



# Oklahoma State Senate

# Legislative Brief

August 1999

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## State, Education and Local Governmental Employees Retirement Legislation

The following legislation pertains to state, education or local government employees as indicated.

### **SB 183 - Employer Contributions (State)**

#### **Summary of Action**

Reduces employer contributions to the Oklahoma Public Employees Retirement System from twelve and one-half percent (12 1/2%) to ten percent (10%). This retirement contribution reduction will have no impact on the retirement benefit that current and future members receive.

### **SB 272 - Life Insurance Options (State and Education)**

#### **Issue Background**

Senate Bill No. 354 (1997) allows retired members of one of the state retirement systems who participate in the life insurance plan offered by the State and Education Employees Group Insurance Board to retain a larger portion of the employee's life insurance upon retirement. Prior to this law a retired employee could only retain Fifteen Thousand Dollars \$15,000 of his or her life insurance (3/4 of the \$20,000 basic life insurance amount). Persons who retired prior to the effective date of the act were not affected and were still limited to Fifteen Thousand Dollars (\$15,000) life insurance.

#### **Summary of Action**

Provides a limited opportunity for certain members to participate in an alternative life insurance plan. Eligible participants are retired members, members who elected to receive a vested benefit, and certain members currently drawing disability benefits, or the spouse of such members and who are participating in a health insurance plan, the dental insurance plan or the life insurance plan offered by the State and Education Employees Group Insurance Board. This life insurance plan would be in lieu of the other life insurance plan offered by the State and Education Employees Group Insurance Board. The maximum coverage under the new life insurance plan would be Fifty Thousand Dollars (\$50,000). This act shall take effect July 1, 1999.

### **SB 295 - Additional Retirement Contributions (State)**

#### **Issue Background**

During the 1998 Legislative Session the Legislature provided for the return of certain additional retirement contributions made by some members of the Oklahoma Public Employees Retirement System (SB 1032 and HB 2695). These contributions were made from July 20, 1987 through June 30, 1994. The 1998 legislation did not provide for any assumed earnings on the money to be refunded.

#### **Summary of Action**

Amends the legislation from last year (SB 1032 and HB 2695). SB 295 allows those eligible persons who made the additional contributions to receive assumed earnings based upon a seven and one-half percent (7.5%) compounded rate of return on the additional retirement contributions that were made. It transfers the additional retirement contributions and the assumed earnings to the member's account in the Oklahoma State Employees Deferred Savings Incentive Plan upon approval by the Internal Revenue Service. The compounding shall continue until the date of the transfer.

### **SB 386 - Additional Retirement Benefits (State)**

#### **Issue Background**

During the 1998 Legislative Session the Legislature provided for the return of certain additional retirement contributions made by members of the Oklahoma Public Employees Retirement System (SB 1032 and HB 2695). This return applied only to actively contributing members as of July 1, 1998. Members who elected a vested benefit or who were eligible to

vest and who were not actively contributing to the Oklahoma Public Employees Retirement System as of July 1, 1998, did not receive any return of additional contributions they had made during the period July 20, 1987 through June 30, 1994.

#### **Summary of Action**

Allows members of the Oklahoma Public Employees Retirement System who were either vested or eligible to vest and not participating or retired from the System as of July 1, 1998 and who elected, prior to July 1, 1998, and made, prior to July 1, 1994, additional retirement contributions to receive Two Hundred Dollars (\$200) per month upon retirement in an amount equaling the amount of additional retirement contributions actually paid.

#### **SB 504 - Retired Educators Returning to Teach (Education)**

#### **Issue Background**

Retired members of the Teachers' Retirement System of Oklahoma are limited in how much compensation they can receive in employment with an Oklahoma school district after retirement and still receive his or her retirement benefits. The most that such a member could earn and still receive retirement benefits was Fifteen Thousand Dollars (\$15,000). The Legislature was concerned about losing experienced retired Oklahoma teachers to other states. The Legislature was also concerned with the impact any change to existing law would have on the retirement system. The Legislature wanted to encourage retired teachers to stay in Oklahoma without hurting the retirement system.

#### **Summary of Action**

Allows a retired member of the Teachers' Retirement System of Oklahoma who has been retired for at least thirty-six (36) months to make up to Twenty-five Thousand Dollars (\$25,000) per year teaching at a public school without diminishing the member's retirement benefit.

#### **SB 602 - Higher Education Employer Contributions (Education)**

#### **Summary of Action**

Extends the use of caps from 2001 to 2007 on the maximum compensation on which retirement contributions are made for members of the Teachers' Retirement System of Oklahoma who are employed by a comprehensive university. This extension also affects the compensation that will be used in determining retirement benefits for those members.

#### **HB 1005 - Education Retirees 1998 Benefit Increase Amendment (Education)**

#### **Issue Background**

In the 1998 Session, House Bill No. 2695 provided a retirement benefit increase to retired members of the Teachers' Retirement System of Oklahoma. The benefit increase was to be reauthorized each fiscal year by the Legislature. If the Legislature did not reauthorize the benefit increase, then the benefit would cease and retirees would have a benefit equivalent to what they were making prior to this benefit increase.

#### **Summary of Action**

Removes the requirement that the Legislature must annually reauthorize the 1998 benefit increase granted to retired members. This legislation makes the 1998 benefit increase a permanent cost of living adjustment.

#### **HB 1044 - Death Benefits (State)**

#### **Issue Background**

House Bill No. 1895 (1997) increased the death benefit for retired educators under the Teachers' Retirement System of Oklahoma from Four Thousand Dollars (\$4,000) to Five Thousand Dollars (\$5,000). This increase in death benefits was not provided to members of the other retirement systems.

#### **Summary of Action**

Provides an increase in the Death Benefit from Four Thousand Dollars (\$4,000) to Five Thousand Dollars (\$5,000) for members of the Oklahoma Firefighters Pension and Retirement System, Oklahoma Police Pension and Retirement System, the Uniform Retirement System for Justices and Judges, the Oklahoma Law Enforcement Retirement System, and the Oklahoma Public Employees Retirement System. Provides further that that there is no recourse to increase disability benefits for members of the Oklahoma Police Pension and Retirement System after the initial award.

#### **HB 1428 - Teachers' Deferred Savings Incentive Plan (Education)**

#### **Issue Background**

House Bill No. 1895 (1997) established a monthly Twenty-five Dollar (\$25) state match if voluntary contributions by state employees to the employee's 457 plan equaled or exceeded Twenty-five Dollars (\$25). The matching dollars were put into a newly created 401(a) retirement plan. This match was only provided for state employees and not provided for education employees who may participate in a 403(b) tax-sheltered annuity plan.

### **Summary of Action**

Establishes the Teachers' Deferred Savings Incentive Plan for eligible active contributing members of the Teachers' Retirement System of Oklahoma (System). This plan is similar to the plan enacted for state employees in 1997. Members that are contributing at least Twenty-five Dollars (\$25) per month to a 403(b) plan maintained by the System shall receive a matching Twenty-five Dollars (\$25) to a newly created 401(a) plan. The match shall only be made as long as appropriations are available to fund the match.

### **HB 1814 - Elected Officials Retirement Contributions (State)**

### **Summary of Action**

Changes the cost of purchasing past service credit as an elected official from contributions plus interest to an actuarial cost beginning July 1, 1999. This provision applies to elected officials who have not chosen to participate in the Oklahoma Public Employees Retirement System prior to December 1, 1999.

It further provides that the elected officials who did not elect to participate in the System shall make an irrevocable election to participate and at what contribution rate they wish to participate prior to December 1, 1999. The System shall require participation at the maximum rate for those members who fail to make a timely election. The System may require all elected officials, whether participating or not, to file a new irrevocable election prior to December 1, 1999. More information will be provided when received. Newly elected officials shall have ninety (90) days to file an irrevocable election after taking office.

### **HB 1815 - Firefighters Cost of Living Adjustment (Local)**

### **Issue Background**

Senate Bill No. 1037 (1998) provided a cost of living adjustment (COLA) to retired members of the Oklahoma Firefighters Pension and Retirement System (System). The COLA was a flat dollar cost of living adjustment for volunteer firefighters and a cost of living adjustment for regular firefighters equal to 75% of the loss of the retired member's purchasing power. The System believes that it can afford an increase to this cost of living adjustment for volunteer and regular firefighters.

### **Summary of Action**

Increases the retirement benefit of retired volunteer firefighters from Five Dollars and ninety cents (\$5.90) for each year of service to Six Dollars and eight cents (\$6.08). Increases the 1998 cost of living adjustment for members of the Oklahoma Firefighters Pension and Retirement System from 75% of their loss of purchasing power to 100%.

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[Legislative Brief Index](#)