

STATE OF OKLAHOMA

1st Session of the 49th Legislature (2003)

CONFERENCE COMMITTEE SUBSTITUTE
FOR ENGROSSED
HOUSE BILL NO. 1440

By: Brannon of the House

and

Corn of the Senate

CONFERENCE COMMITTEE SUBSTITUTE

An Act relating to the Teachers' Retirement System of Oklahoma; authorizing certain lump sum payment and reduced annuity; prescribing procedures for determination of amounts; providing for computation of Maximum Retirement Allowance; prescribing payment procedures; providing for authorized distribution or transfers; providing for income tax treatment; authorizing election and imposing limitation; requiring administrative rules; providing for codification; providing an effective date; and declaring an emergency.

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

SECTION 1. NEW LAW A new section of law to be codified in the Oklahoma Statutes as Section 17-105.2 of Title 70, unless there is created a duplication in numbering, reads as follows:

A. A member who is eligible to retire with at least thirty (30) years of creditable service may elect to receive a partial lump-sum payment on the date of retirement and a reduced annuity. The partial lump-sum payment shall be an amount equal to the unreduced retirement benefit, which shall be referred to as the "Maximum Retirement Allowance" for purposes of this section, which would have been paid over a period of twelve (12), twenty-four (24) or thirty-six (36) months, had the lump-sum option not been elected. Once the payout amount is elected, a reduced Maximum Retirement Allowance is then calculated using factors adopted by the Board of Trustees based upon the System's actuarial expected rate of return and the member's

age at retirement and the payout option (twelve (12), twenty-four (24), or thirty-six (36) months) elected. This reduced Maximum Retirement Allowance shall also be reduced in accordance with any retirement options the member has elected pursuant to Section 17-105 of Title 70 of the Oklahoma Statutes.

B. The partial lump-sum payment, pursuant to this section, shall be paid in a check separate from the regular monthly retirement benefit. The total amount of the partial lump-sum payment shall be deducted from the member's account balance consisting of the employee contributions plus interest for purposes of determining unused contributions remaining in the account. The member may elect to rollover the taxable portion of the partial lump-sum payment to an eligible retirement plan or individual retirement account (IRA). The nontaxable portion of the partial lump-sum payment can be rolled over to an IRA or another qualified retirement plan as allowed by the Internal Revenue Code and regulations. This partial lump-sum payment shall be subject to federal income tax in accordance with the Internal Revenue Code Section 72 and other such Internal Revenue Code sections and regulations as may be applicable. This partial lump-sum benefit is subject to the same restrictions for assignment and attachment as all other retirement benefits. The appropriate portion of the partial lump-sum distribution will be reported to the Internal Revenue Service (IRS) as taxable income and appropriate tax withholdings will be withheld unless the member elects to make a direct rollover of the taxable portion of the funds. Should the member have after-tax contributions, a portion of such after-tax contributions will be allocated to the partial lump-sum payment and to the remaining annuity on a prorata basis.

C. The partial lump-sum option under this section may be elected only once by a member and may not be elected by a retiree.

D. The board of trustees shall promulgate any rules necessary for the implementation of this section.

SECTION 2. This act shall become effective July 1, 2003.

SECTION 3. 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.

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