retirement plan ~~demonstrated to be qualified under Section 401(a) of~~ as defined by the Internal Revenue Code of 1986, as amended from time to time. A member may also purchase permissive service credit, as defined by Code Section 415(n) (3) (A), with a direct trustee-to-trustee transfer from a governmental Code Section 403(b) plan or governmental Code Section 457(b) plan. All rollovers and direct trustee-to-trustee transfers shall be allowed to the extent permitted by federal law. Rollovers or direct transfers in excess of the amount necessary to purchase such service credit shall not be allowed.

15 Retiree Medical Benefit Fund.

The Retiree Medical Benefit Fund shall be maintained as a subaccount under the Retirement Benefit Fund. The Retiree Medical [BenefitFund is composed of all assets contributed to this subaccount to pay the retirement system's portion of the monthly retiree health insurance benefits described in Section 1316.3 of

ENR. H. B. NO. 1660

Page 6

Title 74 of the Oklahoma Statutes. All allocated assets and the earnings thereon in the Retiree Medical Benefit Fund shall be held for the exclusive purpose of providing retiree medical benefits pursuant to Section 1316.3 of Title 74 of the Oklahoma Statutes. The Retiree Medical Benefit Fund shall be administered in accordance with the requirements under Section 401(h) of the Internal Revenue Code of 1986, as amended from time to time. **An** amount necessary to pay the health insurance premiums for retired members as provided by Section 1316.3 of Title 74 of the Oklahoma Statutes shall be deposited each month into the Retiree Medical Benefit Fund.

SECTION 2. AMENDATORY 74 O.S. 2001, Section 902, as amended by Section 1 of Enrolled Senate Bill No. 1242 of the 2nd

6/5/02

[Session of the 48th Oklahoma Legislature, is amended to read as follows:

Section 902. As used in Section 901 et seq. of this title

(1) "System" means the Oklahoma Public Employees Retirement System as established by this act and as it may hereafter be amended;

(2) "Accumulated contributions" means the sum of all contributions by a member to the System which shall be credited to the member's account;

(3) "Act" means Sections 901 to 932, inclusive, of this title;

(4) "Actuarial equivalent" means a deferred income benefit of equal value to the accumulated deposits or benefits when computed upon the basis of the actuarial tables in use by the System;

(5) "Actuarial tables" means the actuarial tables approved and in use by the Board at any given time;

(6) "Actuary" means the actuary or firm of actuaries employed by the Board at any given time;

(7) "Beneficiary" means any person named by a member to receive any benefits as provided for by Section 901 et seq. of this title. If there is no beneficiary living at time of member employee's death, the member's estate shall be the beneficiary;

(8) "Board" means the Oklahoma Public Employees Retirement System Board of Trustees;

(9) "Compensation" means all salary and wages, as defined by the Board of Trustees, including amounts deferred under deferred compensation agreements entered into between a member and a participating employer, but exclusive of payment for overtime, payable to a member of the System for personal services performed for a participating employer, ~~including maintenance, or any allowance in lieu thereof provided a member as a part of compensation~~ but shall not include compensation or reimbursement for traveling, or moving expenses, or any compensation in excess of the maximum compensation level, provided:

- (a) For compensation for service prior to January 1, 1988, the maximum compensation level shall be Twenty-five Thousand Dollars (\$25,000.00) per annum.

For compensation for service on or after January 1, 1988, through June 30, 1994, the maximum compensation

level shall be Forty Thousand Dollars (\$40,000.00) per annum.

For compensation for service on or after July 1, 1994, through June 30, 1995, the maximum compensation level shall be Fifty Thousand Dollars (\$50,000.00) per

annum; for compensation for service on or after July 1, 1995, through June 30, 1996, the maximum compensation level shall be Sixty Thousand Dollars (\$60,000.00) per annum; for compensation for service on or after July 1, 1996, through June 30, 1997, the maximum compensation level shall be Seventy Thousand Dollars (\$70,000.00) per annum; and for compensation for service on or after July 1, 1997, through June 30, 1998, the maximum compensation level shall be Eighty Thousand Dollars (\$80,000.00) per annum. For compensation for services on or after July 1, 1998, there shall be no maximum compensation level for retirement purposes.

- (b) Compensation for retirement purposes shall include any amount of elective salary reduction under Section 457 of the Internal Revenue Code of 1986 and any amount of non-elective salary reduction under Section 414(h) of the Internal Revenue Code of 1986.
- (c) Notwithstanding any provision to the contrary, the compensation taken into account for any employee in determining the contribution or benefit accruals for any plan year is limited to the annual compensation limit under Section 401(a)(17) of the federal Internal Revenue Code.
- (d) Current appointed members of the Oklahoma Tax Commission whose salary is constitutionally limited and is less than the highest salary allowed by law for his or her position shall be allowed, within ninety (90) days from the effective date of this act, to make an election to use the highest salary allowed by law for the position to which the member was appointed for the purposes of making contributions and determination of retirement benefits. Such election shall be irrevocable and be in writing. Re-appointment to the same office shall not permit a new election. Members appointed to the Oklahoma Tax Commission after the effective date of this act shall make such election, pursuant to this subparagraph, within ninety (90) days of taking office;

(10) "Credited service" means the sum of participating service, prior service and elected service;

(11) "Dependent" means a parent, child, or spouse of a member who is dependent upon the member for at least one-half (1/2) of the member's support;

(12) "Effective date" means the date upon which the System becomes effective by operation of law;

(13) "Eligible employer" means the state and any county, county hospital, city or town, conservation districts, and any public or private trust in which a county, city or town participates and is the primary beneficiary is to be an eligible employer for the purpose of this act only, whose employees are covered by Social

[Security and are not covered by or eligible for another retirement plan authorized under the laws of this state which is in operation on the initial entry date. Emergency medical service districts may join the System upon proper application to the Board. Provided affiliation by a county hospital shall be in the form of a resolution adopted by the board of control.

- (a) If a class or several classes of employees of any above-defined employers are covered by Social Security and are not covered by or eligible for and will not become eligible for another retirement plan authorized under the laws of this state, which is in operation on the effective date, such employer shall be deemed an eligible employer, but only with respect to that class or those classes of employees as defined in this section.
- (b) A class or several classes of employees who are covered by Social Security and are not covered by or eligible for and will not become eligible for another retirement plan authorized under the laws of this state, which is in operation on the effective date, and when the qualifications for employment in such class or classes are set by state law; and when such class or classes of employees are employed by a county or municipal government pursuant to such qualifications; and when the services provided by such employees are of such nature that they qualify for matching by or contributions from state or federal funds administered by an agency of state government which qualifies as a participating employer, then the agency of state government administering the state or federal funds shall be deemed an eligible employer, but only with respect to that class or those classes of employees as defined in this subsection; provided, that the required contributions to the retirement plan may be withheld from the contributions of state or federal funds administered by the state agency and transmitted to the System on the same basis as the employee and employer contributions are transmitted for the direct employees of the state agency. The retirement or eligibility for retirement under the provisions of law providing pensions for service as a volunteer fire fighter shall not render any person ineligible for participation in the benefits provided for in Section 901 et seq. of this title. An employee of any public or private trust in which a county, city or town participates and is the primary beneficiary shall be deemed to be an eligible employee for the purpose of this act only.
- (c) All employees of the George Nigh Rehabilitation Institute who elected to retain membership in the System, pursuant to Section 913.7 of this title, shall continue to be eligible employees for the purposes of this act. The George Nigh Rehabilitation Institute shall be considered a participating employer only for such employees.

- (d) A participating employer of the Teachers' Retirement System of Oklahoma, who has one or more employees who have made ~~the an~~ election pursuant to ~~subsection 1 of Section 912 of this title,~~ enabling legislation to retain membership in the System as a result of change

ENR. H B. NO 1660

Page 9

in administration shall be considered a participating employer of the Oklahoma Public Employees Retirement System only for such employees;

(14) "Employee" means any officer or employee of a participating employer, whose employment is not seasonal or temporary and whose employment requires at least one thousand (1,000) hours of work per year and whose salary or wage is equal to the hourly rate of the monthly minimum wage for state employees. For those eligible employers outlined in Section 910 of this title, the rate shall be equal to the hourly rate of the monthly minimum wage for that employer. Each employer, whose minimum wage is less than the state's minimum wage, shall inform the System of the minimum wage for that employer. This notification shall be by resolution of the governing body.

- (a) Any employee of the county extension agents who is not currently participating in the Teachers' Retirement System of Oklahoma shall be a member of this System.
- (b) Eligibility shall not include any employee who is a contributing member of the United States Civil Service Retirement System.
- (c) It shall be mandatory for an officer, appointee or employee of the office of district attorney to become a member of this System if he or she is not currently participating in a county retirement system. Provided further, that if an officer, appointee or employee of the office of district attorney is currently participating in such county retirement system, he or she is ineligible for this System as long as he or she is eligible for such county retirement system. Any eligible officer, appointee or employee of the office of district attorney shall be given credit for prior service as defined in this section. The provisions outlined in Section 917 of this title shall apply to those employees who have previously withdrawn their contributions.
- (d) Eligibility shall also not include any officer or employee of the Oklahoma Employment Security Commission, except for those officers and employees of the Commission electing to transfer to this System pursuant to the provisions of Section 910.1 of this title or any other class of officers or employees specifically exempted by the laws of this state, unless there be a consolidation as provided by Section 912 of this title. Employees of the Oklahoma Employment Security Commission who are ineligible for enrollment in the Employment Security Commission Retirement Plan, that was in effect on January 1,

1964, shall become members of this System

- (e) Any employee employed by the Legislative Service Bureau, State Senate or House of Representatives for the full duration of a regular legislative session shall be eligible for membership in the System regardless of classification as a temporary employee and may participate in the System during the regular legislative session at the option of the employee. For purposes of this subparagraph, the determination of whether an employee is employed for the full duration of a regular legislative session shall be

ENR. H. B. NO. 1660

Page 10

made by the Legislative Service Bureau if such employee is employed by the Legislative Service Bureau, the State Senate if such employee is employed by the State Senate, or by the House of Representatives if such employee is employed by the House of Representatives. Each regular legislative session during which the legislative employee or an employee of the Legislative Service Bureau participates full time shall be counted as six (6) months of full-time participating service.

- (i) Except as otherwise provided by this subparagraph, once a temporary session employee makes a choice to participate or not, the choice shall be binding for all future legislative sessions during which the employee is employed.
- (ii) Notwithstanding the provisions of division (i) of this subparagraph, any employee, who is eligible for membership in the System because of the provisions of this subparagraph and who was employed by the State Senate or House of Representatives after January 1, 1989, may file an election, in a manner specified by the Board, to participate as a member of the System prior to September 1, 1989.
- (iii) Notwithstanding the provisions of division (i) of this subparagraph, a temporary legislative session employee who elected to become a member of the System may withdraw from the System effective the day said employee elected to participate in the System upon written request to the Board. Any such request must be received by the Board prior to October 1, 1990. All employee contributions made by the temporary legislative session employee shall be returned to the employee without interest within four (4) months of receipt of the written request.
- (iv) A member of the System who did not initially elect to participate as a member of the System pursuant to subparagraph (e) of this paragraph shall be able to acquire service performed as a temporary legislative session employee for

periods of service performed prior to the date upon which the person became a member of the System if:

- a the member files an election with the System not later than December 31, 2000, to purchase the prior service; and
- b the member makes payment to the System of the actuarial cost of the service credit pursuant to subsection A of Section 913.5 of this title. The provisions of Section 913.5 of this title shall be applicable to the purchase of the service credit, including the provisions for determining service credit in the event of incomplete payment due to cessation of payments, death, termination of employment or retirement, but

ENR. H B NO 1660

Page 11

the payment may extend for a period not to exceed ninety-six (96) months;

(15) "Entry date" means the date on which an eligible employer (joins) the System. The first entry date pursuant to Section 901 et seq. of this title shall be January 1, 1964;

(16) "Executive Director" means the managing officer of the System employed by the Board under Section 901 et seq. of this title;

(17) "Federal Internal Revenue Code" means the federal Internal Revenue Code of 1954 or 1986, as amended and as applicable to a governmental plan as in effect on July 1, 1999;

(18) "Final average compensation" means the average annual ~~salary~~ compensation, including amounts deferred under deferred compensation agreements entered into between a member and a participating employer, up to, but not exceeding the maximum compensation levels as provided in paragraph (9) of this section received during the highest three (3) of the last ten (10) years of participating service immediately preceding retirement or termination of employment. Provided, no member shall retire with a final average compensation unless the member has made the required contributions on such compensation, as defined by the Board of Trustees;

(19) "Fiscal year" means the period commencing July 1 of any year and ending June 30 of the next year. The fiscal year is the plan year for purposes of the federal Internal Revenue Code; [however, the calendar year is the limitation year for purposes of Section 415 of the federal Internal Revenue Code;

(20) "Fund" means the Oklahoma Public Employees Retirement Fund (as created by Section 901 et seq. of this title);

(21) "Leave of absence" means a period of absence from employment without pay, authorized and approved by the employer and

[acknowledged to the Board, and which after the effective date does not exceed two (2) years;

(22) "Member" means an eligible employee or elected official who is in the System and is making the required employee or elected official contributions, or any former employee or elected official who shall have made the required contributions to the System and shall have not received a refund or withdrawal;

(23) "Military service" means service in the Armed Forces of the United States in time of war or national emergency by honorably discharged, not to exceed five (5) years for combined participating and/or prior service, for persons who served as follows:

- (a) in the Armed Forces of the United States at any time during the period from April 6, 1917, to November 11, 1918, both dates inclusive,
- (b) in the Armed Forces of the United States as members of the 45th Division at any time during the period from September 16, 1940, to December 7, 1941, both dates inclusive,
- (c) in the Armed Forces of the United States at any time during the period from December 7, 1941, to December 31, 1946, both dates inclusive,

ENR H B NO 1660

Page 12

- (d) in the Armed Forces of the United States at any time during the period from June 27, 1950, to January 31, 1955, both dates inclusive,
- (e) for a period of ninety (90) days or more, unless discharged from active duty for a service-connected disability, in the Armed Forces of the United States during the period of time in which the United States participated in a war, campaign or battle, but excluding any person who shall have served on active duty for training only, unless discharged from active duty for service-connected disability,
- (f) in the Armed Forces of the United States at any time during the period which began on:
 - (i) February 28, 1961, and ended on May 7, 1975, in the case of a veteran who served in the Republic of Vietnam during that period, and
 - ii August 5, 1964, and ended on May 7, 1975, in all other cases,

except that such period shall be deemed to have ended on December 31, 1976, when determining eligibility for education and training benefits, or
- (g) in the Armed Forces of the United States on or after August 1, 1990, and ended on December 31, 1991, excluding any person who shall have served on active

duty for training only, unless discharged from active duty for service-connected disability.

An eligible member under this paragraph shall include only those persons who shall have served during the times or in the areas prescribed in this paragraph, and those persons who were awarded service medals, as authorized by the United States Department of Defense as reflected in the veteran's Defense Department Form 214, related to the Vietnam Conflict who served prior to August 5, 1964

(24) "Normal retirement date" means the date on which a member may retire with full retirement benefits as provided in Section 901 et seq. of this title, such date being whichever occurs first:

- (a) the first day of the month coinciding with or following a member's sixty-second birthday,
- (b) for any person who initially became a member prior to July 1, 1992, the first day of the month coinciding with or following the date at which the sum of a member's age and number of years of credited service total eighty (80); such a normal retirement date will also apply to any person who became a member of the sending system as defined in Section 901 et seq. of this title, prior to July 1, 1992, regardless of whether there were breaks in service after July 1, 1992,
- (c) for any person who became a member after June 30, 1992, the first day of the month coinciding with or following the date at which the sum of a member's age and number of years of credited service total ninety (90),

ENR H B NO 1660

Page 13

- (d) in addition to subparagraphs (a), (b) and (c) of this paragraph, the first day of the month coinciding with or following a member's completion of at least twenty (20) years of full-time-equivalent employment as a correctional or probation and parole officer with the Department of Corrections and at the time of retirement, the member was a correctional or probation and parole officer with the Department of Corrections,
- (e) for those fugitive apprehension agents who retire on or after July 1, 2002, the first day of the month coinciding with or following a member's completion of at least twenty (20) years of full-time equivalent employment as a fugitive apprehension agent with the Department of Corrections and at the time of retirement, the member was a fugitive apprehension agent with the Department of Corrections, or
- (f) for any member who was continuously employed by an entity or institution within The Oklahoma State System of Higher Education and whose initial employment with such entity or institution was prior to July 1, 1992, and who without a break in service of more than thirty

(30) days became employed by an employer participating in the Oklahoma Public Employees Retirement System, the first day of the month coinciding with or following the date at which the sum of the member's age and number of years of credited service total eighty (80);

(25) "Participating employer" means an eligible employer who has agreed to make contributions to the System on behalf of its employees;

(26) "Participating service" means the period of employment after the entry date for which credit is granted a member;

(27) "Prior service" means the period of employment of a member by an eligible employer prior to the member's entry date for which credit is granted a member under Section 901 et seq. of this title;

(28) "Retirant" means a member who has retired under the System;

(29) "Retirement benefit" means a monthly income with benefits accruing from the first day of the month coinciding with or following retirement and ending on the last day of the month in which death occurs or the actuarial equivalent thereof paid in such manner as specified by the member pursuant to Section 901 et seq. of this title or as otherwise allowed to be paid at the discretion of the Board;

(30) "Retirement coordinator" means the individual designated by each participating employer through whom System transactions and communication shall be directed;

(31) "Social Security" means the old-age survivors and disability section of the Federal Social Security Act;

(32) "Total disability" means a physical or mental disability accepted for disability benefits by the Federal Social Security System;

(33) "Service-connected disability benefits" means military service benefits which are for a service-connected disability rated at twenty percent (20%) or more by the Veterans Administration or the Armed Forces of the United States;

(34) "Elected official" means a person elected to a state office in the legislative or executive branch of state government or a person elected to a county office for a definite number of years and shall include an individual who is appointed to fill the unexpired term of an elected state official;

(35) "Elected service" means the period of service as an elected official; and

(36) "Limitation year" means the year used in applying the limitations of Section 415 of the Internal Revenue Code of 1986, which year shall be the calendar year.

SECTION 3. AMENDATORY 74 O.S. 2001, Section 909, is amended to read as follows:

Section 909. (1) The Board of Trustees shall be responsible for the policies and rules for the general administration of the system, subject to the provisions of this act.

(2) The Board shall establish rules and regulations for the administration of the system and for the transaction of its business consistent with law, which rules and regulations shall be filed in the office of the Secretary of State.

(3) The Board shall be responsible for the installation or provision of a complete and adequate system of accounts and records.

(4) All meetings of the Board shall be open to the public. The Board shall keep a record of its proceedings.

(5) The Board shall prescribe rules for the determination of the value of maintenance, board, lodging, laundry, and other allowances to employees in lieu of money and shall determine which forms or types of compensation shall be included for retirement purposes.

(6) The Board may adopt all necessary actuarial tables to be used in the operation of the system as recommended by the actuary and may compile such additional data as may be necessary for required actuarial valuation calculations.

(7) The Board, as soon after the close of the fiscal year as practical, shall publish for distribution among members a financial statement showing the financial status of the system.

(8) All decisions of the Board as to questions of fact shall be final and conclusive on all persons except for the right of review as provided by law and except for fraud or such gross mistake of fact as to have effect equivalent to fraud.

SECTION 4. AMENDATORY 74 O.S. 2001, Section 918, is amended to read as follows:

Section 918. (1) Except as otherwise provided for in this section and Section ~~42~~ 918.1 of this ~~act~~ title, a member may elect to have the retirement benefit paid under one of the options provided in this section in lieu of having it paid in the form stated in Section 915 of this title. The election of an option must be made at any time prior to retirement or prior to termination of

ENR. H. B. NO. 1660

Page 15

[servicewith a vested benefit. A specific person must be designated as joint annuitant at the time of election of Option A or B. Election of an option is available with respect to the vested benefit. All retirement benefits of a married member shall be paid pursuant to the Option A plan as provided for in this section unless the spouse of a member consents in writing for the benefits to be paid as provided for in Section 915 of this title or pursuant to Option B or Option C as provided for in this section.

(2) The amount of retirement benefit payable under an option

shall be based on the age and sex of the member and the age and sex of the joint annuitant, and shall be such amount as to be the actuarial equivalent of the retirement benefit otherwise payable under Section 915 of this title.

(3) The retirement options are:

Option A. Joint and one-half to joint annuitant survivor. A reduced retirement benefit is payable to the retirant during his or her lifetime with one-half of that amount continued to the joint annuitant during such joint annuitant's remaining lifetime, if any, after the death of the retirant. If the named joint annuitant dies at any time after the member's retirement date, but before the death of the retirant, the retirant shall return to the retirement benefit, including any post retirement benefit increases the member would have received had the member not selected Option A. The benefit shall be determined at the date of death of the named joint annuitant or July 1, 1994, whichever is later. This increase shall become effective the first day of the month following the date of death of the named joint annuitant or July 1, 1994, whichever is later, and shall be payable for the retirant's remaining lifetime. The retirant shall notify the Oklahoma Public Employees Retirement System of the death of the named joint annuitant in writing. In the absence of the written notice being filed by the member notifying the Oklahoma Public Employees Retirement System of the death of the named joint annuitant within six (6) months of the date of death, nothing in this subsection shall require the Oklahoma Public Employees Retirement System to pay more than six (6) months of retrospective benefits increase.

Option B. Joint and survivor. A reduced retirement benefit is payable to the retirant during his or her lifetime with that amount continued to the joint annuitant during the joint annuitant's remaining lifetime, if any, after the death of the retirant. If the named joint annuitant dies at any time after the member's retirement date, but before the death of the retirant, the retirant shall return to the retirement benefit, including any post retirement benefit increases the member would have received had the member not selected Option B. The benefit shall be determined at the date of death of the named joint annuitant or July 1, 1994, whichever is later. This increase shall become effective the first day of the month following the date of death of the named joint annuitant or July 1, 1994, whichever is later, and shall be payable for the retirant's remaining lifetime. The retirant shall notify the Oklahoma Public Employees Retirement System of the death of the named joint annuitant in writing. In the absence of such written notice being filed by the member notifying the Oklahoma Public Employees Retirement System of the death of the named joint annuitant within six (6) months of the date of death, nothing in this subsection shall require the Oklahoma Public Employees Retirement System to pay more than six (6) months of retrospective benefits increase.

Option C. Life with ten (10) years certain. A reduced retirement benefit is payable to the retirant during his or her lifetime and if the retirant dies within the ten-year certain

[period, measured from the commencement of retirement benefits payments, such payments will be continued to the beneficiary during the balance of the ten-year certain period.

(4) If the selection of a joint annuitant would violate the distribution requirements contained in Section ~~42~~ 918.1 of this ~~act~~ title, such selection will not be permitted.

(5) If a member who is eligible to retire in accordance with the provisions of Section 914 of this title but is not actually retired or is eligible to vest or has elected a vested benefit dies, the member's spouse, ~~if the spouse is beneficiary for the member's accumulated contributions,~~ may elect to receive benefits (as a joint annuitant under Option B calculated as if the member retired on the date of death, in lieu of receiving the member's accumulated contributions. However, no benefits shall be payable before the date the deceased member would have met the requirements for a normal or early retirement. ~~Provided further, that if an active member has elected an option under this section prior to the member's death, the member's spouse, if the spouse is the member's beneficiary, may elect to receive benefits as a joint annuitant under the elected option.~~

The provisions of this paragraph shall be applicable to a surviving spouse of a deceased member who died prior to the effective date of this act, but only if no benefits or distributions have been previously paid.

(6) Benefits payable to a joint annuitant shall accrue from the first day of the month following the death of a member or retirant and, in the case of Option A and Option B, shall end on the last day of the month in which the joint annuitant dies.

SECTION 5. This act shall become effective July 1, 2002

SECTION 6. 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 21st day of May, 2002

Presiding Officer of the House of
Representatives

Passed the Senate the 22nd day of May, 2002

Presiding Officer of the Senate

ENR. H. B. NO. 1660

Page 17

Copyright © GIT, Inc. 2001, (405)524-2833

6/5/02