

CS for EHB 1440

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THE STATE SENATE
Wednesday, April 2, 2003

Committee Substitute for
ENGROSSED
House Bill No. 1440

COMMITTEE SUBSTITUTE FOR ENGROSSED HOUSE BILL NO. 1440 - By: BRANNON
of the House and CORN of the Senate.

[public retirement systems - codification - effective date
- 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 an unreduced
retirement benefit 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 based upon the member's age at retirement
and the payout option (twelve (12), twenty-four (24), or thirty-six

1 (36) months) elected. This reduced Maximum Retirement Allowance
2 shall also be reduced in accordance with any retirement options the
3 member has elected pursuant to Section 17-105 of Title 70 of the
4 Oklahoma Statutes.

5 B. The partial lump-sum payment, pursuant to this section,
6 shall be paid in a check separate from the regular monthly
7 retirement benefit. The total amount of the partial lump-sum
8 payment shall be deducted from the member's account balance
9 consisting of the employee contributions plus interest for purposes
10 of determining unused contributions remaining in the account. The
11 member may elect to rollover the taxable portion of the partial
12 lump-sum payment to an eligible retirement plan or individual
13 retirement account (IRA). The nontaxable portion of the partial
14 lump-sum payment can be rolled over to an IRA or another qualified
15 retirement plan as allowed by the Internal Revenue Code and
16 regulations. This partial lump-sum payment shall be subject to
17 federal income tax in accordance with the Internal Revenue Code
18 Section 72 and other such Internal Revenue Code Sections and
19 regulations as may be applicable. This partial lump-sum benefit is
20 subject to the same restrictions for assignment and attachment as
21 all other retirement benefits. The appropriate portion of the
22 partial lump-sum distribution will be reported to the Internal
23 Revenue Service (IRS) as taxable income and appropriate tax

1 withholdings will be withheld unless the member elects to make a
2 direct rollover of the taxable portion of the funds. Should the
3 member have after-tax contributions, a portion of such after-tax
4 contributions will be allocated to the partial lump-sum payment and
5 to the remaining annuity on a prorata basis.

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

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

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

11 SECTION 3. It being immediately necessary for the preservation
12 of the public peace, health and safety, an emergency is hereby
13 declared to exist, by reason whereof this act shall take effect and
14 be in full force from and after its passage and approval.

15 COMMITTEE REPORT BY: COMMITTEE ON RETIREMENT & GROUP HEALTH, dated
16 4-1-03 - DO PASS, As Amended.