ENGROSSED SENATE
BILL NO. 1668

By: Rosino and Weaver of the Senate

and

Lepak of the House

An Act relating to the Oklahoma Police Pension and Retirement System; amending 11 O.S. 2011, Sections 50-101, as amended by Section 1, Chapter 346, O.S.L. 2016 (11 O.S. Supp. 2019, Section 50-101) and 50-116.1, which relate to definitions and sickness or temporary disability; modifying definition of paid base salary; correcting improper statutory title reference due to repeal of Title 85 provisions; and updating statutory language.

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

SECTION 1. AMENDATORY 11 O.S. 2011, Section 50-101, as amended by Section 1, Chapter 346, O.S.L. 2016 (11 O.S. Supp. 2019, Section 50-101), is amended to read as follows:

Section 50-101. As used in this article:

1. “System” means the Oklahoma Police Pension and Retirement System and all predecessor municipal Police Pension and Retirement Systems;

2. “Article” means Article 50 of this title;

3. “State Board” means the Oklahoma Police Pension and Retirement Board;
4. “Fund” means the Oklahoma Police Pension and Retirement Fund;

5. “Officer” means any duly appointed and sworn full-time officer of the regular police department of a municipality whose duties are to preserve the public peace, protect life and property, prevent crime, serve warrants, enforce all laws and municipal ordinances of this state, and any political subdivision thereof, and who is authorized to bear arms in the execution of such duties;

6. “Member” means all eligible officers of a participating municipality and any person hired by a participating municipality who is undergoing police training to become a permanent police officer of the municipality. Effective July 1, 1987, a member does not include a “leased employee” as defined under Section 414(n)(2) of the Internal Revenue Code of 1986, as amended. Effective July 1, 1999, any individual who agrees with the participating municipality that the individual’s services are to be performed as a leased employee or an independent contractor shall not be a member regardless of any classification as a common law employee by the Internal Revenue Service or any other governmental agency, or any court of competent jurisdiction. A member shall include eligible commissioned officers of the Oklahoma State Bureau of Narcotics and Dangerous Drugs Control, the Oklahoma State Bureau of Investigation, and the Alcoholic Beverage Laws Enforcement Commission who elect to
participate in the System pursuant to Section 50-111.5 of this title;

7. “Normal retirement date” means the date at which the member is eligible to receive the unreduced payments of the member’s accrued retirement benefit. Such date shall be the first day of the month coinciding with or following the date the member completes twenty (20) years of credited service. If the member’s employment continues past the normal retirement date of the member, the actual retirement date of the member shall be the first day of the month after the member terminates employment with more than twenty (20) years of credited service;

8. “Credited service” means the period of service used to determine the eligibility for and the amount of benefits payable to a member. Credited service shall consist of the period during which the member participated in the System or the predecessor municipal systems as an active employee in an eligible membership classification, plus any service prior to the establishment of the predecessor municipal systems which was credited under the predecessor municipal systems or credited service granted by the State Board;

9. “Participating municipality” means a municipality which is making contributions to the System on behalf of its officers. The Oklahoma State Bureau of Narcotics and Dangerous Drugs Control, the Oklahoma State Bureau of Investigation, and the Alcoholic Beverage
Laws Enforcement Commission shall be treated in the same manner as a participating municipality only regarding those members who elect to participate in the System pursuant to Section 50-111.5 of this title;

10. “Permanent total disability” means incapacity due to accidental injury or occupational disease, to earn any wages in the employment for which the member is physically suited and reasonably fitted through education, training or experience. Further, the member must be declared one hundred percent (100%) impaired as defined by the “American Medical Association’s Guides to the Evaluation of Permanent Impairment” on the basis of a physical medical examination by a physician licensed to practice medicine in this state, as selected by the State Board;

11. “Permanent partial disability” means permanent disability which is less than permanent total disability as defined in this section. The member must be declared no greater than ninety-nine percent (99%) impaired as defined by the “American Medical Association’s Guides to the Evaluation of Permanent Impairment” on the basis of a physical medical examination by a physician licensed to practice medicine in this state, as selected by the State Board;

12. “Permanent in-line disability” means incapacity to earn any wages as a certified, commissioned police officer due to accidental injury or occupational disease, incurred while in, and in consequence of, the performance of duty as an officer;
13. “Beneficiary” means a member’s surviving spouse or any surviving children, including biological and adopted children, at the time of the member’s death. The surviving spouse must have been married to the member for the thirty (30) continuous months immediately preceding the member’s death, provided a surviving spouse of a member who died while in, and as a consequence of, the performance of the member’s duty for a participating municipality, shall not be subject to the thirty-month marriage requirement for survivor benefits. A surviving child of a member shall be a beneficiary until reaching eighteen (18) years of age or twenty-two (22) years of age if the child is enrolled full time and regularly attending a public or private school or any institution of higher education. Any child adopted by a member after the member’s retirement shall be a beneficiary only if the child is adopted by the member for the thirty (30) continuous months preceding the member’s death. Any child who is adopted by a member after the member’s retirement and such member dies accidentally or as a consequence of the performance of the member’s duty as a police officer shall not be subject to the thirty-month adoption requirement. This definition of beneficiary shall be in addition to any other requirement set forth in this article;

14. “Executive Director” means the managing officer of the System employed by the State Board;
15. “Eligible employer” means any municipality with a municipal police department;

16. “Entry date” means the date as of which an eligible employer joins the System. The first entry date pursuant to this article shall be January 1, 1981;

17. “Final average salary” means the average paid base salary of the member for normally scheduled hours over the highest salaried thirty (30) consecutive months of the last sixty (60) months of credited service. Effective July 1, 2016, the following shall apply in computing final average salary:

   a. only paid base salary on which required contributions have been made shall be used in computing a member’s final average salary,

   b. for purposes of determining the normal disability benefit only, final average salary shall be based on the member’s total service if less than thirty (30) months,

   c. in addition to other applicable limitations, and notwithstanding any other provision to the contrary, for plan years beginning on or after July 1, 2002, the annual compensation of each “Noneligible Member” taken into account under the System shall not exceed the Economic Growth and Tax Relief Reconciliation Act of 2001 (EGTRRA) annual compensation limit. The EGTRRA
annual compensation limit is Two Hundred Thousand Dollars ($200,000.00), as adjusted by the Commissioner for increases in the cost of living in accordance with Section 401(a)(17)(B) of the Internal Revenue Code of 1986, as amended. The annual compensation limit in effect for a calendar year applies to any period, not exceeding twelve (12) months, over which compensation is determined ("determination period") beginning in such calendar year. If a determination period consists of fewer than twelve (12) months, the EGTRRA annual compensation limit will be multiplied by a fraction, the numerator of which is the number of months in the determination period, and the denominator of which is twelve (12). For purposes of this section, a "Noneligible Member" is any member who first became a member during a plan year commencing on or after July 1, 1996,

d. for plan years beginning on or after July 1, 2002, any reference in the System to the annual compensation limit under Section 401(a)(17) of the Internal Revenue Code of 1986, as amended, shall mean the EGTRRA annual compensation limit set forth in this provision, and
e. effective January 1, 2008, back pay, within the meaning of Section 1.415(c)-2(g)(8) of the Income Tax
Regulations, shall be treated as paid base salary for the limitation year to which the back pay relates to the extent the back pay represents wages and compensation that would otherwise be included in this definition;

18. “Accrued retirement benefit” means two and one-half percent (2 1/2%) of the member’s final average salary multiplied by the member’s years of credited service not to exceed thirty (30) years;

19. “Normal disability benefit” means two and one-half percent (2 1/2%) of the member’s final average salary multiplied by twenty (20) years;

20. “Limitation year” means the year used in applying the limitations of Section 415 of the Internal Revenue Code of 1986, as amended, which year shall be the calendar year;

21. “Paid base salary” means, effective July 1, 2016, any compensation described in subparagraph a of this paragraph that is not described in subparagraph b of this paragraph.

a. Paid base salary shall include only:

   (1) normal compensation paid on a regularly scheduled pay period, including, but not limited to, regular pay for holidays, paid time off, vacation or annual leave, sick leave or compensatory time in lieu of overtime, any lump sum payment paid in lieu of a normal wage increase, provided such
lump sum payment is retroactively applied over the prior twelve-month period ending with the payment date, compensation for bomb squad pay, education pay, incentive pay, K-9 pay, negotiation pay, shift differential, sniper pay, SWAT team pay, emergency response team pay, any other special unit pay, and any incremental increase in compensation which is not included by the employer in a member’s regular base pay for salary increase purposes but is paid by the employer to the member for group health benefits based on an arrangement with a participating municipality that was in place on December 31, 2015, so long as the arrangement continues uninterrupted for a member employed by a participating municipality on June 30, 2016, who has not since terminated employment and been rehired by such participating municipality,

(2) any amount of elective salary reduction under Section 125 of the Internal Revenue Code of 1986, as amended, that would have been treated as paid base salary but for the salary deferral reduction agreement,
(3) any amount of elective salary reduction not includable in the gross income of the member under Section 132(f)(4) of the Internal Revenue Code of 1986, as amended, that would have been treated as paid base salary but for the salary deferral reduction agreement,

(4) any amount of elective salary reduction under Section 457 of the Internal Revenue Code of 1986, as amended, that would have been treated as paid base salary but for the salary deferral reduction agreement,

(5) any amount of elective salary reduction under Section 401(k) of the Internal Revenue Code of 1986, as amended, that would have been treated as paid base salary but for the salary deferral reduction agreement,

(6) any amount of nonelective salary reduction under Section 414(h) of the Internal Revenue Code of 1986, as amended,

(7) educational allowances paid to obtain training certification or pursue an advanced degree,

(8) longevity payments made to members based upon a standardized plan which recognizes length of service to the participating municipality,
(9) paid base salary shall also include base salary, as described in divisions (1) through (8) of this subparagraph, for services, but paid by the later of two and one-half (2 1/2) months after a member’s severance from employment or the end of the calendar year that includes the date the member terminated employment, if it is a payment that, absent a severance from employment, would have been paid to the member while the member continued in employment with the participating municipality,

(10) any payments not described in divisions (1) through (9) of this subparagraph shall not be considered paid base salary if paid after severance from employment, even if they are paid by the later of two and one-half (2 1/2) months after the date of severance from employment or the end of the calendar year that includes the date of severance from employment, except payments to an individual who does not currently perform services for the participating municipality by reason of qualified military service within the meaning of Section 414(u)(5) of the Internal Revenue Code of 1986, as amended,
to the extent these payments do not exceed the
amounts the individual would have received if the
individual had continued to perform services for
the participating municipality rather than
entering qualified military service,

(11) back pay, within the meaning of Section 1.415(e)–
2(g)(8) of the Income Tax Regulations, shall be
treated as paid base salary for the limitation
year to which the back pay relates to the extent
the back pay represents wages and compensation
that would otherwise be included in this
definition, and

(12) paid base salary shall also include differential
wage payments under Section 414(u)(12) of the
Internal Revenue Code of 1986, as amended.

b. Notwithstanding anything to the contrary in this
section, paid base salary shall not include any:

(1) fringe benefits, reimbursements, or increases in
compensation due to reimbursements to the extent
not specifically included above in subparagraph a
of this paragraph,

(2) incremental increase in compensation which is not
included by the employer in a member’s regular
base pay for salary increase purposes but is paid
by the employer to the member for group health
benefits not otherwise included above in division
(1) of subparagraph a of this paragraph,
(3) insurance benefits, including any reimbursements
thereof, or insurance proceeds of any type not
otherwise included above in division (1) of
subparagraph a of this paragraph,
(4) bonuses, including signing bonuses, lump-sum
payments or stipends made to the member not
otherwise included above in division (1) of
subparagraph a of this paragraph,
(5) overtime compensation,
(6) payments whether prior to or upon termination of
employment for accumulated unused vacation or
unused annual leave, accumulated unused sick
leave, or accumulated unused paid time off or
other unused leave,
(7) payments made in error to a member,
(8) payments made by the participating municipality
for services rendered by the member, which
services are not part of the member’s job duties
and responsibilities of his or her job position
with the participating municipality,
(9) severance pay,
(10) unemployment payments, and

(11) uniform and equipment allowances; and effective July 1, 2020:

a. all compensation that shall include longevity, education allowances and normal compensation paid on a regularly scheduled pay period in which the pay period shall include holidays, annual leave and sick leave,

b. any amount of elective salary reduction under Sections 401(k) or 457 of Title 26 of the Internal Revenue Code of 1986, as amended, any amount of nonelective salary reduction under Section 414(h)(2) of Title 26 the Internal Revenue Code, any amount of elective salary reduction under Section 125 of Title 26 of the Internal Revenue Code, as well as any amount of elective salary reduction not includable in the gross income of the member under Section 132(f)(4) of Title 26 of the Internal Revenue Code and any differential wage payments under Section 414(u)(12) of Title 26 the Internal Revenue Code,

c. compensation for services, as described in subparagraph a of this paragraph, but paid by the later of two and one-half (2 1/2) months after the severance from employment of the member or the end of the calendar year that includes the date the member
terminated employment, if it is a payment that absent a severance from employment, would have been paid to the member while he or she continued in employment with the participating municipality,

d. any payments not described in subparagraph a, b and c of this paragraph shall not be considered paid base salary if paid after severance from employment, even if they are paid by the later of two and one-half (2 1/2) months after the date of severance from employment or the end of the calendar year that includes the date of severance from employment. This shall not include payments to an individual who is not currently performing services for the participating municipality by reason of qualified military services within the meaning of Section 414(u)(5) of Title 26 the Internal Revenue Code of 1986, as amended, to the extent these payments do not exceed the amounts the individual would have received if the individual continued to perform services for the participating municipality rather than entering qualified military service, and

e. paid base salary shall exclude overtime, bonuses, payments whether prior to or upon termination of employment for accumulated unused vacation or unused
annual leave, accumulated unused sick leave or accumulated unused paid time off, other unused leave, any uniform allowances or any other compensation for reimbursement of out-of-pocket expenses and any other incremental increase in compensation not included in regular base pay other than an arrangement for group health benefits in place on December 31, 2015, that has continued uninterrupted for a member employed by a participating municipality on June 30, 2016, who has not since terminated employment with the participating municipality; and

22. “Actuarial equivalent” means equality in value of the aggregate amounts expected to be received based on interest rate and mortality assumptions set by the State Board, in a manner that precludes employer discretion, and based upon recommendations from independent professional advisors, and which shall be published annually in the actuarial report.

SECTION 2. AMENDATORY 11 O.S. 2011, Section 50-116.1, is amended to read as follows:

Section 50-116.1. Whenever any member of the police department of any municipality is unable to perform the member’s duties because of sickness or temporary disability caused or sustained while in the discharge of the member’s duty as such member, notwithstanding the provisions of Sections 11 and 12 of Title 85 85A of the Oklahoma
Statutes, the salary shall be paid by the municipality to the member and shall continue while the member is sick or temporarily disabled for a period of not more than six (6) months with the municipality having the option of extending the period for up to an additional six (6) months, not to exceed a total of twelve (12) months, after which the period the provisions for permanent total or permanent partial disability benefits of the Oklahoma Police Pension and Retirement System shall apply. Should a member receiving a salary under this section be eligible to receive, and should the salary of the member under this section exceed any temporary disability benefit paid to the member under Section 1 et seq. of Title 85A of the Oklahoma Statutes, the member shall transfer the temporary disability benefits under Section 1 et seq. of Title 85A of the Oklahoma Statutes to the municipality while the member is sick or temporarily disabled.
Passed the Senate the 11th day of March, 2020.

                             Presiding Officer of the Senate

Passed the House of Representatives the ___ day of ________,

2020.

                             Presiding Officer of the House of Representatives