Public Employees Retirement System from a defined benefit plan to a 401(k)-style defined contribution plan was approved Tuesday by the state Senate Pensions Committee.

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A bill designed to switch new state employees who participate in the Oklahoma Public Employees Retirement System from a defined benefit plan to a 401(k)-style defined contribution plan was approved Tuesday by the state Senate Pensions Committee.

House Bill 2630 passed the committee 5-2 on and will now go to the full Senate.

Committee Chairman Rick Brinkley, R-Owasso, debated in favor of the bill, contending changes are needed in Oklahoma's pension system to attract and better serve young workers who change jobs often.

The proposed defined contribution system would enable new workers to contribute between 3 and 7 percent of their salaries into the retirement system and receive a dollar for dollar match from the state. Participants would become 20 percent vested in the retirement system after one year and that percentage would increase annually until they become completely vested after five years.

Employees who leave their jobs after one year or more would be entitled to not only get their own contributions back, but also a percentage or all of the state's contribution, plus investment earnings, depending on how long they worked for the state.

Under the existing defined benefit system, workers don't become vested at all until they have worked 7.5 years for the state, which means employees who leave before then only receive their personal contributions back, with no investment earnings or

“If we set the wrong course with this bill, the repercussions are going to be felt long after we are all gone,” Ivester said.

For employees, the positive side of the current system is that the state's contribution is larger. Employees are required to pay 3.5 percent of their salaries into the system, and the state is currently kicking in 16.5 percent to meet current requirements and make up for past years when the system was underfunded. About half of the money going into the pension system this year is to pay for past debt.

Retired employees also are guaranteed a specific benefit, which varies with their salaries and years of service. Current employees would remain under the old system.

Brinkley said the near-term goal is to get the bill into a conference committee where differences between House and Senate versions of the bill can be worked out, along with certain issues that have surfaced involving county officers.

Issues yet to be resolved include whether county officers will participate in the new program and whether the bill would require counties to pay a higher percentage into the pension system. Brinkley said it is not the Legislature's intent for counties to pay more and that will be fixed if there is a glitch in the bill.

The Senate version of the bill contains an option for retiring employees to participate in an annuity, while the House version does not, Brinkley said.

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