

CORRECTED

THE HOUSE OF REPRESENTATIVES
Wednesday, April 16, 2008

Committee Substitute for
ENGROSSED

Senate Bill No. 2143

COMMITTEE SUBSTITUTE FOR ENGROSSED SENATE BILL NO. 2143 - By: CORN
of the Senate and HICKMAN AND JETT of the House.

An Act relating to public retirement systems; amending 11 O.S. 2001, Sections 49-106.1, as last amended by Section 2, Chapter 356, O.S.L. 2007, 49-106.2, as amended by Section 4, Chapter 128, O.S.L. 2003 and 49-106.3, as last amended by Section 2, Chapter 345, O.S.L. 2007 (11 O.S. Supp. 2007, Sections 49-106.1, 49-106.2 and 49-106.3), which relate to the Oklahoma Firefighters Pension and Retirement System; authorizing certain election by surviving spouse; modifying provisions related to certain limitation years for purposes of Internal Revenue Code of 1986, as amended; providing for certain adjustments; providing for benefit determinations; prescribing procedures related to certain actuarial adjustments; specifying procedures applicable to certain years; modifying definitions; amending 11 O.S. 2001, Sections 50-111.3, as last amended by Section 4, Chapter 551, O.S.L. 2004, 50-114.1, as last amended by Section 5, Chapter 551, O.S.L. 2004 and 50-114.2, as last amended by Section 3, Chapter 152, O.S.L. 2007 (11 O.S. Supp. 2007, Sections 50-111.3, 50-114.1 and 50-114.2), which relate to the Oklahoma Police Pension and Retirement System; modifying provisions related to election for purposes of Oklahoma Police Deferred Option Plan; modifying provisions related to certain limitation years for purposes of Internal Revenue Code of 1986, as amended; providing for certain adjustments; providing for benefit determinations; prescribing procedures related to certain actuarial adjustments; specifying procedures applicable to certain years; modifying definitions; amending 47 O.S. 2001, Sections 2-300, as last amended by Section 10, Chapter 62, O.S.L. 2007, 2-303.3, 2-305.1A., as last amended by Section 8, Chapter 152, O.S.L. 2007, 2-305.4, as last amended by Section 21, Chapter 46,

2nd Extraordinary Session, O.S.L. 2006, 2-307, as last amended by Section 22, Chapter 46, 2nd Extraordinary Session, O.S.L. 2006, Section 2-307.2, as amended by Section 24, Chapter 46, 2nd Extraordinary Session, O.S.L. 2006 and 2-309.8 (47 O.S. Supp. 2007, Sections 2-300, 2-305.1A, 2-305.4, 2-307 and 2-307.2), which relate to the Oklahoma Law Enforcement Retirement System; modifying definitions; modifying provisions related to alternate payees pursuant to certain qualified orders; modifying provisions related to certain limitation years for purposes of Internal Revenue Code of 1986, as amended; providing for certain adjustments; providing for benefit determinations; prescribing procedures related to certain actuarial adjustments; specifying procedures applicable to certain years; modifying provisions related to certain employer contributions; imposing limitation on duration of contributions; modifying provisions related to computation of sick leave for certain purposes; providing an effective date; and declaring an emergency.

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

1 SECTION 1. AMENDATORY 11 O.S. 2001, Section 49-106.1, as last amended
2 by Section 2, Chapter 356, O.S.L. 2007 (11 O.S. Supp. 2007, Section 49-106.1), is
3 amended to read as follows:

4 Section 49-106.1 A. In lieu of terminating employment and accepting a service
5 retirement pension pursuant to Sections 49-101 and 49-106 of this title, any member of
6 the Oklahoma Firefighters Pension and Retirement System who has not less than twenty
7 (20) years of creditable service and who is eligible to receive a service retirement pension
8 may elect to participate in the Oklahoma Firefighters Deferred Option Plan and defer
9 the receipts of benefits in accordance with the provisions of this section.

1 B. For purposes of this section, creditable service shall include service credit
2 reciprocally recognized pursuant to Sections 49-100.1 through 49-100.8 and Sections 49-
3 101, 49-101.1 and 49-101.2 of this title but for eligibility purposes only.

4 C. The duration of participation in the Oklahoma Firefighters Deferred Option
5 Plan for active firefighters shall not exceed five (5) years. Participation in the Oklahoma
6 Firefighters Deferred Option Plan must begin the first day of a month and end on the
7 last day of a month. At the conclusion of a member's participation in the Oklahoma
8 Firefighters Deferred Option Plan, the member shall terminate employment with all
9 participating municipalities as a firefighter, and shall start receiving the member's
10 accrued monthly retirement benefit from the System. Such a member may be
11 reemployed by a participating municipality but only in a position not covered under the
12 System, and receive in-service distributions of such member's accrued monthly
13 retirement benefit from the System.

14 D. When a member begins participation in the Oklahoma Firefighters Deferred
15 Option Plan, the contribution of the member shall cease. The employer contributions
16 shall continue to be paid in accordance with subsection B of Section 49-122 of this title.
17 Employer contributions for members who elect the Oklahoma Firefighters Deferred
18 Option Plan shall be credited equally to the Oklahoma Firefighters Pension and
19 Retirement System and to the member's Oklahoma Firefighters Deferred Option Plan
20 account. The monthly retirement benefits that would have been payable had the
21 member elected to cease employment and receive a service retirement shall be paid into
22 the member's Oklahoma Firefighters Deferred Option Plan account.

1 E. 1. A member who participates in this plan shall be eligible to receive cost of
2 living increases.

3 2. A member who participates in this plan shall earn interest at a rate of two
4 percentage points below the rate of return of the investment portfolio of the System, but
5 no less than the actuarial assumed interest rate as certified by the actuary in the yearly
6 evaluation report of the actuary. The interest shall be credited to the individual account
7 balance of the member on an annual basis.

8 F. A member in the plan shall receive, at the option of the member, a lump sum
9 payment from the account equal to the payments to the account or an annuity based
10 upon the account of the member or may elect any other method of payment if approved
11 by the Board of Trustees. If a member becomes so physically or mentally disabled while
12 in, or in consequence of, the performance of his or her duty as to prevent the effective
13 performance of his or her duties that the State Board approves an in line of duty
14 disability pension, the payment from the account shall be an in line of duty disability
15 payment.

16 G. If a member dies while maintaining an account balance in the plan the System
17 shall pay to the designated recipient or recipients of the member, or if there is no
18 designated recipient or if the designated recipient predeceases the member, to the spouse
19 of the member, or if there is no spouse or if the spouse predeceases the member, to the
20 estate of the member a lump sum payment equal to the account balance of the member.
21 If such member was receiving, or eligible to receive, an in line of duty disability pension
22 at the time of his or her death, payment of the account balance shall be an in line of duty

1 disability payment. If a designated recipient is the surviving spouse of the member, the
 2 surviving spouse shall receive his or her portion of the account balance of the member
 3 pursuant to subsection F of this section. The surviving spouse, whether or not he or she
 4 is a designated recipient of the member, may elect to receive his or her portion of the
 5 account balance of the member in the same manner as was applicable to the member.

6 H. In lieu of participating in the Oklahoma Firefighters Deferred Option Plan
 7 pursuant to subsections A, B, C, D, E and F of this section, a member may elect to
 8 participate in the Oklahoma Firefighters Deferred Option Plan pursuant to this
 9 subsection as follows:

10 1. For purposes of this subsection and subsection I of this section, the following
 11 definitions shall apply:

- 12 a. “back drop date” means the member’s normal retirement date or the
 13 date five (5) years before the member elects to participate in the
 14 Oklahoma Firefighters Deferred Option Plan, whichever date is later,
 15 b. “termination date” means the date the member elects to participate in
 16 the Oklahoma Firefighters Deferred Option Plan pursuant to this
 17 subsection, and the date the member terminates employment with all
 18 participating municipalities as an active firefighter,
 19 c. “earlier attained credited service” means the credited service earned by
 20 a member as of the back drop date, and
 21 d. “deferred benefit balance” means all monthly retirement benefits that
 22 would have been payable had the member elected to cease employment

1 on the back drop date and receive a service retirement from the back
2 drop date to the termination date, all the member's contributions and
3 one-half (1/2) of the employer contributions from the back drop date to
4 the termination date, with interest based on how the benefit would
5 have accumulated on a compound annual basis as if the member had
6 participated in the Oklahoma Firefighters Deferred Option Plan
7 pursuant to subsections A, B, C, D, E and F of this section from the
8 back drop date to the termination date; and

9 2. At the termination date, the monthly pension benefit shall be determined based
10 on earlier attained credited service and on the final average salary as of the back drop
11 date. The member's individual deferred option account shall be credited with an amount
12 equal to the deferred benefit balance, the member shall terminate employment with all
13 participating municipalities as a firefighter, and shall start receiving the member's
14 accrued monthly retirement benefit from the System. Such a member may be
15 reemployed by a participating municipality but only in a position not covered under the
16 System, and receive in-service distributions of such member's accrued monthly
17 retirement benefit from the System. The provisions of subsections B, C, E, F and G of
18 this section shall apply to this subsection. A member shall not participate in the
19 Oklahoma Firefighters Deferred Option Plan pursuant to this subsection if the member
20 has elected to participate in the Oklahoma Firefighters Deferred Option Plan pursuant
21 to subsections A, B, C, D, E and F of this section.

1 I. Certain surviving spouses and members shall be eligible to participate in the
 2 Oklahoma Firefighters Deferred Option Plan pursuant to subsection H of this section
 3 and this subsection.

4 1. For purposes of this subsection, the following definitions shall apply:

- 5 a. “back drop election date” means the date the surviving spouse or
 6 member elects to commence participation in the Oklahoma
 7 Firefighters Deferred Option Plan pursuant to subsection H of this
 8 section and this subsection,
- 9 b. “interest” means the actuarial assumed interest rate as certified by the
 10 actuary in the yearly evaluation report of the actuary,
- 11 c. “monthly adjustment amount” means the difference between the
 12 monthly pension prior to the back drop election and the adjusted
 13 monthly pension due to the back drop election,
- 14 d. “back drop pension adjustment amount” means the sum of all the
 15 monthly adjustment amounts adjusted for interest from the pension
 16 commencement date to the back drop election date, and
- 17 e. “deferred benefit balance adjustment amount” means the interest on
 18 the deferred benefit balance from the pension commencement date to
 19 the back drop election date.

20 2. If a member who has more than twenty (20) years of creditable service and is
 21 eligible to receive a service retirement pension dies on or after the effective date of this
 22 act, and prior to terminating employment, the member’s surviving spouse shall be

1 eligible to elect to receive a benefit determined as if the member had elected to
 2 participate in the Oklahoma Firefighters Deferred Option Plan in accordance with
 3 subsection H of this section on the day immediately preceding such member's death. The
 4 surviving spouse must make any such election within one (1) year from the date of the
 5 member's death. If such election is made, the monthly pension such surviving spouse is
 6 receiving, or is entitled to receive, shall be adjusted in accordance with the provisions of
 7 subsection H of this section to account for the member's participation in the Oklahoma
 8 Firefighters Deferred Option Plan. The deferred benefit balance such surviving spouse is
 9 entitled to receive shall be reduced by the back drop pension adjustment amount and
 10 increased by the deferred benefit balance adjustment amount. The surviving spouse may
 11 only make a back drop election if the deferred benefit balance after the adjustment
 12 described in this paragraph is greater than Zero Dollars (\$0.00). The surviving spouse
 13 may only make this election if the member has not previously elected to participate in
 14 the Oklahoma Firefighters Deferred Option Plan. For purposes of this election, the
 15 surviving spouse must have been married to the firefighter for the thirty (30) continuous
 16 months preceding the firefighter's death; provided, the surviving spouse of a member
 17 who died while in, or as a consequence of, the performance of the member's duty for a
 18 participating municipality shall not be subject to the marriage limitation for this
 19 election.

20 3. If a member has more than twenty (20) years of creditable service and is eligible
 21 for a retirement for disability monthly pension pursuant to Section 49-109 of this title on
 22 or after the effective date of this act, such member shall be eligible to elect to receive a

1 benefit determined as if the member had elected to participate in the Oklahoma
2 Firefighters Deferred Option Plan, in accordance with subsection H of this section, on the
3 day immediately preceding the date of the member's disability retirement, provided such
4 election is made within two (2) years from the date of the member's disability retirement.
5 The disability monthly pension such member is receiving, or entitled to receive, shall be
6 adjusted in accordance with the provisions of subsection H of this section to account for
7 the member's participation in the Oklahoma Firefighters Deferred Option Plan. The
8 deferred benefit balance such member is entitled to receive shall be reduced by the back
9 drop pension adjustment amount and increased by the deferred benefit balance
10 adjustment amount. The member may only make a back drop election if the deferred
11 benefit balance after the adjustment described in this paragraph is greater than Zero
12 Dollars (\$0.00). The member may only make this election if the member has not
13 previously elected to participate in the Oklahoma Firefighters Deferred Option Plan.

14 4. If a member has more than twenty (20) years of creditable service and filed a
15 grievance for wrongful termination occurring on or after the effective date of this act, but
16 is not reinstated as an active member, such member shall be eligible to elect to receive a
17 benefit determined as if the member had elected to participate in the Oklahoma
18 Firefighters Deferred Option Plan in accordance with subsection H of this section on the
19 day immediately preceding the date of the member's termination. Such election must be
20 made within two (2) years from the date of the member's termination as an active
21 member and, if the member's case pertaining to the member's termination is on appeal to
22 a court of competent jurisdiction, within such period set by the State Board in its sole

1 discretion. The monthly pension such member is receiving, or entitled to receive, shall be
 2 adjusted in accordance with the provisions of subsection H of this section to account for
 3 the member's participation in the Oklahoma Firefighters Deferred Option Plan. The
 4 deferred benefit balance such member is entitled to receive shall be reduced by the back
 5 drop pension adjustment amount and increased by the deferred benefit balance
 6 adjustment amount. The member may only make a back drop election if the deferred
 7 benefit balance after the adjustment described in this paragraph is greater than Zero
 8 Dollars (\$0.00). The member may only make this election if the member has not
 9 previously elected to participate in the Oklahoma Firefighters Deferred Option Plan.

10 SECTION 2. AMENDATORY 11 O.S. 2001, Section 49-106.2, as amended by
 11 Section 4, Chapter 128, O.S.L. 2003 (11 O.S. Supp. 2007, Section 49-106.2), is amended to
 12 read as follows:

13 Section 49-106.2 A. Notwithstanding any other provision contained herein to the
 14 contrary, the benefits payable to a member ~~in~~ from the System provided by employer
 15 contributions (including contributions picked up by the employer under Section 414(h) of
 16 the Internal Revenue Code of 1986, as amended) shall be subject to the limitations of
 17 Section 415 of the Internal Revenue Code of 1986, as amended, in accordance with the
 18 provisions of ~~subsections B and C~~ of this section. The limitations of this section shall
 19 apply in limitation years beginning on or after July 1, 2007, except as otherwise provided
 20 below.

21 B. Except as provided ~~in paragraphs 3 through 7 of this subsection~~ below, effective
 22 for limitation years ending after December 31, 2001, any accrued retirement benefit

1 payable to a member as an annual benefit as described below shall not exceed ~~the lesser~~
 2 ~~of~~

3 ~~1. One Hundred Sixty Thousand Dollars (\$160,000.00), automatically adjusted~~
 4 ~~under Section 415(d) of the Internal Revenue Code of 1986, as amended, for increases in~~
 5 ~~the cost of living, as prescribed by the Secretary of the Treasury or his delegate, effective~~
 6 ~~January 1 of each calendar year and applicable to the limitation year ending with or~~
 7 ~~within such calendar year; ~~or~~~~

8 ~~2. For limitation years beginning prior to January 1, 1995, one hundred percent~~
 9 ~~(100%) of the average earnings of the member for the three (3) consecutive calendar~~
 10 ~~years, while a member in the System, in which the member's earnings were the highest.~~
 11 ~~For purposes of this paragraph, earnings for~~ The automatic annual adjustment of the
 12 dollar limitation in this subsection under Section 415(d) of the Internal Revenue Code of
 13 1986, as amended, shall apply to a member who has had a separation from employment.

14 1. The member's annual benefit is a benefit that is payable annually in the form of
 15 a straight life annuity. Except as provided below, where a benefit is payable in a form
 16 other than a straight life annuity, the benefit shall be adjusted to an actuarially
 17 equivalent straight life annuity that begins at the same time as such other form of
 18 benefit and is payable on the first day of each month, before applying the limitations of
 19 this section. For a member who has or will have distributions commencing at more than
 20 one annuity starting date, the annual benefit shall be determined as of each such
 21 annuity starting date (and shall satisfy the limitations of this section as of each such
 22 date), actuarially adjusting for past and future distributions of benefits commencing at

1 the other annuity starting dates. For this purpose, the determination of whether a new
 2 starting date has occurred shall be made without regard to Section 1.401(a)-20, Q&A
 3 10(d), and with regard to Section 1.415(b)-1(b)(1)(iii)(B) and (C) of the Income Tax
 4 Regulations.

5 2. No actuarial adjustment to the benefit shall be made for:

- 6 a. survivor benefits payable to a surviving spouse under a qualified joint
 7 and survivor annuity to the extent such benefits would not be payable
 8 if the member's benefit were paid in another form,
- 9 b. benefits that are not directly related to retirement benefits such as a
 10 qualified disability benefit, preretirement incidental death benefits,
 11 and postretirement medical benefits, or
- 12 c. the inclusion in the form of a benefit of an automatic benefit increase
 13 feature, provided, the form of benefit is not subject to Section 417(e)(3)
 14 of the Internal Revenue Code of 1986, as amended, and would
 15 otherwise satisfy the limitations of this section, and the System
 16 provides that the amount payable under the form of benefit in any
 17 limitation year shall be the earned income of the member, wages,
 18 salaries, and fees for professional services, and other amounts received
 19 for personal services actually rendered in the course of employment
 20 with a participating municipality, provided such amounts are actually
 21 paid or includable in gross income during such year. Earnings shall
 22 exclude the following:

- 1 a. ~~contributions by a participating municipality to a plan of deferred~~
 2 ~~compensation which are not included in the gross income of the~~
 3 ~~member for the taxable year in which contributed or any distributions~~
 4 ~~from a funded plan of deferred compensation, and~~
- 5 b. ~~other amounts which received special tax benefits, or contributions~~
 6 ~~made by a participating municipality, whether or not under a salary~~
 7 ~~reduction agreement, towards the purchase of an annuity described in~~
 8 ~~Section 403(b) of the Internal Revenue Code of 1986, whether or not~~
 9 ~~the amounts are actually excludable from the gross income of the~~
 10 ~~member;~~

11 ~~3. Except as provided in paragraph 5 of this subsection, the limitations specified in~~
 12 ~~paragraphs 1 and 2 of this subsection shall not be applicable with respect to any member~~
 13 ~~whose total annual accrued retirement benefit payable from the System is less than Ten~~
 14 ~~Thousand Dollars (\$10,000.00) and who has not at any time participated in any~~
 15 ~~contribution plan, within the meaning of Section 415(k) of the Internal Revenue Code of~~
 16 ~~1986, maintained by a participating municipality; not exceed the limits of this section~~
 17 ~~applicable at the annuity starting date, as increased in subsequent years pursuant to~~
 18 ~~Section 415(d) of the Internal Revenue Code of 1986, as amended. For this purpose, an~~
 19 ~~automatic benefit increase feature is included in a form of benefit if the form of benefit~~
 20 ~~provides for automatic, periodic increases to the benefits paid in that form.~~

21 3. The determination of the annual benefit shall take into account Social Security
 22 supplements described in Section 411(a)(9) of the Internal Revenue Code of 1986, as

1 amended, and benefits transferred from another defined benefit plan, other than
2 transfers of distributable benefits pursuant to Section 1.411(d)-4, Q&A-3(c), of the
3 Income Tax Regulations, but shall disregard benefits attributable to employee
4 contributions or rollover contributions.

5 4. Effective for distributions in plan years beginning after December 31, 2003, the
6 determination of actuarial equivalence of forms of benefit other than a straight life
7 annuity shall be made in accordance with paragraph 5 or paragraph 6 of this subsection.

8 5. Benefit Forms Not Subject to Section 417(e)(3) of the Internal Revenue Code of
9 1986, as amended: The straight life annuity that is actuarially equivalent to the
10 member's form of benefit shall be determined under this paragraph if the form of the
11 member's benefit is either:

12 a. a nondecreasing annuity (other than a straight life annuity) payable
13 for a period of not less than the life of the member (or, in the case of a
14 qualified preretirement survivor annuity, the life of the surviving
15 spouse), or

16 b. an annuity that decreases during the life of the member merely
17 because of:

18 (1) the death of the survivor annuitant, but only if the reduction is
19 not below fifty percent (50%) of the benefit payable before the
20 death of the survivor annuitant, or

- 1 (2) the cessation or reduction of Social Security supplements or
2 qualified disability payments as defined in Section 401(a)(11) of
3 the Internal Revenue Code of 1986, as amended.
- 4 c. Limitation Year Beginning Before July 1, 2007. For limitation years
5 beginning before July 1, 2007, the actuarially equivalent straight life
6 annuity is equal to the annual amount of the straight life annuity
7 commencing at the same annuity starting date that has the same
8 actuarial present value as the member's form of benefit computed
9 using whichever of the following produces the greater annual amount:
- 10 (1) the interest rate and the mortality table or other tabular factor,
11 each as set forth in subsection H of Section 49-100.9 of this title
12 for adjusting benefits in the same form, and
- 13 (2) a five percent (5%) interest rate assumption and the applicable
14 mortality table described in Revenue Ruling 2001-62 for that
15 annuity starting date, or
- 16 d. Limitation Years Beginning On or After July 1, 2007. For limitation
17 years beginning on or after July 1, 2007, the actuarially equivalent
18 straight life annuity is equal to the greater of:
- 19 (1) the annual amount of the straight life annuity, if any, payable to
20 the member under the System commencing at the same annuity
21 starting date as the member's form of benefit, and

1 (2) the annual amount of the straight life annuity commencing at
 2 the same annuity starting date that has the same actuarial
 3 present value as the member's form of benefit, computed using a
 4 five percent (5%) interest rate assumption and the applicable
 5 mortality table described in Revenue Ruling 2001-62 for that
 6 annuity starting date.

7 6. Benefit Forms Subject to Section 417 (e)(3) of the Internal Revenue Code of 1986,
 8 as amended: The straight life annuity that is actuarially equivalent to the member's
 9 form of benefit shall be determined under this paragraph 6 if the form of the member's
 10 benefit is other than a benefit form described in paragraph 5 of this subsection. In this
 11 case, the actuarially equivalent straight life annuity shall be determined as follows:

12 a. Annuity Starting Date in Plan Years Beginning After 2005. If the
 13 annuity starting date of the member's form of benefit is in a plan year
 14 beginning after 2005, the actuarially equivalent straight life annuity is
 15 equal to the greatest of:

16 (1) the annual amount of the straight life annuity commencing at
 17 the same annuity starting date that has the same actuarial
 18 present value as the member's form of benefit, computed using
 19 the interest rate and the mortality table or other tabular factor
 20 each as set forth in subsection H of Section 49-100.9 of this title
 21 for adjusting benefits in the same form,

1 (2) the annual amount of the straight life annuity commencing at
 2 the same annuity starting date that has the same actuarial
 3 present value as the member's form of benefit, computed using a
 4 five and one-half percent (5.5%) interest rate assumption and
 5 the applicable mortality table described in Revenue Ruling
 6 2001-62, and

7 (3) the annual amount of the straight life annuity commencing at
 8 the same annuity starting date that has the same actuarial
 9 present value as the member's form of benefit, computed using:

10 (a) the rate of interest on thirty-year Treasury securities as
 11 specified by the Commissioner for the lookback month for
 12 the stability period specified below. The lookback month
 13 applicable to the stability period is the fourth calendar
 14 month preceding the first day of the stability period, as
 15 specified below. The stability period is the successive
 16 period of one plan year which contains the annuity
 17 starting date for the distribution and for which the
 18 applicable interest rate remains constant, and

19 (b) the applicable mortality table described in Revenue
 20 Ruling 2001-62,
 21 divided by one and five one-hundredths (1.05).

22 b. Annuity Starting Date in Plan Years Beginning in 2004 or 2005.

1 (1) If the annuity starting date of the member's form of benefit is in
2 a plan year beginning in 2004 or 2005, the actuarially
3 equivalent straight life annuity is equal to the annual amount of
4 the straight life annuity commencing at the same annuity
5 starting date that has the same actuarial present value as the
6 member's form of benefit, computed using whichever of the
7 following produces the greater annual amount:

8 (a) the interest rate and the mortality table or other tabular
9 factor, each as set forth in subsection H of Section 49-
10 100.9 of this title for adjusting benefits in the same form,
11 and

12 (b) a five and one-half percent (5.5%) interest rate
13 assumption and the applicable mortality table described
14 in Revenue Ruling 2001-62.

15 (2) If the annuity starting date of the member's benefit is on or after
16 the first day of the first plan year beginning in 2004 and before
17 December 31, 2004, the application of this subparagraph b shall
18 not cause the amount payable under the member's form of
19 benefit to be less than the benefit calculated under the System,
20 taking into account the limitations of this section, except that
21 the actuarially equivalent straight life annuity is equal to the
22 annual amount of the straight life annuity commencing at the

1 same annuity starting date that has the same actuarial present
 2 value as the member's form of benefit, computed using
 3 whichever of the following produces the greatest annual amount:

4 (a) the interest rate and mortality table or other tabular
 5 factor, each as set forth in subsection H of Section 49-
 6 100.9 of this title for adjusting benefits in the same form,

7 (b) i. the rate of interest on thirty-year Treasury
 8 securities as specified by the Commissioner for the
 9 lookback month for the stability period specified
 10 below. The lookback month applicable to the
 11 stability period is the fourth calendar month
 12 preceding the first day of the stability period, as
 13 specified below. The stability period is the
 14 successive period of one plan year which contains
 15 the annuity starting date for the distribution and
 16 for which the applicable interest rate remains
 17 constant, and

18 ii. the applicable mortality table described in Revenue
 19 Ruling 2001-62, and

20 (c) i. the rate of interest on thirty-year Treasury
 21 securities as specified by the Commissioner for the
 22 lookback month for the stability period specified

1 below. The lookback month applicable to the
 2 stability period is the fourth calendar month
 3 preceding the first day of the stability period, as
 4 specified below. The stability period is the
 5 successive period of one plan year which contains
 6 the annuity starting date for the distribution and
 7 for which the applicable interest rate remains
 8 constant (as in effect on the last day of the last plan
 9 year beginning before January 1, 2004, under
 10 provisions of the System then adopted and in
 11 effect), and
 12 ii. the applicable mortality table described in Revenue
 13 Ruling 2001-62.

14 C. If a member has less than ten (10) years of participation in the System and all
 15 predecessor municipal firefighter pension and retirement systems, the dollar limitation
 16 otherwise applicable under ~~paragraph 1 of this subsection~~ B of this section shall be
 17 ~~reduced by multiplying such limitation~~ multiplied by a fraction, the numerator of which
 18 is the number of the years of participation in the System of the member, but never less
 19 than one (1), and the denominator of which is ten (10). ~~This paragraph, to the extent~~
 20 ~~required by the Secretary of the Treasury, shall be applied separately to each change in~~
 21 ~~benefit structure hereunder;~~

1 ~~5. Effective for limitation years beginning on or after January 1, 1995, if a member~~
 2 ~~has been credited with less than ten (10) years of credited service, the dollar amount~~
 3 ~~otherwise applicable under paragraph 3 of this subsection shall be reduced by~~
 4 ~~multiplying such dollar amount by a fraction, the numerator of which is the number of~~
 5 ~~the years of credited service of the member, but never less than one (1), and the~~
 6 ~~denominator of which is ten (10);~~

7 ~~6. The limitations specified in this section shall apply to a straight life annuity with~~
 8 ~~no ancillary benefits and to an annuity that constitutes a qualified joint and survivor~~
 9 ~~annuity. If payment is in a different form, the amount thereof shall be adjusted to be the~~
 10 ~~actuarial equivalent of a single life annuity and the limitations shall be applied to such~~
 11 ~~adjusted amount. Such adjustment shall be based on the mortality tables and interest~~
 12 ~~rates described in divisions (1), (2) and (3) of subparagraph a of this paragraph.~~

13 ~~a. If payment begins before the member reaches sixty-two (62) years of~~
 14 ~~age, the limitation in paragraph 1 of this subsection shall be reduced~~
 15 ~~on an actuarially equivalent basis.~~

16 ~~(1) For limitation years beginning before January 1, 1999, the~~
 17 ~~interest rate to be used to determine such actuarial equivalent~~
 18 ~~amount in this subparagraph shall be the rate specified in the~~
 19 ~~actuarial tables adopted by the State Board; however, the~~
 20 ~~interest rate used in determining an actuarially equivalent pre-~~
 21 ~~age-sixty-two (62) amount shall not be less than five percent~~
 22 ~~(5%).~~

1 (2) ~~Effective for limitation years beginning on or after January 1,~~
 2 ~~1999, the actuarial equivalent adjustments in this subparagraph~~
 3 ~~shall be determined using the prevailing Commissioner's~~
 4 ~~standard table (described in Section 807(d)(5)(A) of the Internal~~
 5 ~~Revenue Code of 1986), without regard to any other~~
 6 ~~subparagraph of Section 807(d)(5) of the Internal Revenue Code~~
 7 ~~of 1986, used to determine reserves for group annuity contracts~~
 8 ~~issued on the date as of which the payment is being determined.~~
 9 ~~The interest rate shall be five percent (5%). Notwithstanding~~
 10 ~~any other System provisions to the contrary, for distributions~~
 11 ~~with annuity starting dates on or after December 31, 2002, the~~
 12 ~~applicable mortality table used for purposes of adjusting any~~
 13 ~~benefit or limitation under Sections 415(b)(2)(B), (C) or (D) of the~~
 14 ~~Internal revenue Code of 1986, as amended, is the table~~
 15 ~~described in Rev. Rul. 2001-62.~~

16 (3) For

17 D. Adjustment of Dollar Limitation for Benefit Commencement Before Sixty-two
 18 (62) Years of Age or After Sixty-five (65) Years of Age: Effective for benefits commencing
 19 in limitation years ending after December 31, 2001, the dollar limitation under
 20 subsection B of this section shall be adjusted if the annuity starting date of the member's
 21 benefit is before sixty-two (62) years of age or after sixty-five (65) years of age. If the
 22 annuity starting date is before sixty-two (62) years of age, the dollar limitation under

1 subsection B of this section shall be adjusted under paragraph 1 of this subsection, as
 2 modified by paragraph 3 of this subsection, but subject to paragraph 4 of this subsection.
 3 If the annuity starting date is after sixty-five (65) years of age, the dollar limitation
 4 under subsection B of this section shall be adjusted under paragraph 2 of this subsection,
 5 as modified by paragraph 3 of this subsection.

6 1. Adjustment of Defined Benefit Dollar Limitation for Benefit Commencement
 7 Before Sixty-two (62) Years of Age:

8 a. Limitation Years Beginning Before July 1, 2007. If the annuity
 9 starting date for the member's benefit is prior to sixty-two (62) years of
 10 age and occurs in a limitation year beginning before July 1, 2007, the
 11 dollar limitation for the member's annuity starting date is the annual
 12 amount of a benefit payable in the form of a straight life annuity
 13 commencing at the member's annuity starting date that is the
 14 actuarial equivalent of the dollar limitation under subsection B of this
 15 section (adjusted under subsection C of this section for years of
 16 participation less than ten (10), if required) with actuarial equivalence
 17 computed using whichever of the following produces the smaller
 18 annual amount:

- 19 (1) the interest rate and the mortality table or other tabular factor,
 20 each as set forth in subsection H of Section 49-100.9 of this title,
 21 or

1 (2) a five percent (5%) interest rate assumption and the applicable
2 mortality table as described in Revenue Ruling 2001-62.

3 b. Limitation Years Beginning On Or After July 1, 2007.

4 (1) System Does Not Have Immediately Commencing Straight Life
5 Annuity Payable at Both Sixty-two (62) Years of Age and the
6 Age of Benefit Commencement. If the annuity starting date for
7 the member's benefit is prior to sixty-two (62) years of age and
8 occurs in a limitation year beginning on or after July 1, 2007,
9 and the System does not have an immediately commencing
10 straight life annuity payable at both sixty-two (62) years of age
11 and the age of benefit commencement, the dollar limitation for
12 the member's annuity starting date is the annual amount of a
13 benefit payable in the form of a straight life annuity
14 commencing at the member's annuity starting date that is the
15 actuarial equivalent of the dollar limitation under subsection B
16 of this section (adjusted under subsection C of this section for
17 years of participation less than ten (10), if required) with
18 actuarial equivalence computed using a five percent (5%)
19 interest rate assumption and the applicable mortality table for
20 the annuity starting date as described in Revenue Ruling 2001-
21 62 (and expressing the member's age based on completed
22 calendar months as of the annuity starting date).

1 (2) System Has Immediately Commencing Straight Life Annuity
2 Payable at Both Sixty-two (62) Years of Age and the Age of
3 Benefit Commencement. If the annuity starting date for the
4 member's benefit is prior to sixty-two (62) years of age and
5 occurs in a limitation year beginning on or after July 1, 2007,
6 and the System has an immediately commencing straight life
7 annuity payable at both sixty-two (62) years of age and the age
8 of benefit commencement, the dollar limitation for the member's
9 annuity starting date is the lesser of the limitation determined
10 under division (1) of this subparagraph b of this paragraph and
11 the dollar limitation under subsection B of this section (adjusted
12 under subsection C of this section for years of participation less
13 than ten (10), if required) multiplied by the ratio of the annual
14 amount of the immediately commencing straight life annuity
15 under the System at the member's annuity starting date to the
16 annual amount of the immediately commencing straight life
17 annuity under the System at sixty-two (62) years of age, both
18 determined without applying the limitation of this section.

19 2. Adjustment of Defined Benefit Dollar Limitation for Benefit Commencement

20 After Sixty-five (65) Years of Age:

- 21 a. Limitation Years Beginning Before July 1, 2007. If the annuity
22 starting date for the member's benefit is after sixty-five (65) years of

1 age and occurs in a limitation year beginning before July 1, 2007, the
 2 dollar limitation for the member's annuity starting date is the annual
 3 amount of a benefit payable in the form of a straight life annuity
 4 commencing at the member's annuity starting date that is the
 5 actuarial equivalent of the dollar limitation under subsection B of this
 6 section (adjusted under subsection C of this section for years of
 7 participation less than ten (10), if required) with actuarial equivalence
 8 computed using whichever of the following produces the smaller
 9 annual amount:

- 10 (1) the interest rate and the mortality table or other tabular factor,
 11 each as set forth in subsection H of Section 49-100.9 of this title,
 12 or
 13 (2) a five percent (5%) interest rate assumption and the applicable
 14 mortality table as described in Revenue Ruling 2001-62.

15 b. Limitation Years Beginning On Or After July 1, 2007.

- 16 (1) System Does Not Have Immediately Commencing Straight Life
 17 Annuity Payable at Both Sixty-five (65) Years of Age and the
 18 Age of Benefit Commencement. If the annuity starting date for
 19 the member's benefit is after sixty-five (65) years of age and
 20 occurs in a limitation year beginning on or after July 1, 2007,
 21 and the System does not have an immediately commencing
 22 straight life annuity payable at both sixty-five (65) years of age

1 and the age of benefit commencement, the dollar limitation at
 2 the member's annuity starting date is the annual amount of a
 3 benefit payable in the form of a straight life annuity
 4 commencing at the member's annuity starting date that is the
 5 actuarial equivalent of the dollar limitation under subsection B
 6 of this section (adjusted under subsection C of this section for
 7 years of participation less than ten (10), if required) with
 8 actuarial equivalence computed using a five percent (5%)
 9 interest rate assumption and the applicable mortality table for
 10 the annuity starting date as described in Revenue Ruling 2001-
 11 62 (and expressing the member's age based on completed
 12 calendar months as of the annuity starting date).

13 (2) System Has Immediately Commencing Straight Life Annuity
 14 Payable at Both Sixty-five (65) Years of Age and Age of Benefit
 15 Commencement. If the annuity starting date for the member's
 16 benefit is after sixty-five (65) years of age and occurs in a
 17 limitation year beginning on or after July 1, 2007, and the
 18 System has an immediately commencing straight life annuity
 19 payable at both sixty-five (65) years of age and the age of benefit
 20 commencement, the dollar limitation at the member's annuity
 21 starting date is the lesser of the limitation determined under
 22 division (1) of subparagraph b of this paragraph and the dollar

1 limitation under subsection B of this section (adjusted under
2 subsection C of this section for years of participation less than
3 ten (10), if required) multiplied by the ratio of the annual
4 amount of the adjusted immediately commencing straight life
5 annuity under the System at the member's annuity starting
6 date to the annual amount of the adjusted immediately
7 commencing straight life annuity under the System at sixty-five
8 (65) years of age, both determined without applying the
9 limitations of this section. For this purpose, the adjusted
10 immediately commencing straight life annuity under the System
11 at the member's annuity starting date is the annual amount of
12 such annuity payable to the member, computed disregarding the
13 member's accruals after sixty-five (65) years of age but including
14 actuarial adjustments even if those actuarial adjustments are
15 used to offset accruals; and the adjusted immediately
16 commencing straight life annuity under the System at sixty-five
17 (65) years of age is the annual amount of such annuity that
18 would be payable under the System to a hypothetical member
19 who is sixty-five (65) years of age and has the same accrued
20 benefit as the member.

21 3. Notwithstanding the other requirements of this subsection, no adjustment shall
22 be made to the dollar limitation under subsection B of this section to reflect the

1 probability of a member's death between the annuity starting date and sixty-two (62)
 2 years of age, or between sixty-five (65) years of age and the annuity starting date, as
 3 applicable, if benefits are not forfeited upon the death of the member prior to the annuity
 4 starting date. To the extent benefits are forfeited upon death before the annuity starting
 5 date, such an adjustment shall be made. For this purpose, no forfeiture shall be treated
 6 as occurring upon the member's death if the System does not charge members for
 7 providing a qualified preretirement survivor annuity, as defined in Section 417(c) of the
 8 Internal Revenue Code of 1986, as amended, upon the member's death.

9 4. Notwithstanding any other provision to the contrary, for limitation years
 10 beginning on or after January 1, 1997, if payment begins before the member reaches age
 11 sixty-two (62) years of age, the reductions in the limitations in this ~~subparagraph~~
 12 subsection shall not apply to a member who is a "qualified participant" as defined in
 13 Section 415(b)(2)(H) of the Internal Revenue Code of 1986, as amended.

14 b. ~~If payment begins after the member reaches sixty-five (65) years of~~
 15 ~~age, the limitation in paragraph 1 of this subsection shall be the~~
 16 ~~actuarial equivalent of such amount otherwise applicable at the~~
 17 ~~member reaching sixty-five (65) years of age.~~

18 (1) ~~For limitation years beginning before January 1, 1999, the~~
 19 ~~interest rate to be used to determine such actuarial equivalent~~
 20 ~~amount in this subparagraph shall be the rate specified in the~~
 21 ~~actuarial tables adopted by the State Board; however, the~~
 22 ~~interest rate used in determining an actuarially equivalent post-~~

1 ~~age-sixty-five (65) amount shall not be greater than five percent~~
 2 ~~(5%).~~

3 ~~(2) Effective for limitation years beginning on or after January 1,~~
 4 ~~1999, the actuarial equivalent adjustments in this subparagraph~~
 5 ~~shall use the mortality and interest rate basis provided in~~
 6 ~~division (2) of subparagraph a of this paragraph.~~

7 7. E. Minimum Benefit Permitted: Notwithstanding anything else in this section to
 8 the contrary, the benefit otherwise accrued or payable to a member under this System
 9 shall be deemed not to exceed the maximum permissible benefit if:

10 1. The retirement benefits payable for a limitation year under any form of benefit
 11 with respect to such member under this System and under all other defined benefit plans
 12 (without regard to whether a plan has been terminated) ever maintained by a
 13 participating municipality do not exceed Ten Thousand Dollars (\$10,000.00) multiplied
 14 by a fraction:

15 a. the numerator of which is the member's number of credited years (or
 16 part thereof, but not less than one (1) year) of service (not to exceed ten
 17 (10)) with the participating municipality, and

18 b. the denominator of which is ten (10); and

19 2. The participating municipality (or a predecessor employer) has not at any time
 20 maintained a defined contribution plan in which the member participated (for this
 21 purpose, mandatory employee contributions under a defined benefit plan, individual
 22 medical accounts under Section 401(h) of the Internal Revenue Code of 1986, as

1 amended, and accounts for postretirement medical benefits established under Section
 2 419A(d)(1) of the Internal Revenue Code of 1986, as amended, are not considered a
 3 separate defined contribution plan).

4 F. In no event shall the maximum annual accrued retirement benefit of a member
 5 allowable under this section be less than the annual amount of such accrued retirement
 6 benefit, including early pension and qualified joint and survivor annuity amounts, duly
 7 accrued by the member as of the last day of the limitation year beginning in 1982, or as
 8 of the last day of the limitation year beginning in 1986, whichever is greater,
 9 disregarding any plan changes or cost-of-living adjustments occurring after July 1, 1982,
 10 as to the 1982 accrued amount, and May 5, 1986, as to the 1986 accrued amount.

11 ~~8. G.~~ For limitation years beginning on or after January 1, 1995, ~~paragraphs 4, 5~~
 12 ~~and 6 of this subsection~~ C of this section, paragraph 1 of subsection D of this section, and
 13 the proration provided under subparagraphs a and b of paragraph 1 of subsection E of
 14 this section, shall not apply to a benefit paid under the System as a result of the member
 15 becoming disabled by reason of personal injuries or sickness, or amounts received by the
 16 beneficiaries, survivors or estate of the member as a result of the death of the member.

17 9. H. Effective for years beginning after December 31, 1997, if a member purchases
 18 service under Sections 49-117.2 and 49-117.3 of this title, which qualifies as “permissive
 19 service credit” pursuant to Section 415(n) of the Internal Revenue Code of 1986, as
 20 amended, the limitations of Section 415 of the Internal Revenue Code of 1986, as
 21 amended, may be met by either:

22 a. ~~treating~~

1 1. Treating the accrued benefit derived from such contributions as an annual
 2 benefit under ~~paragraph 1 of this subsection,~~ B of this section; or

3 ~~b. treating~~

4 2. Treating all such contributions as annual additions for purposes of Section 415(c)
 5 of the Internal Revenue Code of 1986, as amended.

6 ~~10. I.~~ I. Effective for years beginning after December 31, 1997, if a member repays to
 7 the System any amounts received because of the member's prior termination pursuant to
 8 Section 49-117.1 of this title, such repayment shall not be taken into account for purposes
 9 of Section 415 of the Internal Revenue Code of 1986, as amended, pursuant to Section
 10 415(k)(3) of the Internal Revenue Code of 1986, as amended.

11 ~~9. J.~~ J. For distributions made in limitation years beginning on or after January 1,
 12 2000, the combined limit of repealed Section 415(e) of the Internal Revenue Code of 1986,
 13 as amended, shall not apply.

14 ~~8. K.~~ K. The State Board is hereby authorized to revoke the special election previously
 15 made on June 21, 1991, under Internal Revenue Code Section 415(b)(10).

16 SECTION 3. AMENDATORY 11 O.S. 2001, Section 49-106.3, as last amended
 17 by Section 2, Chapter 345, O.S.L. 2007 (11 O.S. Supp. 2007, Section 49-106.3), is
 18 amended to read as follows:

19 Section 49-106.3 A. For distributions made on or after January 1, 1993, and
 20 notwithstanding any provision of the System to the contrary that would otherwise limit a
 21 Distributee's election hereunder, a Distributee may elect, at the time and in the manner
 22 prescribed by the State Board, to have any portion of an Eligible Rollover Distribution

1 paid directly to an Eligible Retirement Plan specified by the Distributee in a Direct
2 Rollover.

3 B. For purposes of this section, the following definitions shall apply:

4 1. "Eligible Rollover Distribution" means any distribution of all or any portion of
5 the balance to the credit of the Distributee, except that an Eligible Rollover Distribution
6 does not include any distribution that is one of a series of substantially equal periodic
7 payments (not less frequently than annually) made for the life (or life expectancy) of the
8 Distributee or the joint lives (or life expectancies) of the Distributee and the Distributee's
9 designated beneficiary, or for a specified period of ten (10) years or more; any distribution
10 to the extent such distribution is required under Section 401(a)(9) of the Internal
11 Revenue Code of 1986, as amended; and the portion of any distribution that is not
12 includable in gross income; ~~provided, however, that, effective.~~ Effective January 1, 2002,
13 a portion of a distribution shall not fail to be an Eligible Rollover Distribution merely
14 because the portion consists of after-tax member contributions which are not includable
15 in gross income. However, such portion may be paid only:

- 16 (a) from January 1, 2002, through December 31, 2006, to:
- 17 (1) an individual retirement account or annuity described in Section
18 408(a) or (b) of the Internal Revenue Code of 1986, as amended,
19 or
20 (2) a qualified trust which is a part of a defined contribution plan
21 described in Section 401(a) or 403(a) of the Internal Revenue
22 Code of 1986, as amended, and which agrees to separately

1 account for amounts so transferred, including separately
 2 accounting for the portion of such distribution which is
 3 includable in gross income and the portion of such distribution
 4 which is not so includable, and

5 (b) on or after January 1, 2007, to:

6 (1) an individual retirement account or annuity described in Section
 7 408(a) or (b) of the Internal Revenue Code of 1986, as amended,
 8 or

9 (2) a qualified trust described in Section 401(a) or 403(a) of the
 10 Internal Revenue Code of 1986, as amended, or an annuity
 11 contract described in Section 403(b) of the Internal Revenue
 12 Code of 1986, as amended, and such trust or annuity contract
 13 provides for separate accounting for amounts so transferred (and
 14 earnings thereon), including separately accounting for the
 15 portion of such distribution which is includable in gross income
 16 and the portion of such distribution which is not so includable;

17 2. “Eligible Retirement Plan” means an individual retirement account described in
 18 Section 408(a) of the Internal Revenue Code of 1986, as amended, an individual
 19 retirement annuity described in Section 408(b) of the Internal Revenue Code of 1986, as
 20 amended, an annuity plan described in Section 403(a) of the Internal Revenue Code of
 21 1986, as amended, or a qualified trust described in Section 401(a) of the Internal
 22 Revenue Code of 1986, as amended, that accepts the Distributee’s Eligible Rollover

1 Distribution. Effective January 1, 2002, an Eligible Retirement Plan shall also mean an
 2 annuity contract described in Section 403(b) of the Internal Revenue Code of 1986, as
 3 amended, and an eligible plan under Section 457(b) of the Internal Revenue Code of
 4 1986, as amended, which is maintained by a state, political subdivision of a state, or any
 5 agency or instrumentality of a state or political subdivision of a state and which agrees to
 6 separately account for amounts transferred into such plan from the System. ~~Effective~~
 7 ~~January 1, 2002, the definition of Eligible Retirement Plan shall also apply in the case of~~
 8 ~~a distribution to a surviving spouse, or to a spouse or former spouse who is the alternate~~
 9 ~~payee pursuant to a qualified domestic order as defined in subsection B of Section 49-126~~
 10 ~~of this title. An Eligible Retirement Plan does not include a Roth IRA under Section~~
 11 ~~408A of the Internal Revenue Code of 1986, as amended;~~

12 3. “Distributee” means a member whether or not ~~said~~ the member is an active
 13 firefighter. In addition, effective June 7, 1993, the member’s surviving spouse and the
 14 member’s spouse or former spouse who is an alternate payee under a qualified domestic
 15 order, as provided in subsection B of Section 49-126 of this title, are Distributees with
 16 regard to the interest of the spouse or former spouse. Effective for distributions after
 17 December 31, 2006, a Distributee also includes the member’s nonspouse designated
 18 beneficiary, pursuant to Section 401(a)(9)(E) of the Internal Revenue Code of 1986, as
 19 amended. In the case of a nonspouse beneficiary, the Direct Rollover may be made only
 20 to an individual retirement account or annuity (other than an endowment contract)
 21 described in Section 408(a) or (b) of the Internal Revenue Code of 1986, as amended,
 22 (IRA), that is established on behalf of such designated beneficiary and that will be

1 treated as an inherited IRA pursuant to the provisions of Section 402(c)(11) of the
 2 Internal Revenue Code of 1986, as amended. Also, in this case, the determination of any
 3 required minimum distribution under Section 401(a)(9) of the Internal Revenue Code of
 4 1986, as amended, that is ineligible for rollover shall be made in accordance with Notice
 5 2007-7, Q&A 17 and 18, Announcement 2007-5 Internal Revenue Bulletin 395. The
 6 required minimum distribution rules of Section 401(a)(9)(B)(other than clause iv thereof)
 7 of the Internal Revenue Code of 1986, as amended, apply to the transferee IRA; and

8 4. “Direct Rollover” means a payment by the System to the Eligible Retirement
 9 Plan specified by the Distributee or, on or after January 1, 2008, to a Roth IRA under
 10 Section 408A of the Internal Revenue Code of 1986, as amended, as specified by the
 11 Distributee, assuming the Distributee otherwise meets the Roth IRA requirements.

12 C. At least thirty (30) days before and, effective January 1, 2007, not more than one
 13 hundred eighty (180) days before the date of distribution, the Distributee must be
 14 provided with a notice of rights which satisfies Section 402(f) of the Internal Revenue
 15 Code of 1986, as amended, as to rollover options and tax effects. Such distribution may
 16 commence less than thirty (30) days after the notice is given, provided that:

17 1. The State Board clearly informs the Distributee that the Distributee has a right
 18 to a period of at least thirty (30) days after receiving the notice to consider the decision of
 19 whether or not to elect a distribution; and

20 2. The Distributee, after receiving the notice, affirmatively elects a distribution.

1 SECTION 4. AMENDATORY 11 O.S. 2001, Section 50-111.3, as last amended
 2 by Section 4, Chapter 551, O.S.L. 2004 (11 O.S. Supp. 2007, Section 50-111.3), is
 3 amended to read as follows:

4 Section 50-111.3 A. In lieu of terminating employment and accepting a service
 5 retirement pension pursuant to Section 50-114 of this title, any member of the Oklahoma
 6 Police Pension and Retirement System who has not less than twenty (20) years of
 7 creditable service and who is eligible to receive a service retirement pension may elect to
 8 participate in the Oklahoma Police Deferred Option Plan and defer the receipts of
 9 benefits in accordance with the provisions of this section.

10 B. For purposes of this section, creditable service shall include service credit
 11 reciprocally recognized pursuant to Section 50-101 et seq. of this title but for eligibility
 12 purposes only.

13 C. The duration of participation in the Oklahoma Police Deferred Option Plan for a
 14 member shall not exceed five (5) years. Participation in the Oklahoma Police Deferred
 15 Option Plan must begin the first day of a month and end on the last day of a month. At
 16 the conclusion of a member's participation in the Oklahoma Police Deferred Option Plan,
 17 the member shall terminate employment with all participating municipalities as an
 18 officer, and shall start receiving the member's accrued monthly retirement benefit from
 19 the System. Such a member may receive in-service distributions of such member's
 20 accrued monthly retirement benefit from the System if such member is reemployed by a
 21 participating municipality only if such reemployment is as a police chief or in a position
 22 not covered under the System.

1 D. When a member begins participation in the Oklahoma Police Deferred Option
 2 Plan, the contribution of the employee shall cease. The employer contributions shall
 3 continue to be paid in accordance with Section 50-109 of this title. Municipal
 4 contributions for employees who elect the Oklahoma Police Deferred Option Plan shall be
 5 credited equally to the Oklahoma Police Pension and Retirement System and to the
 6 Oklahoma Police Deferred Option Plan. The monthly retirement benefits that would
 7 have been payable had the member elected to cease employment and receive a service
 8 retirement shall be paid into the Oklahoma Police Deferred Option Plan account.

9 E. 1. A member who participates in this plan shall be eligible to receive cost of
 10 living increases.

11 2. A member who participates in this plan shall earn interest at a rate of two
 12 percentage points below the rate of return of the investment portfolio of the System, but
 13 no less than the actuarial assumed interest rate as certified by the actuary in the yearly
 14 evaluation report of the actuary. The interest shall be credited to the individual account
 15 balance of the member on an annual basis.

16 F. A participant in the Oklahoma Police Deferred Option Plan shall receive, at the
 17 option of the participant:

18 1. A lump sum payment from the account equal to the option account balance of the
 19 participant, payable to the participant;

20 2. A lump sum payment from the account equal to the option account balance of the
 21 participant, payable to the annuity provider which shall be selected by the participant as
 22 a result of the research and investigation of the participant; or

1 3. Any other method of payment if approved by the State Board.

2 G. If the participant dies during the period of participation in the Oklahoma Police
3 Deferred Option Plan, a lump sum payment equal to the account balance of the
4 participant shall be paid in accordance with Section 50-115.2 of this title.

5 H. In lieu of participating in the Oklahoma Police Deferred Option Plan pursuant
6 to subsections A, B, C, D, E and F of this section, a member may elect to participate in
7 the Oklahoma Police Deferred Option Plan pursuant to this subsection as follows:

8 1. For purposes of this subsection, the following definitions shall apply:

9 a. “back drop date” means the ~~member’s normal retirement date or the~~
10 date selected by the member, which is up to five (5) years before the
11 member elects to participate in the Oklahoma Police Deferred Option
12 Plan, ~~whichever date is later~~ but not before the date at which the
13 member completes twenty (20) years of credited service,

14 b. “termination date” means the date the member elects to participate in
15 the Oklahoma Police Deferred Option Plan pursuant to this subsection,
16 and the date the member terminates employment with all
17 participating municipalities as an active police officer, such
18 termination has at all times included reemployment of a member by a
19 participating municipality only if such reemployment is as a police
20 chief or in a position not covered under the System,

21 c. “earlier attained credited service” means the credited service earned by
22 a member as of the back drop date, and earlier attained credited

1 service cannot be reduced to less than twenty (20) years of credited
 2 service, and
 3 d. “deferred benefit balance” means all monthly retirement benefits that
 4 would have been payable had the member elected to cease employment
 5 on the back drop date and receive a service retirement from the back
 6 drop date to the termination date, all of the member’s contributions
 7 and one-half (1/2) of the employer contributions from the back drop
 8 date to the termination date, with interest based on how the benefit
 9 would have accumulated as if the member had participated in the
 10 Oklahoma Police Deferred Option Plan pursuant to subsections A, B,
 11 C, D and E of this section from the back drop date to the termination
 12 date;

13 2. At the termination date, the monthly pension benefit shall be determined based
 14 on earlier attained credited service and on the final average salary as of the back drop
 15 date. The member’s individual deferred option account shall be credited with an amount
 16 equal to the deferred benefit balance; the member shall terminate employment with all
 17 participating municipalities as a police officer and shall start receiving the member’s
 18 accrued monthly retirement benefit from the System. The provisions of subsections B, C,
 19 E, F and G of this section shall apply to this subsection. A member shall not participate
 20 in the Oklahoma Police Deferred Option Plan pursuant to this subsection if the member
 21 has elected to participate in the Oklahoma Police Deferred Option Plan pursuant to
 22 subsections A, B, C, D, E and F of this section; and

1 3. If a member who has not less than twenty (20) years of creditable service and
 2 who is eligible to receive a service retirement pension dies prior to terminating
 3 employment, the surviving spouse shall be eligible to elect to receive a benefit
 4 determined as if the member had elected to participate in the Oklahoma Police Deferred
 5 Option Plan in accordance with this subsection on the day immediately preceding the
 6 death. The surviving spouse must have been married to the member for the thirty (30)
 7 continuous months preceding the member's death; provided, the surviving spouse of a
 8 member who died while in, and as a consequence of, the performance of the member's
 9 duty for a participating municipality shall not be subject to the thirty-month marriage
 10 requirement for this election.

11 SECTION 5. AMENDATORY 11 O.S. 2001, Section 50-114.1, as last amended
 12 by Section 5, Chapter 551, O.S.L. 2004 (11 O.S. Supp. 2007, Section 50-114.1), is
 13 amended to read as follows:

14 Section 50-114.1 A. Notwithstanding any other provision contained herein to the
 15 contrary, the benefits payable to a member ~~in~~ from the System provided by employer
 16 contributions (including contributions picked up by the employer under Section 414(h) of
 17 the Internal Revenue Code of 1986, as amended) shall be subject to the limitations of
 18 Section 415 of the Internal Revenue Code of 1986, as amended, in accordance with the
 19 provisions of ~~paragraphs 1 and 2 of~~ this section. The limitations of this section shall
 20 apply in limitation years beginning on or after July 1, 2007, except as otherwise provided
 21 below.

1 ~~1. B.~~ Except as provided in ~~subparagraphs e through g of this paragraph below,~~
 2 effective for limitation years ending after December 31, 2001, any accrued retirement
 3 benefit payable to a member as an annual benefit as described below shall not exceed ~~the~~
 4 lesser of:

5 a. One Hundred Sixty Thousand Dollars (\$160,000.00), ~~effective January~~
 6 ~~1, 2002,~~ automatically adjusted under Section 415(d) of the Internal
 7 Revenue Code of 1986, as amended, for increases in the cost of living,
 8 as prescribed by the Secretary of the Treasury or the Secretary's
 9 delegate, effective January 1 of each calendar year and applicable to
 10 the limitation year ending with or within such calendar year. The
 11 automatic annual adjustment of the dollar limitation in this subsection
 12 under Section 415(d) of the Internal Revenue Code of 1986, as
 13 amended, shall apply to a member who has had a separation from
 14 employment.

15 b. ~~The limitations of this subparagraph shall apply only to limitation~~
 16 ~~years beginning prior to January 1, 1995. One hundred percent (100%)~~
 17 ~~of the average earnings of the member for the three (3) consecutive~~
 18 ~~calendar years, while a member in the System, in which the member's~~
 19 ~~earnings were the highest. For purposes of this subparagraph,~~
 20 ~~earnings for any limitation year shall be the earned income of the~~
 21 ~~member, wages, salaries, and fees for professional services, and other~~
 22 ~~amounts received for personal services actually rendered in the course~~

1 ~~of employment with a participating municipality, provided such~~
 2 ~~amounts are actually paid or includable in gross income during such~~
 3 ~~year. Earnings shall exclude the following:~~

- 4 (1) ~~contributions by a participating municipality to a plan of~~
 5 ~~deferred compensation which are not included in the gross~~
 6 ~~income of the member for the taxable year in which contributed~~
 7 ~~or any distributions from a funded plan of deferred~~
 8 ~~compensation, and~~
- 9 (2) ~~other amounts which received special tax benefits, or~~
 10 ~~contributions made by a participating municipality, whether or~~
 11 ~~not under a salary reduction agreement, towards the purchase of~~
 12 ~~an annuity described in Section 403(b)~~

13 1. The member's annual benefit is a benefit that is payable annually in the form of
 14 a straight life annuity. Except as provided below, where a benefit is payable in a form
 15 other than a straight life annuity, the benefit shall be adjusted to an actuarially
 16 equivalent straight life annuity that begins at the same time as such other form of
 17 benefit and is payable on the first day of each month, before applying the limitations of
 18 this section. For a member who has or will have distributions commencing at more than
 19 one annuity starting date, the annual benefit shall be determined as of each such
 20 annuity starting date (and shall satisfy the limitations of this section as of each such
 21 date), actuarially adjusting for past and future distributions of benefits commencing at
 22 the other annuity starting dates. For this purpose, the determination of whether a new

1 starting date has occurred shall be made without regard to Section 1.401(a)-20, Q&A
2 10(d), and with regard to Section 1.415(b)-1(b)(1)(iii)(B) and (C) of the Income Tax
3 Regulations.

4 2. No actuarial adjustment to the benefit shall be made for:

- 5 a. survivor benefits payable to a surviving spouse under a qualified joint
6 and survivor annuity to the extent such benefits would not be payable
7 if the member's benefit were paid in another form,
- 8 b. benefits that are not directly related to retirement benefits (such as a
9 qualified disability benefit, preretirement incidental death benefits,
10 and postretirement medical benefits), or
- 11 c. the inclusion in the form of benefit of an automatic benefit increase
12 feature, provided the form of benefit is not subject to Section 417(e)(3)
13 of the Internal Revenue Code of 1986, as amended, and would
14 otherwise satisfy the limitations of this section, and the System
15 provides that the amount payable under the form of benefit in any
16 limitation year shall not exceed the limits of this section applicable at
17 the annuity starting date, as increased in subsequent years pursuant
18 to Section 415(d) of the Internal Revenue Code of 1986, as amended.
19 For this purpose, an automatic benefit increase feature is included in a
20 form of benefit if the form of benefit provides for automatic, periodic
21 increases to the benefits paid in that form.

1 3. The determination of the annual benefit shall take into account Social Security
 2 supplements described in Section 411(a)(9) of the Internal Revenue Code of 1986, as
 3 amended, and benefits transferred from another defined benefit plan, other than
 4 transfers of distributable benefits pursuant to Section 1.411(d)-4, Q&A-3(c), of the
 5 Income Tax Regulations, but shall disregard benefits attributable to employee
 6 contributions or rollover contributions.

7 4. Effective for distributions in plan years beginning after December 31, 2003, the
 8 determination of actuarial equivalence of forms of benefit other than a straight life
 9 annuity shall be made in accordance with paragraph 5 or paragraph 6 of this subsection.

10 5. Benefit Forms Not Subject to Section 417(e)(3) of the Internal Revenue Code of
 11 1986, as amended, whether or not the amounts are actually excludable from the gross
 12 income of the member: The straight life annuity that is actuarially equivalent to the
 13 member's form of benefit shall be determined under this paragraph 5 if the form of the
 14 member's benefit is either:

- 15 e. ~~Except as provided in subparagraph e of this paragraph, the~~
 16 ~~limitations specified in subparagraphs a and b of this paragraph shall~~
 17 ~~not be applicable with respect to any member whose total annual~~
 18 ~~accrued retirement benefit payable from the System is less than Ten~~
 19 ~~Thousand Dollars (\$10,000.00) and who has not at any time~~
 20 ~~participated in any contribution plan, within the meaning of Section~~
 21 ~~415(k) of the Internal Revenue Code of 1986, maintained by a~~
 22 ~~participating municipality.~~

- 1 a. a nondecreasing annuity (other than a straight life annuity) payable
2 for a period of not less than the life of the member (or, in the case of a
3 qualified preretirement survivor annuity, the life of the surviving
4 spouse), or
- 5 b. an annuity that decreases during the life of the member merely
6 because of:
- 7 (1) the death of the survivor annuitant (but only if the reduction is
8 not below fifty percent (50%) of the benefit payable before the
9 death of the survivor annuitant), or
- 10 (2) the cessation or reduction of Social Security supplements or
11 qualified disability payments (as defined in Section 401(a)(11) of
12 the Internal Revenue Code of 1986, as amended).
- 13 c. Limitation Years Beginning Before July 1, 2007. For limitation years
14 beginning before July 1, 2007, the actuarially equivalent straight life
15 annuity is equal to the annual amount of the straight life annuity
16 commencing at the same annuity starting date that has the same
17 actuarial present value as the member's form of benefit computed
18 using whichever of the following produces the greater annual amount:
- 19 (1) the interest rate and the mortality table (or other tabular
20 factor), each as set forth in subsection G of Section 50-105.4 of
21 this title for adjusting benefits in the same form; and

1 (2) a five percent (5%) interest rate assumption and the applicable
 2 mortality table described in Rev. Rul. 2001-62 for that annuity
 3 starting date.

4 d. Limitation Years Beginning On Or After July 1, 2007. For limitation
 5 years beginning on or after July 1, 2007, the actuarially equivalent
 6 straight life annuity is equal to the greater of:

7 (1) the annual amount of the straight life annuity (if any) payable
 8 to the member under the System commencing at the same
 9 annuity starting date as the member’s form of benefit, and

10 (2) the annual amount of the straight life annuity commencing at
 11 the same annuity starting date that has the same actuarial
 12 present value as the member’s form of benefit, computed using a
 13 five percent (5%) interest rate assumption and the applicable
 14 mortality table described in Rev. Rul. 2001-62 for that annuity
 15 starting date.

16 6. Benefit Forms Subject to Section 417(e)(3) of the Internal Revenue Code of 1986,
 17 as amended: The straight life annuity that is actuarially equivalent to the member’s
 18 form of benefit shall be determined under this paragraph 6 if the form of the member’s
 19 benefit is other than a benefit form described in paragraph 5 of this subsection. In this
 20 case, the actuarially equivalent straight life annuity shall be determined as follows:

21 a. Annuity Starting Date in Plan Years Beginning After 2005. If the
 22 annuity starting date of the member’s form of benefit is in a plan year

1 beginning after 2005, the actuarially equivalent straight life annuity is
 2 equal to the greatest of:

3 (1) the annual amount of the straight life annuity commencing at
 4 the same annuity starting date that has the same actuarial
 5 present value as the member's form of benefit, computed using
 6 the interest rate and the mortality table (or other tabular factor)
 7 each as set forth in subsection G of Section 50-105.4 of this title
 8 for adjusting benefits in the same form,

9 (2) the annual amount of the straight life annuity commencing at
 10 the same annuity starting date that has the same actuarial
 11 present value as the member's form of benefit, computed using a
 12 five and one-half percent (5.5%) interest rate assumption and
 13 the applicable mortality table described in Rev. Rul. 2001-62,
 14 and

15 (3) the annual amount of the straight life annuity commencing at
 16 the same annuity starting date that has the same actuarial
 17 present value as the member's form of benefit, computed using:
 18 (a) the rate of interest on thirty-year Treasury securities as
 19 specified by the Commissioner for the lookback month for
 20 the stability period specified below. The lookback month
 21 applicable to the stability period is the fourth calendar
 22 month preceding the first day of the stability period, as

1 specified below. The stability period is the successive
 2 period of one (1) plan year which contains the annuity
 3 starting date for the distribution and for which the
 4 applicable interest rate remains constant, and

5 (b) the applicable mortality table described in Rev. Rul. 2001-
 6 62,

7 divided by one and five one-hundredths (1.05).

8 b. Annuity Starting Date in Plan Years Beginning in 2004 or 2005:

9 (1) If the annuity starting date of the member's form of benefit is in
 10 a plan year beginning in 2004 or 2005, the actuarially
 11 equivalent straight life annuity is equal to the annual amount of
 12 the straight life annuity commencing at the same annuity
 13 starting date that has the same actuarial present value as the
 14 member's form of benefit, computed using whichever of the
 15 following produces the greater annual amount:

16 (a) the interest rate and the mortality table (or other tabular
 17 factor) each as set forth in subsection G of Section 50-
 18 105.4 of this title for adjusting benefits in the same form,
 19 and

20 (b) a five and one-half percent (5.5%) interest rate
 21 assumption and the applicable mortality table described
 22 in Rev. Rul. 2001-62.

- 1 (2) If the annuity starting date of the member's benefit is on or after
2 the first day of the first plan year beginning in 2004 and before
3 December 31, 2004, the application of this subparagraph b shall
4 not cause the amount payable under the member's form of
5 benefit to be less than the benefit calculated under the System,
6 taking into account the limitations of this section, except that
7 the actuarially equivalent straight life annuity is equal to the
8 annual amount of the straight life annuity commencing at the
9 same annuity starting date that has the same actuarial present
10 value as the member's form of benefit, computed using
11 whichever of the following produces the greatest annual amount:
- 12 (a) the interest rate and mortality table (or other tabular
13 factor) each as set forth in subsection G of Section 50-
14 105.4 of this title for adjusting benefits in the same form,
- 15 (b) (i) the rate of interest on thirty-year Treasury
16 securities as specified by the Commissioner for the
17 lookback month for the stability period specified
18 below. The lookback month applicable to the
19 stability period is the fourth calendar month
20 preceding the first day of the stability period, as
21 specified below. The stability period is the
22 successive period of one (1) plan year which

1 C. If a member has less than ten (10) years of participation in the System and all
 2 predecessor municipal police pension and retirement systems, the dollar limitation
 3 otherwise applicable under ~~subparagraph a~~ subsection B of this ~~paragraph section~~ shall
 4 be ~~reduced by multiplying such limitation~~ multiplied by a fraction, the numerator of
 5 which is the number of the years of participation in the System of the member, but never
 6 less than one (1), and the denominator of which is ten (10). ~~This subparagraph, to the~~
 7 ~~extent required by the Secretary of the Treasury, shall be applied separately to each~~
 8 ~~change in benefit structure hereunder.~~

9 e. ~~Effective for limitation years beginning on or after January 1, 1995, if~~
 10 ~~a member has been credited with less than ten (10) years of credited~~
 11 ~~service, the dollar amount otherwise applicable under subparagraph e~~
 12 ~~of this paragraph shall be reduced by multiplying such dollar amount~~
 13 ~~by a fraction, the numerator of which is the number of the years of~~
 14 ~~credited service of the member, but never less than one (1), and the~~
 15 ~~denominator of which is ten (10).~~

16 f. ~~The limitations specified in this section shall apply to a straight life~~
 17 ~~annuity with no ancillary benefits and to an annuity that constitutes a~~
 18 ~~qualified joint and survivor annuity. If payment is in a different form,~~
 19 ~~the amount thereof shall be adjusted to be the actuarial equivalent of a~~
 20 ~~single life annuity and the limitations shall be applied to such adjusted~~
 21 ~~amount. Such adjustment shall be based on the mortality tables and~~

1 interest rates described in subdivisions (a), (b) and (c) of division (1) of
 2 this subparagraph.

3 ~~(1) If payment begins before the member reaches age sixty-two (62)~~
 4 ~~years of age, the limitation in subparagraph a of this paragraph~~
 5 ~~shall be reduced on an actuarially equivalent basis; provided~~
 6 ~~however, prior to January 1, 2002, if such payment begins after~~
 7 ~~the member reaches fifty-five (55) years of age, the reduced limit~~
 8 ~~shall not be less than Seventy-five Thousand Dollars~~
 9 ~~(\$75,000.00) and, if payment begins prior to the member~~
 10 ~~reaching fifty-five (55) years of age, the reduced limit shall not~~
 11 ~~be less than the actuarial equivalent of the Seventy-five~~
 12 ~~Thousand Dollar (\$75,000.00) limit for age fifty-five (55);~~
 13 ~~provided further, that in no event shall such amount be reduced~~
 14 ~~below Fifty Thousand Dollars (\$50,000.00), adjusted for~~
 15 ~~increases in the cost of living, as prescribed by the Secretary of~~
 16 ~~Treasury, or the Secretary's delegate.~~

17 ~~(a) For limitation years beginning before January 1, 1999,~~
 18 ~~the interest rate to be used to determine such actuarial~~
 19 ~~equivalent amount in this division shall be the rate~~
 20 ~~specified in the actuarial tables adopted by the State~~
 21 ~~Board; however, the interest rate used in determining an~~

1 sixty-two (62) or after age sixty-five (65). If the annuity starting date is before age sixty-
 2 two (62), the dollar limitation under subsection B of this section shall be adjusted under
 3 paragraph 1 of this subsection, as modified by paragraph 3 of this subsection, but subject
 4 to paragraph 4 of this subsection. If the annuity starting date is after age sixty-five (65),
 5 the dollar limitation under subsection B of this section shall be adjusted under
 6 paragraph 2 of this subsection, as modified by paragraph 3 of this subsection.

7 1. Adjustment of Defined Benefit Dollar Limitation for Benefit Commencement

8 Before Age Sixty-two (62):

9 a. Limitation Years Beginning Before July 1, 2007. If the annuity
 10 starting date for the member's benefit is prior to age sixty-two (62) and
 11 occurs in a limitation year beginning before July 1, 2007, the dollar
 12 limitation for the member's annuity starting date is the annual
 13 amount of a benefit payable in the form of a straight life annuity
 14 commencing at the member's annuity starting date that is the
 15 actuarial equivalent of the dollar limitation under subsection B of this
 16 section (adjusted under subsection C of this section for years of
 17 participation less than ten (10), if required) with actuarial equivalence
 18 computed using whichever of the following produces the smaller
 19 annual amount:

20 (1) the interest rate and the mortality table (or other tabular factor)
 21 each as set forth in subsection G of Section 50-105.4 of this title,

22 or

- 1 (2) a five-percent interest rate assumption and the applicable
2 mortality table as described in Rev. Rul. 2001-62.
- 3 b. Limitation Years Beginning On Or After July 1, 2007.
- 4 (1) System Does Not Have Immediately Commencing Straight Life
5 Annuity Payable at Both Age Sixty-two (62) and the Age of
6 Benefit Commencement. If the annuity starting date for the
7 member's benefit is prior to age sixty-two (62) and occurs in a
8 limitation year beginning on or after July 1, 2007, and the
9 System does not have an immediately commencing straight life
10 annuity payable at both age sixty-two (62) and the age of benefit
11 commencement, the dollar limitation for the member's annuity
12 starting date is the annual amount of a benefit payable in the
13 form of a straight life annuity commencing at the member's
14 annuity starting date that is the actuarial equivalent of the
15 dollar limitation under subsection B of this section (adjusted
16 under subsection C of this section for years of participation less
17 than ten (10), if required) with actuarial equivalence computed
18 using a five-percent interest rate assumption and the applicable
19 mortality table for the annuity starting date as described in Rev.
20 Rul. 2001-62 (and expressing the member's age based on
21 completed calendar months as of the annuity starting date).

1 (2) System Has Immediately Commencing Straight Life Annuity
2 Payable at Both Age Sixty-two (62) and the Age of Benefit
3 Commencement. If the annuity starting date for the member's
4 benefit is prior to age sixty-two (62) and occurs in a limitation
5 year beginning on or after July 1, 2007, and the System has an
6 immediately commencing straight life annuity payable at both
7 age sixty-two (62) and the age of benefit commencement, the
8 dollar limitation for the member's annuity starting date is the
9 lesser of the limitation determined under division (1) of
10 subparagraph b of this paragraph and the dollar limitation
11 under subsection B of this section (adjusted under subsection C
12 of this section for years of participation less than ten (10), if
13 required) multiplied by the ratio of the annual amount of the
14 immediately commencing straight life annuity under the System
15 at the member's annuity starting date to the annual amount of
16 the immediately commencing straight life annuity under the
17 System at age sixty-two (62), both determined without applying
18 the limitations of this section.

19 2. Adjustment of Defined Benefit Dollar Limitation for Benefit Commencement

20 After Age Sixty-five (65):

- 21 a. Limitation Years Beginning Before July 1, 2007. If the annuity
22 starting date for the member's benefit is after age sixty-five (65) and

1 occurs in a limitation year beginning before July 1, 2007, the dollar
 2 limitation for the member's annuity starting date is the annual
 3 amount of a benefit payable in the form of a straight life annuity
 4 commencing at the member's annuity starting date that is the
 5 actuarial equivalent of the dollar limitation under subsection B of this
 6 section (adjusted under subsection C of this section for years of
 7 participation less than ten (10), if required) with actuarial equivalence
 8 computed using whichever of the following produces the smaller
 9 annual amount:

- 10 (1) the interest rate and the mortality table (or other tabular factor)
 11 each as set forth in subsection G of Section 50-105.4 of this title,
 12 or
 13 (2) a five-percent interest rate assumption and the applicable
 14 mortality table as described in Rev. Rul. 2001-62.

15 b. Limitation Years Beginning On Or After July 1, 2007.

- 16 (1) System Does Not Have Immediately Commencing Straight Life
 17 Annuity Payable at Both Age Sixty-five (65) and the Age of
 18 Benefit Commencement. If the annuity starting date for the
 19 member's benefit is after age sixty-five (65) and occurs in a
 20 limitation year beginning on or after July 1, 2007, and the
 21 System does not have an immediately commencing straight life
 22 annuity payable at both age sixty-five (65) and the age of benefit

1 commencement, the dollar limitation at the member's annuity
 2 starting date is the annual amount of a benefit payable in the
 3 form of a straight life annuity commencing at the member's
 4 annuity starting date that is the actuarial equivalent of the
 5 dollar limitation under subsection B of this section (adjusted
 6 under subsection C of this section for years of participation less
 7 than ten (10), if required) with actuarial equivalence computed
 8 using a five-percent interest rate assumption and the applicable
 9 mortality table for the annuity starting date as described in Rev.
 10 Rul. 2001-62 (and expressing the member's age based on
 11 completed calendar months as of the annuity starting date).

12 (2) System Has Immediately Commencing Straight Life Annuity
 13 Payable at Both Age Sixty-five (65) and Age of Commencement.
 14 If the annuity starting date for the member's benefit is after age
 15 sixty-five (65) and occurs in a limitation year beginning on or
 16 after July 1, 2007, and the System has an immediately
 17 commencing straight life annuity payable at both age sixty-five
 18 (65) and the age of benefit commencement, the dollar limitation
 19 at the member's annuity starting date is the lesser of the
 20 limitation determined under division (1) of subparagraph b of
 21 this paragraph and the dollar limitation under subsection B of
 22 this section (adjusted under subsection C of this section for years

1 of participation less than ten (10), if required) multiplied by the
2 ratio of the annual amount of the adjusted immediately
3 commencing straight life annuity under the System at the
4 member's annuity starting date to the annual amount of the
5 adjusted immediately commencing straight life annuity under
6 the System at age sixty-five (65), both determined without
7 applying the limitations of this section. For this purpose, the
8 adjusted immediately commencing straight life annuity under
9 the System at the member's annuity starting date is the annual
10 amount of such annuity payable to the member, computed
11 disregarding the member's accruals after age sixty-five (65) but
12 including actuarial adjustments even if those actuarial
13 adjustments are used to offset accruals; and the adjusted
14 immediately commencing straight life annuity under the System
15 at age sixty-five (65) is the annual amount of such annuity that
16 would be payable under the System to a hypothetical member
17 who is age sixty-five (65) and has the same accrued benefit as
18 the member.

19 3. Notwithstanding the other requirements of this subsection, no adjustment shall
20 be made to the dollar limitation under subsection B of this section to reflect the
21 probability of a member's death between the annuity starting date and age sixty-two
22 (62), or between age sixty-five (65) and the annuity starting date, as applicable, if

1 benefits are not forfeited upon the death of the member prior to the annuity starting
 2 date. To the extent benefits are forfeited upon death before the annuity starting date,
 3 such an adjustment shall be made. For this purpose, no forfeiture shall be treated as
 4 occurring upon the member's death if the System does not charge members for providing
 5 a qualified preretirement survivor annuity, as defined in Section 417(c) of the Internal
 6 Revenue Code of 1986, as amended, upon the member's death.

7 4. Notwithstanding any other provision to the contrary, for limitation years
 8 beginning on or after January 1, 1997, if payment begins before the member reaches age
 9 sixty-two (62), the reductions in the limitations in this ~~division~~ subsection shall not apply
 10 to a member who is a "qualified participant" as defined in Section 415(b)(2)(H) of the
 11 Internal Revenue Code of 1986, as amended.

12 ~~(2) If payment begins after the member reaches age sixty-five (65)~~
 13 ~~years of age, the limitation in subparagraph a of this paragraph~~
 14 ~~shall be the actuarial equivalent of such amount otherwise~~
 15 ~~applicable at the member reaching sixty-five (65) years of age.~~

16 ~~(a) For limitation years beginning before January 1, 1999,~~
 17 ~~the interest rate to be used to determine such actuarial~~
 18 ~~equivalent amount in this division shall be the rate~~
 19 ~~specified in the actuarial tables adopted by the State~~
 20 ~~Board; however, the interest rate used in determining an~~
 21 ~~actuarially equivalent post-age-sixty-five amount shall~~
 22 ~~not be greater than five percent (5%).~~

1 ~~(b) Effective for limitation years beginning on or after~~
 2 ~~January 1, 1999, the actuarial equivalent adjustments in~~
 3 ~~this division shall use the mortality and interest rate~~
 4 ~~basis provided in subdivision (b) of division (1) of this~~
 5 ~~subparagraph.~~

6 ~~§.~~

7 E. Minimum Benefit Permitted: Notwithstanding anything else in this section to
 8 the contrary, the benefit otherwise accrued or payable to a member under this System
 9 shall be deemed not to exceed the maximum permissible benefit if:

10 1. The retirement benefits payable for a limitation year under any form of benefit
 11 with respect to such member under this System and under all other defined benefit plans
 12 (without regard to whether a plan has been terminated) ever maintained by a
 13 participating municipality do not exceed Ten Thousand Dollars (\$10,000.00) multiplied
 14 by a fraction:

- 15 a. the numerator of which is the member's number of credited years (or
 16 part thereof, but not less than one (1) year) of service (not to exceed ten
 17 (10) years) with the participating municipality, and
 18 b. the denominator of which is ten (10); and

19 2. The participating municipality (or a predecessor employer) has not at any time
 20 maintained a defined contribution plan in which the member participated (for this
 21 purpose, mandatory employee contributions under a defined benefit plan, individual
 22 medical accounts under Section 401(h) of the Internal Revenue Code of 1986, as

1 amended, and accounts for postretirement medical benefits established under Section
 2 419A(d)(1) of the Internal Revenue Code of 1986, as amended, are not considered a
 3 separate defined contribution plan).

4 F. In no event shall the maximum annual accrued retirement benefit of a member
 5 allowable under this section be less than the annual amount of such accrued retirement
 6 benefit, including early pension and qualified joint and survivor annuity amounts, duly
 7 accrued by the member as of the last day of the limitation year beginning in 1982, or as
 8 of the last day of the limitation year beginning in 1986, whichever is greater,
 9 disregarding any plan changes or cost-of-living adjustments occurring after July 1, 1982,
 10 as to the 1982 accrued amount, and May 5, 1986, as to the 1986 accrued amount.

11 h.

12 G. Effective for years beginning after December 31, 1997, if a member purchases
 13 service pursuant to Section 50-111.2 and Section 50-111.4 of this title, which qualifies as
 14 “permissive service credit” pursuant to Section 415(n) of the Internal Revenue Code of
 15 1986, as amended, the limitations of Section 415 of the Internal Revenue Code of 1986,
 16 as amended, may be met by either:

17 ~~(1) treating~~

18 1. Treating the accrued benefit derived from such contributions as an annual
 19 benefit under ~~paragraph 1~~ subsection B of this section, or

20 ~~(2) treating~~

21 2. Treating all such contributions as annual additions for purposes of Section 415(c)
 22 of the Internal Revenue Code of 1986, as amended.

1 i

2 H. Effective for years beginning after December 31, 1997, if a member repays to the
3 System any amounts received because of such member's prior termination pursuant to
4 subsection C of Section 50-111.1 of this title, such repayment shall not be taken into
5 account for purposes of Section 415 of the Internal Revenue Code of 1986, as amended,
6 pursuant to Section 415(k)(3) of the Internal Revenue Code of 1986, as amended.

7 I. For limitation years beginning on or after January 1, 1995, subsection C of this
8 section, paragraph 1 of subsection D of this section, and the proration provided under
9 subparagraphs ~~d~~, ~~e~~ a and ~~f~~ b of this paragraph 1 of subsection E of this section shall not
10 apply to a benefit paid under the System as the result of the member becoming disabled
11 by reason of personal injuries or sickness, or amounts received by the beneficiaries,
12 survivors or estate of the member as the result of the death of the member.

13 ~~J.~~ J. For distributions made in limitation years beginning on or after January 1,
14 2000, the combined limit of repealed Section 415(e) of the Internal Revenue Code of 1986,
15 as amended, shall not apply.

16 ~~K.~~ K. The State Board is hereby authorized to revoke the special election previously
17 made on June 19, 1991, under Internal Revenue Code Section 415(b)(10).

18 SECTION 6. AMENDATORY 11 O.S. 2001, Section 50-114.2, as last amended
19 by Section 3, Chapter 152, O.S.L. 2007 (11 O.S. Supp. 2007, Section 50-114.2), is
20 amended to read as follows:

21 Section 50-114.2 A. This section applies to distributions made on or after January
22 1, 1993. Notwithstanding any provision of the System to the contrary that would

1 otherwise limit a Distributee's election hereunder, a Distributee may elect, at the time
 2 and in the manner prescribed by the State Board, to have any portion of an Eligible
 3 Rollover Distribution paid directly to an Eligible Retirement Plan specified by the
 4 Distributee in a Direct Rollover.

5 B. For purposes of this section, the following definitions shall apply:

6 1. "Eligible Rollover Distribution" means any distribution of all or any portion of
 7 the balance to the credit of the Distributee, except that an Eligible Rollover Distribution
 8 does not include: any distribution that is one of a series of substantially equal periodic
 9 payments (not less frequently than annually) made for the life (or life expectancy) of the
 10 Distributee or the joint lives (or life expectancies) of the Distributee and the Distributee's
 11 designated beneficiary, or for a specified period of ten (10) years or more; any distribution
 12 to the extent such distribution is required under Section 401(a)(9) of the Internal
 13 Revenue Code of 1986, as amended; and the portion of any distribution that is not
 14 includable in gross income; ~~provided, however, that, effective,~~ Effective January 1, 2002,
 15 a portion of a distribution shall not fail to be an Eligible Rollover Distribution merely
 16 because the portion consists of after-tax member contributions which are not includable
 17 in gross income. However, such portion may be paid only:

18 a. from January 1, 2002, through December 31, 2006, to:

- 19 (1) an individual retirement account or annuity described in Section
 20 408(a) or (b) of the Internal Revenue Code of 1986, as amended,
 21 or

1 (2) a qualified trust which is part of a defined contribution plan
 2 described in Section 401(a) or 403(a) of the Internal Revenue
 3 Code of 1986, as amended, and which agrees to separately
 4 account for amounts so transferred, including separately
 5 accounting for the portion of such distribution which is
 6 includable in gross income and the portion of such distribution
 7 which is not so includable, and

8 b. on or after January 1, 2007, to:

9 (1) an individual retirement account or annuity described in Section
 10 408(a) or (b) of the Internal Revenue Code of 1986, as amended,
 11 or

12 (2) a qualified trust described in Section 401(a) or 403(a) of the
 13 Internal Revenue Code of 1986, as amended, or an annuity
 14 contract described in Section 403(b) of the Internal Revenue
 15 Code of 1986, as amended, and such trust or annuity contract
 16 provides for separate accounting for amounts so transferred (and
 17 earnings thereon), including separately accounting for the
 18 portion of such distribution which is includable in gross income
 19 and the portion of such distribution which is not so includable;

20 2. “Eligible Retirement Plan” means an individual retirement account described in
 21 Section 408(a) of the Internal Revenue Code of 1986, as amended, an individual
 22 retirement annuity described in Section 408(b) of the Internal Revenue Code of 1986, as

1 amended, an annuity plan described in Section 403(a) of the Internal Revenue Code of
 2 1986, as amended, or a qualified trust described in Section 401(a) of the Internal
 3 Revenue Code of 1986, as amended, that accepts the Distributee's Eligible Rollover
 4 Distribution. Effective January 1, 2002, an Eligible Retirement Plan shall also mean an
 5 annuity contract described in Section 403(b) of the Internal Revenue Code of 1986, as
 6 amended, and an eligible plan under Section 457(b) of the Internal Revenue Code of
 7 1986, as amended, which is maintained by a state, political subdivision of a state, or any
 8 agency or instrumentality of a state or political subdivision of a state and which agrees to
 9 separately account for amounts transferred into such plan from the System. ~~Effective~~
 10 ~~January 1, 2002, the definition of Eligible Retirement Plan shall also apply in the case of~~
 11 ~~a distribution to a surviving spouse, or to a spouse or former spouse who is the alternate~~
 12 ~~payee pursuant to a qualified domestic order as defined in subsection B of Section 50-124~~
 13 ~~of this title. An Eligible Retirement Plan does not include a Roth IRA under Section~~
 14 ~~408A of the Internal Revenue Code of 1986, as amended;~~

15 3. "Distributee" means an employee or former employee. In addition, effective
 16 June 7, 1993, the employee's or former employee's surviving spouse and the employee's
 17 or former employee's spouse or former spouse who is the alternate payee under a
 18 qualified domestic order, as defined in subsection B of Section 50-124 of this title, are
 19 Distributees with regard to the interest of the spouse or the former spouse. Effective for
 20 distributions after December 31, 2006, a Distributee also includes the member's
 21 nonspouse designated beneficiary, pursuant to Section 401(a)(9)(E) of the Internal
 22 Revenue Code of 1986, as amended. In the case of a nonspouse beneficiary, the Direct

1 Rollover may be made only to an individual retirement account or annuity (other than
 2 an endowment contract) described in Section 408(a) or (b) of the Internal Revenue Code
 3 of 1986, as amended, (IRA), that is established on behalf of such designated beneficiary
 4 and that will be treated as an inherited IRA pursuant to the provisions of Section
 5 402(c)(11) of the Internal Revenue Code of 1986, as amended. Also, in this case, the
 6 determination of any required minimum distribution under Section 401(a)(9) of the
 7 Internal Revenue Code of 1986, as amended, that is ineligible for rollover shall be made
 8 in accordance with Notice 2007-7, Q&A 17 and 18, 2007-5 I.R.B. 395. The required
 9 minimum distribution rules of Section 401(a)(9)(B) (other than clause iv thereof) of the
 10 Internal Revenue Code of 1986, as amended, apply to the transferee IRA; and

11 4. “Direct Rollover” means a payment by the System to the Eligible Retirement
 12 Plan specified by the Distributee or, on or after January 1, 2008, to a Roth IRA under
 13 Section 408A of the Internal Revenue Code of 1986, as amended, as specified by the
 14 Distributee (assuming the Distributee otherwise meets the Roth IRA requirements).

15 C. At least thirty (30) days before and, effective January 1, 2007, not more than one
 16 hundred eighty (180) days before the date of distribution, the Distributee must be
 17 provided with a notice of rights which satisfies Section 402(f) of the Internal Revenue
 18 Code of 1986, as amended, as to rollover options and tax effects. Such distribution may
 19 commence less than thirty (30) days after the notice is given, provided that:

20 1. The State Board clearly informs the Distributee that the Distributee has a right
 21 to a period of at least thirty (30) days after receiving the notice to consider the decision of
 22 whether or not to elect a distribution; and

2. The Distributee, after receiving the notice, affirmatively elects a distribution.

SECTION 7. AMENDATORY 47 O.S. 2001, Section 2-300, as last amended by Section 10, Chapter 62, O.S.L. 2007 (47 O.S. Supp. 2007, Section 2-300), is amended to read as follows:

Section 2-300. As used in Section 2-300 et seq. of this title:

1. "System" means the Oklahoma Law Enforcement Retirement System;

2. "Act" means Section 2-300 et seq. of this title;

3. "Board" means the Oklahoma Law Enforcement Retirement Board of the System;

4. "Executive Director" means the managing officer of the System employed by the Board;

5. "Fund" means the Oklahoma Law Enforcement Retirement Fund;

6. a. "Member" means:

- (1) all commissioned law enforcement officers of the Oklahoma Highway Patrol Division of the Department of Public Safety who have obtained certification from the Council on Law Enforcement Education and Training, and all cadets of a Patrol Academy of the Department of Public Safety,
- (2) law enforcement officers and criminalists of the Oklahoma State Bureau of Investigation,
- (3) law enforcement officers of the Oklahoma State Bureau of Narcotics and Dangerous Drugs Control designated to perform

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- duties in the investigation and prevention of crime and the enforcement of the criminal laws of this state,
- (4) law enforcement officers of the Oklahoma Alcoholic Beverage Laws Enforcement Commission designated to perform duties in the investigation and prevention of crime and the enforcement of the criminal laws of this state,
- (5) employees of the Communications Section of the Oklahoma Highway Patrol Division, radio technicians, and tower technicians of the Department of Public Safety, who are employed in any such capacity as of June 30, 2008, and who remain employed on or after July 1, 2008, until a termination of service, or until a termination of service with an election of a vested benefit from the System, or until retirement. Effective July 1, 2008, a person employed for the first time as an employee of the Department of Public Safety in the Communications Division as an information systems telecommunication technician of the Department of Public Safety shall not be a member of the System.
- (6) park rangers of the Oklahoma Tourism and Recreation Department and any park manager or park supervisor of the Oklahoma Tourism and Recreation Department who was employed in such a position prior to July 1, 1985, and who elects

UNDERLINED language denotes Amendments to present Statutes.
BOLD FACE CAPITALIZED language denotes Committee Amendments.
~~Strike thru~~ language denotes deletion from present Statutes.

1 on or before September 1, 1996, to participate in the System,
2 and

3 (7) inspectors of the Board of Pharmacy.

4 b. Effective July 1, 1987, a member does not include a “leased employee”
5 as defined under Section 414(n)(2) of the Internal Revenue Code of
6 1986, as amended. Effective July 1, 1999, any individual who agrees
7 with the participating employer that the individual’s services are to be
8 performed as a leased employee or an independent contractor shall not
9 be a member regardless of any classification as a common-law
10 employee by the Internal Revenue Service or any other governmental
11 agency, or any court of competent jurisdiction.

12 c. All persons who shall be offered a position of a commissioned law
13 enforcement officer as an employee of one of the agencies described in
14 subparagraph a of this paragraph shall participate in the System upon
15 the person meeting the requisite post-offer-pre-employment physical
16 examination standards which shall be subject to the following
17 requirements:

18 (1) all such persons shall be of good moral character, free from
19 deformities, mental or physical conditions, or disease and
20 alcohol or drug addiction which would prohibit the person from
21 performing the duties of a law enforcement officer,

- 1 (2) said physical-medical examination shall pertain to age, sight,
- 2 hearing, agility and other conditions the requirements of which
- 3 shall be established by the Board,
- 4 (3) the person shall be required to meet the conditions of this
- 5 subsection prior to the beginning of actual employment but after
- 6 an offer of employment has been tendered by a participating
- 7 employer,
- 8 (4) the Board shall have authority to deny or revoke membership of
- 9 any person submitting false information in such person's
- 10 membership application, and
- 11 (5) the Board shall have final authority in determining eligibility
- 12 for membership in the System, pursuant to the provisions of this
- 13 subsection;

14 7. "Normal retirement date" means the date at which the member is eligible to
 15 receive the unreduced payments of the member's accrued retirement benefit. Such date
 16 shall be the first day of the month coinciding with or following the date the member:

- 17 a. completes twenty (20) years of vesting service, or
- 18 b. attains sixty-two (62) years of age with ten (10) years of vesting
- 19 service, or
- 20 c. attains sixty-two (62) years of age, if:

- 1 (1) the member has been transferred to this System from the
 2 Oklahoma Public Employees Retirement System on or after July
 3 1, 1981, and
 4 (2) the member would have been vested had the member continued
 5 to be a member of the Oklahoma Public Employees Retirement
 6 System.

7 With respect to distributions under the System made for calendar years beginning
 8 on or after January 1, 2005, the System shall apply the minimum distribution incidental
 9 benefit requirements, incidental benefit requirements, and minimum distribution
 10 requirements of Section 401(a)(9) of the Internal Revenue Code of 1986, as amended, in
 11 accordance with the final regulations under Section 401(a)(9) of the Internal Revenue
 12 Code of 1986, as amended, which were issued in April 2002 and June 2004,
 13 notwithstanding any provision of the System to the contrary. With respect to
 14 distributions under the System made for calendar years beginning on or after January 1,
 15 2001, through December 31, 2004, the System shall apply the minimum distribution
 16 requirements and incidental benefit requirements of Section 401(a)(9) of the Internal
 17 Revenue Code of 1986, as amended, in accordance with the regulations under Section
 18 401(a)(9) of the Internal Revenue Code of 1986, as amended, which were proposed in
 19 January 2001, notwithstanding any provision of the System to the contrary.

20 Effective July 1, 1989, notwithstanding any other provision contained herein to the
 21 contrary, in no event shall commencement of distribution of the accrued retirement
 22 benefit of a member be delayed beyond April 1 of the calendar year following the later of:

1 (1) the calendar year in which the member reaches seventy and one-half (70 1/2) years of
 2 age; or (2) the actual retirement date of the member. The preceding sentence does not
 3 allow deferral of benefit commencement beyond the age of sixty-five (65).

4 A member who was required to join the System effective July 1, 1980, because of the
 5 transfer of the employing agency from the Oklahoma Public Employees Retirement
 6 System to the System, and was not a member of the Oklahoma Public Employees
 7 Retirement System on the date of such transfer shall be allowed to receive credit for prior
 8 law enforcement service rendered to this state, if the member is not receiving or eligible
 9 to receive retirement credit or benefits for such service in any other public retirement
 10 system, upon payment to the System of the employee contribution the member would
 11 have been subject to had the member been a member of the System at the time, plus five
 12 percent (5%) interest. Service credit received pursuant to this paragraph shall be used in
 13 determining the member's retirement benefit, and shall be used in determining years of
 14 service for retirement or vesting purposes;

15 8. "Actual paid base salary" means the salary received by a member, excluding
 16 payment for any accumulated leave or uniform allowance. Salary shall include any
 17 amount of nonelective salary reduction under Section 414(h) of the Internal Revenue
 18 Code of 1986;

19 9. "Final average salary" means the average of the highest thirty (30) consecutive
 20 complete months of actual paid gross salary. Gross salary shall include any amount of
 21 elective salary reduction under Section 457 of the Internal Revenue Code of 1986, as
 22 amended, and any amount of nonelective salary reduction under Section 414(h) of the

1 Internal Revenue Code of 1986, as amended. Effective July 1, 1992, gross salary shall
 2 include any amount of elective salary reduction under Section 125 of the Internal
 3 Revenue Code of 1986, as amended. Effective July 1, 1998, gross salary shall include any
 4 amount of elective salary reduction not includable in the gross income of the member
 5 under Section 132(f)(4) of the Internal Revenue Code of 1986, as amended. Effective July
 6 1, 1998, for purposes of determining a member's compensation, any contribution by the
 7 member to reduce his or her regular cash remuneration under Section 132(f)(4) of the
 8 Internal Revenue Code of 1986, as amended, shall be treated as if the member did not
 9 make such an election. Only salary on which required contributions have been made
 10 may be used in computing the final average salary.

11 In addition to other applicable limitations, and notwithstanding any other provision
 12 to the contrary, for plan years beginning on or after July 1, 2002, the annual gross salary
 13 of each "Noneligible Member" taken into account under the System shall not exceed the
 14 Economic Growth and Tax Relief Reconciliation Act of 2001 ("EGTRRA") annual salary
 15 limit. The EGTRRA annual salary limit is Two Hundred Thousand Dollars
 16 (\$200,000.00), as adjusted by the Commissioner for increases in the cost of living in
 17 accordance with Section 401(a)(17)(B) of the Internal Revenue Code of 1986, as amended.
 18 The annual salary limit in effect for a calendar year applies to any period, not exceeding
 19 twelve (12) months, over which salary is determined ("determination period") beginning
 20 in such calendar year. If a determination period consists of fewer than twelve (12)
 21 months, the EGTRRA salary limit will be multiplied by a fraction, the numerator of
 22 which is the number of months in the determination period, and the denominator of

1 which is twelve (12). For purposes of this section, a “Noneligible Member” is any member
 2 who first became a member during a plan year commencing on or after July 1, 1996.

3 For plan years beginning on or after July 1, 2002, any reference in the System to
 4 the annual salary limit under Section 401(a)(17) of the Internal Revenue Code of 1986, as
 5 amended, shall mean the EGTRRA salary limit set forth in this provision;

6 10. “Credited service” means the period of service used to determine the amount of
 7 benefits payable to a member. Credited service shall consist of the period during which
 8 the member participated in the System or the predecessor Plan as an active employee in
 9 an eligible membership classification, plus any service prior to the establishment of the
 10 predecessor Plan which was credited under the predecessor Plan and for law enforcement
 11 officers and criminalists of the Oklahoma State Bureau of Investigation and the
 12 Oklahoma State Bureau of Narcotics and Dangerous Drugs Control who became
 13 members of the System on July 1, 1980, any service credited under the Oklahoma Public
 14 Employees Retirement System as of June 30, 1980, and for members of the
 15 Communications and Lake Patrol Divisions of the Oklahoma Department of Public
 16 Safety, who became members of the System on July 1, 1981, any service credited under
 17 the predecessor Plan or the Oklahoma Public Employees Retirement System as of June
 18 30, 1981, and for law enforcement officers of the Alcoholic Beverage Laws Enforcement
 19 Commission who became members of the System on July 1, 1982, any service credited
 20 under the Oklahoma Public Employees Retirement System as of June 30, 1982, and for
 21 park rangers of the Oklahoma Tourism and Recreation Department who became
 22 members of the System on July 1, 1985, any service credited under the Oklahoma Public

1 Employees Retirement System as of June 30, 1985, and for inspectors of the Oklahoma
 2 State Board of Pharmacy who became members of the System on July 1, 1986, any
 3 service credited under the Oklahoma Public Employees Retirement System as of June
 4 30, 1986, for law enforcement officers of the Oklahoma Capitol Patrol Division of the
 5 Department of Public Safety who became members of the System effective July 1, 1993,
 6 any service credited under the Oklahoma Public Employees Retirement System as of
 7 June 30, 1993, and for all commissioned officers in the Gunsmith/Ammunition Reloader
 8 Division of the Department of Public Safety who became members of the System effective
 9 July 1, 1994, any service credited under the Oklahoma Public Employees Retirement
 10 System as of June 30, 1994, and for the park managers or park supervisors of the
 11 Oklahoma Tourism and Recreation Department who were employed in such a position
 12 prior to July 1, 1985, and who elect to become members of the System effective
 13 September 1, 1996, any service transferred pursuant to subsection C of Section 2-309.6 of
 14 this title and any service purchased pursuant to subsection B of Section 2-307.2 of this
 15 title. Effective August 5, 1993, an authorized leave of absence shall include a period of
 16 absence pursuant to the Family and Medical Leave Act of 1993;

17 11. "Disability" means a physical or mental condition which, in the judgment of the
 18 Board, totally and presumably permanently prevents the member from engaging in the
 19 usual and customary duties of the occupation of the member and thereafter prevents the
 20 member from performing the duties of any occupation or service for which the member is
 21 qualified by reason of training, education or experience. A person is not under a

1 disability when capable of performing a service to the employer, regardless of occupation,
2 providing the salary of the employee is not diminished thereby;

3 12. "Limitation year" means the year used in applying the limitations of Section
4 415 of the Internal Revenue Code of 1986, which year shall be the calendar year;

5 13. "Line of duty" means any action which a member whose primary function is
6 crime control or reduction or enforcement of the criminal law is obligated or authorized
7 by rule, regulations, condition of employment or service, or law to perform, including
8 those social, ceremonial, or athletic functions to which the member is assigned, or for
9 which the member is compensated, by the agency the member serves;

10 14. "Personal injury" or "injury" means any traumatic injury as well as diseases
11 which are caused by or result from such an injury, but not occupational diseases;

12 15. "Catastrophic nature" means consequences of an injury that permanently
13 prevent an individual from performing any gainful work;

14 16. "Traumatic injury" means a wound or a condition of the body caused by
15 external force, including injuries inflicted by bullets, explosives, sharp instruments,
16 blunt objects or other physical blows, chemicals, electricity, climatic conditions, infectious
17 diseases, radiation, and bacteria, but excluding stress and strain; and

18 17. "Beneficiary" means the individual designated by the member on a beneficiary
19 designation form supplied by the Oklahoma Law Enforcement Retirement System, or if
20 there is no designated beneficiary or if the designated beneficiary predeceases the
21 member, the estate of the member. If the member's spouse is not designated as the sole
22 primary beneficiary, the member's spouse must sign a consent.

1 SECTION 8. AMENDATORY 47 O.S. 2001, Section 2-303.3, is amended to
2 read as follows:

3 Section 2-303.3 A. Except as otherwise provided by this section, any annuity,
4 benefits, fund, property, or rights created by or accruing to any person pursuant to the
5 provisions of Sections 2-300 through 2-313 of this title shall not be subject to execution,
6 garnishment or attachment, and shall be unassignable, except as specifically provided by
7 Sections 2-300 through 2-313 of this title. Notwithstanding the foregoing, effective
8 August 5, 1997, the Board may approve any offset of a member's benefit to pay a
9 judgment or settlement against the member for a crime involving the System or for a
10 breach of the member's fiduciary duty to the System, provided such offset is in
11 accordance with the requirements of Section 401(a)(13) of the Internal Revenue Code of
12 1986, as amended.

13 B. 1. The provisions of subsection A of this section shall not apply to a qualified
14 domestic order as provided pursuant to this subsection.

15 2. The term "qualified domestic order" means an order issued by a district court of
16 this state pursuant to the domestic relation laws of the State of Oklahoma which relates
17 to the provision of marital property rights to a spouse or former spouse of a member or
18 provision of support for a minor child or children and which creates or recognizes the
19 existence of the right of an alternate payee, or assigns to an alternate payee the right, to
20 receive a portion of the benefits payable with respect to a member of the System.

21 3. For purposes of the payment of marital property, to qualify as an alternate
22 payee, a spouse or former spouse must have been married to the related member for a

1 period of not less than thirty (30) continuous months immediately preceding the
2 commencement of the proceedings from which the qualified domestic order issues.

3 4. A qualified domestic order is valid and binding on the Board and the related
4 member only if it meets the requirements of this subsection.

5 5. A qualified domestic order shall clearly specify:

6 a. the name and last-known mailing address (if any) of the member and
7 the name and mailing address of the alternate payee covered by the
8 order,

9 b. the amount or percentage of the member's benefits to be paid by the
10 System to the alternate payee,

11 c. the number of payments or period to which such order applies,

12 d. the characterization of the benefit as to marital property rights or child
13 support, and

14 e. each plan to which such order applies.

15 6. A qualified domestic order meets the requirements of this subsection only if such
16 order:

17 a. does not require the System to provide any type or form of benefit, or
18 any option not otherwise provided under state law as relates to the
19 System,

20 b. does not require the System to provide increased benefits, and

21 c. does not require the payment of benefits to an alternate payee which
22 are required to be paid to another alternate payee pursuant to another

1 order previously determined to be a qualified domestic order or an
 2 order recognized by the System as a valid order prior to the effective
 3 date of this act.

4 7. A qualified domestic order shall not require payment of benefits to an alternate
 5 payee prior to the actual retirement date of the related member.

6 8. The alternate payee shall have a right to receive benefits payable to a member of
 7 the System under the Oklahoma Law Enforcement Deferred Option Plan provided for
 8 pursuant to Section 2-305.2 of this title, but only to the extent such benefits have been
 9 credited or paid into the member's Oklahoma Law Enforcement Deferred Option Plan
 10 account during the term of the marriage.

11 9. The obligation of the System to pay an alternate payee pursuant to a qualified
 12 domestic order shall cease upon the death of the related member.

13 ~~9.~~ 10. This subsection shall not be subject to the provisions of the Employee
 14 Retirement Income Security Act of 1974 (ERISA), 29 U.S.C.A. Section 1001, et seq., as
 15 amended from time to time, or rules and regulations promulgated thereunder, and court
 16 cases interpreting said act.

17 ~~10.~~ 11. The Oklahoma Law Enforcement Retirement Board shall promulgate such
 18 rules as are necessary to implement the provisions of this subsection.

19 ~~11.~~ 12. An alternate payee who has acquired beneficiary rights pursuant to a valid
 20 qualified domestic order must fully comply with all provisions of the rules promulgated
 21 by the Board pursuant to this subsection in order to continue receiving his or her benefit.

1 SECTION 9. AMENDATORY 47 O.S. 2001, Section 2-305.1A, as last amended
 2 by Section 8, Chapter 152, O.S.L. 2007 (47 O.S. Supp. 2007, Section 2-305.1A), is
 3 amended to read as follows:

4 Section 2-305.1A A. This section applies to distributions made on or after January
 5 1, 1993. Notwithstanding any provision of the System to the contrary that would
 6 otherwise limit a Distributee's election hereunder, a Distributee may elect, at the time
 7 and in the manner prescribed by the Board, to have any portion of an Eligible Rollover
 8 Distribution paid directly to an Eligible Retirement Plan specified by the Distributee in a
 9 Direct Rollover.

10 B. As used in this section:

11 1. "Eligible Rollover Distribution" means any distribution of all or any portion of
 12 the balance to the credit of the Distributee, except that an Eligible Rollover Distribution
 13 does not include: any distribution that is one of a series of substantially equal periodic
 14 payments (not less frequently than annually) made for the life (or life expectancy) of the
 15 Distributee or the joint lives (or life expectancies) of the Distributee and the Distributee's
 16 designated beneficiary, or for a specified period of ten (10) years or more; any distribution
 17 to the extent such distribution is required under Section 401(a)(9) of the Internal
 18 Revenue Code of 1986, as amended; and the portion of any distribution that is not
 19 includable in gross income; ~~provided, however, that effective~~ Effective January 1, 2002,
 20 a portion of a distribution shall not fail to be an Eligible Rollover Distribution merely
 21 because the portion consists of after-tax member contributions which are not includable
 22 in gross income. However, such portion may be paid only:

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- a. from January 1, 2002, through December 31, 2006, to:
 - (1) an individual retirement account or annuity described in Section 408(a) or (b) of the Internal Revenue Code of 1986, as amended, or
 - (2) a qualified trust which is part of a defined contribution plan described in Section 401(a) or 403(a) of the Internal Revenue Code of 1986, as amended, and which agrees to separately account for amounts so transferred, including separately accounting for the portion of such distribution which is includable in gross income and the portion of such distribution which is not so includable;

- b. on or after January 1, 2007, to:
 - (1) an individual retirement account or annuity described in Section 408(a) or (b) of the Internal Revenue Code of 1986, as amended, or
 - (2) a qualified trust described in Section 401(a) or 403(a) of the Internal Revenue Code of 1986, as amended, or an annuity contract described in Section 403(b) of the Internal Revenue Code of 1986, as amended, and such trust or annuity contract provides for separate accounting for amounts so transferred (and earnings thereon), including separately accounting for the

1 portion of such distribution which is includable in gross income
 2 and the portion of such distribution which is not so includable.

3 2. “Eligible Retirement Plan” means an individual retirement account described in
 4 Section 408(a) of the Internal Revenue Code of 1986, as amended, an individual
 5 retirement annuity described in Section 408(b) of the Internal Revenue Code of 1986, as
 6 amended, an annuity plan described in Section 403(a) of the Internal Revenue Code of
 7 1986, as amended, or a qualified trust described in Section 401(a) of the Internal
 8 Revenue Code of 1986, as amended, that accepts the Distributee’s Eligible Rollover
 9 Distribution. Effective January 1, 2002, an Eligible Retirement Plan shall also mean an
 10 annuity contract described in Section 403(b) of the Internal Revenue Code of 1986, as
 11 amended, and an eligible plan under Section 457(b) of the Internal Revenue Code of
 12 1986, as amended, which is maintained by a state, political subdivision of a state, or any
 13 agency or instrumentality of a state or political subdivision of a state and which agrees to
 14 separately account for amounts transferred into such plan from the System. ~~Effective~~
 15 ~~January 1, 2002, the definition of Eligible Retirement Plan shall also apply in the case of~~
 16 ~~a distribution to a surviving spouse, or to a spouse or former spouse who is the alternate~~
 17 ~~payee pursuant to a qualified domestic order as defined in subsection B of Section 2-~~
 18 ~~303.3 of this title. An Eligible Retirement Plan does not include a Roth IRA under~~
 19 ~~Section 408A of the Internal Revenue Code of 1986, as amended.~~

20 3. “Distributee” means an employee or former employee. In addition, effective June
 21 7, 1993, the employee’s or former employee’s surviving spouse and the employee’s or
 22 former employee’s spouse or former spouse who is the alternate payee under a qualified

1 domestic order, as defined in subsection B of Section 2-303.3 of this title, are Distributees
 2 with regard to the interest of the spouse or the former spouse. Effective for distributions
 3 after December 31, 2006, a Distributee also includes the member's nonspouse designated
 4 beneficiary, pursuant to Section 401(a)(9)(E) of the Internal Revenue Code of 1986, as
 5 amended. In the case of a nonspouse beneficiary, the Direct Rollover may be made only
 6 to an individual retirement account or annuity (other than an endowment contract)
 7 described in Section 408(a) or (b) of the Internal Revenue Code of 1986, as amended,
 8 ("IRA"), that is established on behalf of such designated beneficiary and that will be
 9 treated as an inherited IRA pursuant to the provisions of Section 402(c)(11) of the
 10 Internal Revenue Code of 1986, as amended. Also, in this case, the determination of any
 11 required minimum distribution under Section 401(a)(9) of the Internal Revenue Code of
 12 1986, as amended, that is ineligible for rollover shall be made in accordance with Notice
 13 2007-7, Q&A 17 and 18, 2007-5 Internal Revenue Bulletin 395. The required minimum
 14 distribution rules of Section 401(a)(9)(B) (other than clause iv thereof) of the Internal
 15 Revenue Code of 1986, as amended, apply to the transferee IRA.

16 4. "Direct Rollover" means a payment by the System to the Eligible Retirement
 17 Plan specified by the Distributee or, on or after January 1, 2008, to a Roth IRA under
 18 Section 408A of the Internal Revenue Code of 1986, as amended, as specified by the
 19 Distributee, assuming the Distributee otherwise meets the Roth IRA requirements.

20 C. At least thirty (30) days before and, effective January 1, 2007, not more than one
 21 hundred eighty (180) days before the date of distribution, the Distributee must be
 22 provided with a notice of rights which satisfies Section 402(f) of the Internal Revenue

1 Code of 1986, as amended, as to rollover options and tax effects. Such distribution may
 2 commence less than thirty (30) days after the notice is given, provided that:

3 1. The Board clearly informs the Distributee that the Distributee has a right to a
 4 period of at least thirty (30) days after receiving the notice to consider the decision of
 5 whether or not to elect a distribution; and

6 2. The Distributee, after receiving the notice, affirmatively elects a distribution.

7 SECTION 10. AMENDATORY 47 O.S. 2001, Section 2-305.4, as last amended
 8 by Section 21, Chapter 46, 2nd Extraordinary Session, O.S.L. 2006 (47 O.S. Supp. 2007,
 9 Section 2-305.4), is amended to read as follows:

10 Section 2-305.4 A. Notwithstanding any other provision contained herein to the
 11 contrary, the benefits payable to a member from the Oklahoma Law Enforcement
 12 Retirement System provided by employer contributions (including contributions picked
 13 up by the employer under Section 414(h) of the Internal Revenue Code of 1986, as
 14 amended), shall be subject to the limitations of Section 415 of the Internal Revenue Code
 15 of 1986, as amended, in accordance with the provisions of ~~subsections B and C~~ of this
 16 section. The limitations of this section shall apply in limitation years beginning on or
 17 after July 1, 2007, except as otherwise provided below.

18 B. Except as provided ~~in paragraphs 3 through 7 of this subsection~~ below, effective
 19 for limitation years ending after December 31, 2001, any accrued retirement benefit
 20 payable to a member as an annual benefit as described below shall not exceed ~~the lesser~~
 21 ~~of~~

1 ~~1. One Hundred Sixty Thousand Dollars (\$160,000.00), effective January 1, 2002,~~
 2 ~~automatically adjusted under Section 415(d) of the Internal Revenue Code of 1986, as~~
 3 ~~amended, for increases in the cost of living, as prescribed by the Secretary of the~~
 4 ~~Treasury or the Secretary's delegate, effective January 1 of each calendar year and~~
 5 ~~applicable to the limitation year ending with or within such calendar year; or~~

6 ~~2. For limitation years beginning prior to January 1, 1995, one hundred percent~~
 7 ~~(100%) of the average earnings of the member for the three (3) consecutive calendar~~
 8 ~~years, while a member in the System, in which the member's earnings were the highest.~~
 9 ~~For purposes of this paragraph, earnings for any limitation year shall be the earned~~
 10 ~~income of the member, wages, salaries, fees for professional services, and other amounts~~
 11 ~~received for personal services actually rendered in the course of employment with a~~
 12 ~~participating employer, provided such amounts are actually paid or includable in gross~~
 13 ~~income during such year. Earnings shall exclude the following:~~

- 14 a. ~~contributions by a participating employer to a plan of deferred~~
 15 ~~compensation which are not included in the gross income of the~~
 16 ~~member for the taxable year in which contributed or any distributions~~
 17 ~~from a funded plan of deferred compensation, and~~
- 18 b. ~~other amounts which received special tax benefits, or contributions~~
 19 ~~made by a participating employer, whether or not under a salary~~
 20 ~~reduction agreement, towards the purchase of an annuity described in~~
 21 ~~Section 403(b) of the Internal Revenue Code of 1986, whether or not~~

1 the amounts are actually excludable from the gross income of the
2 member;

3 ~~3. Except as provided in paragraph 5 of this subsection, the limitations specified in~~
4 ~~paragraphs 1 and 2 of this subsection shall not be applicable with respect to any member~~
5 ~~whose total annual accrued retirement benefit payable from the System is less than Ten~~
6 ~~Thousand Dollars (\$10,000.00) and who has not at any time participated in any~~
7 ~~contribution plan, within the meaning of Section 415(k) of the Internal Revenue Code of~~
8 ~~1986, as amended, maintained by a participating employer;. The automatic annual~~
9 ~~adjustment of the dollar limitation in this subsection under Section 415(d) of the Internal~~
10 ~~Revenue Code of 1986, as amended, shall apply to a member who has had a separation~~
11 ~~from employment.~~

12 1. The member's annual benefit is a benefit that is payable annually in the form of
13 a straight life annuity. Except as provided below, where a benefit is payable in a form
14 other than a straight life annuity, the benefit shall be adjusted to an actuarially
15 equivalent straight life annuity that begins at the same time as such other form of
16 benefit and is payable on the first day of each month, before applying the limitations of
17 this section. For a member who has or will have distributions commencing at more than
18 one annuity starting date, the annual benefit shall be determined as of each such
19 annuity starting date (and shall satisfy the limitations of this section as of each such
20 date), actuarially adjusting for past and future distributions of benefits commencing at
21 the other annuity starting dates. For this purpose, the determination of whether a new
22 starting date has occurred shall be made without regard to Section 1.401(a)-20, Q&A

1 10(d), and with regard to Section 1.415(b)-1(b)(1)(iii)(B) and (C) of the Income Tax
 2 Regulations.

3 2. No actuarial adjustment to the benefit shall be made for:

- 4 a. survivor benefits payable to a surviving spouse under a qualified joint
 5 and survivor annuity to the extent such benefits would not be payable
 6 if the member's benefit were paid in another form,
- 7 b. benefits that are not directly related to retirement benefits (such as a
 8 qualified disability benefit, preretirement incidental death benefits)
 9 and postretirement medical benefits, or
- 10 c. the inclusion in the form of a benefit of an automatic benefit increase
 11 feature, provided, the form of benefit is not subject to Section 417(e)(3)
 12 of the Internal Revenue Code of 1986, as amended, and would
 13 otherwise satisfy the limitations of this section, and the System
 14 provides that the amount payable under the form of benefit in any
 15 limitation year shall not exceed the limits of this section applicable at
 16 the annuity starting date, as increased in subsequent years pursuant
 17 to Section 415(d) of the Internal Revenue Code of 1986, as amended.
 18 For this purpose, an automatic benefit increase feature is included in a
 19 form of benefit if the form of benefit provides for automatic, periodic
 20 increases to the benefits paid in that form.

21 3. The determination of the annual benefit shall take into account Social Security
 22 supplements described in Section 411(a)(9) of the Internal Revenue Code of 1986, as

1 amended, and benefits transferred from another defined benefit plan, other than
 2 transfers of distributable benefits pursuant to Section 1.411(d)-4, Q&A-3(c), of the
 3 Income Tax Regulations, but shall disregard benefits attributable to employee
 4 contributions or rollover contributions.

5 4. Effective for distributions in plan years beginning after December 31, 2003, the
 6 determination of actuarial equivalence of forms of benefit other than a straight life
 7 annuity shall be made in accordance with paragraph 5 or paragraph 6 of this subsection.

8 5. Benefit Forms Not Subject to Section 417(e)(3) of the Internal Revenue code of
 9 1986, as amended: The straight life annuity that is actuarially equivalent to the
 10 member's form of benefit shall be determined under this paragraph 5 if the form of the
 11 member's benefit is either:

12 a. a nondecreasing annuity (other than a straight life annuity) payable
 13 for a period of not less than the life of the member (or, in the case of a
 14 qualified preretirement survivor annuity, the life of the surviving
 15 spouse), or

16 b. an annuity that decreases during the life of the member merely
 17 because of:

18 (1) the death of the survivor annuitant (but only if the reduction is
 19 not below fifty percent (50%) of the benefit payable before the
 20 death of the survivor annuitant), or

- 1 (2) the cessation or reduction of Social Security supplements or
2 qualified disability payments (as defined in Section 401(a)(11) of
3 the Internal Revenue Code of 1986, as amended).
- 4 c. Limitation Years Beginning Before July 1, 2007. For limitation years
5 beginning before July 1, 2007, the actuarially equivalent straight life
6 annuity is equal to the annual amount of the straight life annuity
7 commencing at the same annuity starting date that has the same
8 actuarial present value as the member's form of benefit computed
9 using whichever of the following produces the greater annual amount:
- 10 (1) the interest rate and the mortality table or other tabular factor,
11 each as set forth in subsection H of Section 2-303.1 of this title
12 for adjusting benefits in the same form, and
- 13 (2) a five percent (5%) interest rate assumption and the applicable
14 mortality table described in Revenue Ruling 2001-62 for that
15 annuity starting date.
- 16 d. Limitation Years Beginning On Or After July 1, 2007. For limitation
17 years beginning on or after July 1, 2007, the actuarially equivalent
18 straight life annuity is equal to the greater of:
- 19 (1) the annual amount of the straight life annuity, if any, payable to
20 the member under the System commencing at the same annuity
21 starting date as the member's form of benefit, and

1 (2) the annual amount of the straight life annuity commencing at
 2 the same annuity starting date that has the same actuarial
 3 present value as the member's form of benefit, computed using a
 4 five percent (5%) interest rate assumption and the applicable
 5 mortality table described in Revenue Ruling 2001-62 for that
 6 annuity starting date.

7 6. Benefit Forms Subject to Section 417(e)(3) of the Internal Revenue Code of 1986,
 8 as amended: The straight life annuity that is actuarially equivalent to the member's
 9 form of benefit shall be determined under this paragraph 6 if the form of the member's
 10 benefit is other than a benefit form described in paragraph 5 of this subsection. In this
 11 case, the actuarially equivalent straight life annuity shall be determined as follows:

12 a. Annuity Starting Date in Plan Years Beginning After 2005. If the
 13 annuity starting date of the member's form of benefit is in a plan year
 14 beginning after 2005, the actuarially equivalent straight life annuity is
 15 equal to the greatest of:

16 (1) the annual amount of the straight life annuity commencing at
 17 the same annuity starting date that has the same actuarial
 18 present value as the member's form of benefit, computed using
 19 the interest rate and the mortality table or other tabular factor,
 20 each as set forth in subsection H of Section 2-303.1 of this title
 21 for adjusting benefits in the same form,

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(2) the annual amount of the straight life annuity commencing at the same annuity starting date that has the same actuarial present value as the member’s form of benefit, computed using a five and one-half percent (5.5%) interest rate assumption and the applicable mortality table described in Revenue Ruling 2001-62, and

(3) the annual amount of the straight life annuity commencing at the same annuity starting date that has the same actuarial present value as the member’s form of benefit, computed using:

(a) the rate of interest on thirty-year Treasury securities as specified by the Commissioner for the lookback month for the stability period specified below. The lookback month applicable to the stability period is the fourth calendar month preceding the first day of the stability period, as specified below. The stability period is the successive period of one (1) plan year which contains the annuity starting date for the distribution and for which the applicable interest rate remains constant, and

(b) the applicable mortality table described in Revenue Ruling 2001-62, divided by one and five one-hundredths (1.05).

b. Annuity Starting Date in Plan Years Beginning in 2004 or 2005.

UNDERLINED language denotes Amendments to present Statutes.
BOLD FACE CAPITALIZED language denotes Committee Amendments.
~~Strike thru~~ language denotes deletion from present Statutes.

- 1 (1) If the annuity starting date of the member's form of benefit is in
2 a plan year beginning in 2004 or 2005, the actuarially
3 equivalent straight life annuity is equal to the annual amount of
4 the straight life annuity commencing at the same annuity
5 starting date that has the same actuarial present value as the
6 member's form of benefit, computed using whichever of the
7 following produces the greater annual amount:
- 8 (a) the interest rate and the mortality table or other tabular
9 factor, each as set forth in subsection H of Section 2-303.1
10 of this title for adjusting benefits in the same form, and
11 (b) a five and one-half percent (5.5%) interest rate
12 assumption and the applicable mortality table described
13 in Revenue Ruling 2001-62.
- 14 (2) If the annuity starting date of the member's benefit is on or after
15 the first day of the first plan year beginning in 2004 and before
16 December 31, 2004, the application of this subparagraph shall
17 not cause the amount payable under the member's form of
18 benefit to be less than the benefit calculated under the System,
19 taking into account the limitations of this section, except that
20 the actuarially equivalent straight life annuity is equal to the
21 annual amount of the straight life annuity commencing at the
22 same annuity starting date that has the same actuarial present

1 value as the member's form of benefit, computed using
 2 whichever of the following produces the greatest annual amount:

3 (a) the interest rate and mortality table or other tabular
 4 factor, each as set forth in subsection H of Section 2-203.1
 5 of this title for adjusting benefits in the same form,

6 (b) i. the rate of interest on thirty-year Treasury
 7 securities as specified by the Commissioner for the
 8 lookback month for the stability period specified
 9 below. The lookback month applicable to the
 10 stability period is the fourth calendar month
 11 preceding the first day of the stability period, as
 12 specified below. The stability period is the
 13 successive period of one (1) plan year which
 14 contains the annuity starting date for the
 15 distribution and for which the applicable interest
 16 rate remains constant, and

17 ii. the applicable mortality table described in Revenue
 18 Ruling 2001-62, and

19 (c) i. the rate of interest on thirty-year Treasury
 20 securities as specified by the Commissioner for the
 21 lookback month for the stability period specified
 22 below. The lookback month applicable to the

1 stability period is the fourth calendar month
 2 preceding the first day of the stability period, as
 3 specified below. The stability period is the
 4 successive period of one (1) plan year which
 5 contains the annuity starting date for the
 6 distribution and for which the applicable interest
 7 rate remains constant (as in effect on the last day
 8 of the last plan year beginning before January 1,
 9 2004, under provisions of the System then adopted
 10 and in effect), and
 11 ii. the applicable mortality table described in Revenue
 12 Ruling 2001-62.

13 C. If a member has less than ten (10) years of participation in the System and all
 14 predecessor pension and retirement systems, the dollar limitation otherwise applicable
 15 under ~~paragraph 1 of this subsection B of this section~~ shall be reduced by multiplying
 16 ~~such limitation~~ multiplied by a fraction, the numerator of which is the number of the
 17 years of participation in the System of the member, but never less than one (1), and the
 18 denominator of which is ten (10). ~~This paragraph, to the extent required by the~~
 19 ~~Secretary of the Treasury, shall be applied separately to each change in benefit structure~~
 20 hereunder;

21 ~~5. Effective for limitation years beginning on or after January 1, 1995, if a member~~
 22 ~~has been credited with less than ten (10) years of credited service, the dollar amount~~

1 otherwise applicable under paragraph 3 of this subsection shall be reduced by
 2 multiplying such dollar amount by a fraction, the numerator of which is the number of
 3 the years of credited service of the member, but never less than one (1), and the
 4 denominator of which is ten (10);

5 ~~6. The limitations specified in this section shall apply to a straight life annuity with~~
 6 ~~no ancillary benefits and to an annuity that constitutes a qualified joint and survivor~~
 7 ~~annuity. If payment is in a different form, the amount thereof shall be adjusted to be the~~
 8 ~~actuarial equivalent of a single life annuity and the limitations shall be applied to such~~
 9 ~~adjusted amount. Such adjustment shall be based on the mortality tables and interest~~
 10 ~~rates described in divisions (1), (2) and (3) of subparagraph a and subparagraph e of this~~
 11 ~~paragraph.~~

12 a. ~~If payment begins before the member reaches sixty-two (62) years of~~
 13 ~~age, the limitation in paragraph 1 of this subsection shall be reduced~~
 14 ~~on an actuarially equivalent basis; provided however, prior to January~~
 15 ~~1, 2002, if such payment begins after the member reaches fifty-five (55)~~
 16 ~~years of age, the reduced limit shall not be less than Seventy-five~~
 17 ~~Thousand Dollars (\$75,000.00) and, if payment begins prior to the~~
 18 ~~member reaching fifty-five (55) years of age, the reduced limit shall not~~
 19 ~~be less than the actuarial equivalent of the Seventy-five Thousand~~
 20 ~~Dollar (\$75,000.00) limit for age fifty-five (55); provided further, that in~~
 21 ~~no event shall such amount be reduced below Fifty Thousand Dollars~~

1 ~~(\$50,000.00), adjusted for increases in the cost of living, as prescribed~~
 2 ~~by the Secretary of Treasury, or the Secretary's delegate.~~

3 ~~(1) For limitation years beginning before January 1, 1999, the~~
 4 ~~interest rate to be used to determine such actuarial equivalent~~
 5 ~~amount in this subparagraph shall be the rate specified in the~~
 6 ~~actuarial tables adopted by the Board as described in~~
 7 ~~subparagraph e of this paragraph; however, the interest rate~~
 8 ~~used in determining an actuarially equivalent pre-age-sixty-two~~
 9 ~~(62) amount shall not be less than five percent (5%).~~

10 ~~(2) Effective for limitation years beginning on or after January 1,~~
 11 ~~1999, the actuarial equivalent adjustments in this subparagraph~~
 12 ~~shall be determined using the prevailing Commissioner's~~
 13 ~~standard table (described in Section 807(d)(5)(A) of the Internal~~
 14 ~~Revenue Code of 1986, as amended), without regard to any other~~
 15 ~~subparagraph of Section 807(d)(5), used to determine reserves~~
 16 ~~for group annuity contracts issued on the date as of which the~~
 17 ~~payment is being determined. Notwithstanding any other~~
 18 ~~System provisions to the contrary, for distributions with annuity~~
 19 ~~starting dates on or after December 31, 2002, the applicable~~
 20 ~~mortality table used for purposes of adjusting any benefit or~~
 21 ~~limitation under Sections 415(b)(2)(B), (C) or (D) of the Internal~~

1 Revenue Code of 1986, as amended, is the table described in
 2 Rev. Rule. 2001-62. The interest rate shall be five percent (5%).

3 (3) For

4 D. Adjustment of Dollar Limitation for Benefit Commencement Before Sixty-two
 5 (62) Years of Age or After Sixty-five (65) Years of Age: Effective for benefits commencing
 6 in limitation years ending after December 31, 2001, the dollar limitation under
 7 subsection B of this section shall be adjusted if the annuity starting date of the member's
 8 benefit is before sixty-two (62) years of age or after sixty-five (65) years of age. If the
 9 annuity starting date is before sixty-two (62) years of age, the dollar limitation under
 10 subsection B of this section shall be adjusted under paragraph 1 of this subsection, as
 11 modified by paragraph 3 of this subsection, but subject to paragraph 4 of this subsection.
 12 If the annuity starting date is after sixty-five (65) years of age, the dollar limitation
 13 under subsection B of this section shall be adjusted under paragraph 2 of this subsection,
 14 as modified by paragraph 3 of this subsection.

15 1. Adjustment of Defined Benefit Dollar Limitation for Benefit Commencement
 16 Before Sixty-two (62) Years of Age:

17 a. Limitation Years Beginning Before July 1, 2007. If the annuity
 18 starting date for the member's benefit is prior to sixty-two (62) years of
 19 age and occurs in a limitation year beginning before July 1, 2007, the
 20 dollar limitation for the member's annuity starting date is the annual
 21 amount of a benefit payable in the form of a straight life annuity
 22 commencing at the member's annuity starting date that is the

1 actuarial equivalent of the dollar limitation under subsection B of this
2 section (adjusted under subsection C of this section for years of
3 participation less than ten (10), if required) with actuarial equivalence
4 computed using whichever of the following produces the smaller
5 annual amount:

- 6 (1) the interest rate and the mortality table or other tabular factor,
7 each as set forth in subsection H of Section 2-303.1 of this title,
8 or
9 (2) a five percent (5%) interest rate assumption and the applicable
10 mortality table as described in Revenue Ruling 2001-62.

11 b. Limitation Years Beginning On or After July 1, 2007.

- 12 (1) System Does Not Have Immediately Commencing Straight Life
13 Annuity Payable at Both Sixty-two (62) Years of Age and the
14 Age of Benefit Commencement. If the annuity starting date for
15 the member's benefit is prior to sixty-two (62) years of age and
16 occurs in a limitation year beginning on or after July 1, 2007,
17 and the System does not have an immediately commencing
18 straight life annuity payable at both sixty-two (62) years of age
19 and the age of benefit commencement, the dollar limitation for
20 the member's annuity starting date is the annual amount of a
21 benefit payable in the form of a straight life annuity
22 commencing at the member's annuity starting date that is the

1 actuarial equivalent of the dollar limitation under subsection B
 2 of this section (adjusted under subsection C of this section for
 3 years of participation less than ten (10), if required) with
 4 actuarial equivalence computed using a five percent (5%)
 5 interest rate assumption and the applicable mortality table for
 6 the annuity starting date as described in Revenue Ruling 2001-
 7 62 (and expressing the member's age based on completed
 8 calendar months as of the annuity starting date).

9 (2) System Has Immediately Commencing Straight Life Annuity
 10 Payable at Both Sixty-two (62) Years of Age and the Age of
 11 Benefit Commencement. If the annuity starting date for the
 12 member's benefit is prior to sixty-two (62) years of age and
 13 occurs in a limitation year beginning on or after July 1, 2007,
 14 and the System has an immediately commencing straight life
 15 annuity payable at both sixty-two (62) years of age and the age
 16 of benefit commencement, the dollar limitation for the member's
 17 annuity starting date is the lesser of the limitation determined
 18 under division (1) of subparagraph b of this paragraph and the
 19 dollar limitation under subsection B of this section (adjusted
 20 under subsection C of this section for years of participation less
 21 than ten (10), if required) multiplied by the ratio of the annual
 22 amount of the immediately commencing straight life annuity

1 under the System at the member's annuity starting date to the
 2 annual amount of the immediately commencing straight life
 3 annuity under the System at sixty-two (62) years of age, both
 4 determined without applying the limitation of this section.

5 2. Adjustment of Defined Benefit Dollar Limitation for Benefit Commencement

6 After Sixty-five (65) Years of Age:

7 a. Limitation Years Beginning Before July 1, 2007. If the annuity
 8 starting date for the member's benefit is after sixty-five (65) years of
 9 age and occurs in a limitation year beginning before July 1, 2007, the
 10 dollar limitation for the member's annuity starting date is the annual
 11 amount of a benefit payable in the form of a straight life annuity
 12 commencing at the member's annuity starting date that is the
 13 actuarial equivalent of the dollar limitation under subsection B of this
 14 section (adjusted under subsection C of this section for years of
 15 participation less than ten (10), if required) with actuarial equivalence
 16 computed using whichever of the following produces the smaller
 17 annual amount:

18 (1) the interest rate and the mortality table or other tabular factor,
 19 each as set forth in subsection H of Section 2-303.1 of this title,

20 or

21 (2) a five percent (5%) interest rate assumption and the applicable
 22 mortality table as described in Revenue Ruling 2001-62.

1 b. Limitation Years Beginning On or After July 1, 2007.

- 2 (1) System Does Not Have Immediately Commencing Straight Life
3 Annuity Payable at Both Sixty-five (65) Years of Age and the
4 Age of Benefit Commencement. If the annuity starting date for
5 the member's benefit is after sixty-five (65) years of age and
6 occurs in a limitation year beginning on or after July 1, 2007,
7 and the System does not have an immediately commencing
8 straight life annuity payable at both sixty-five (65) years of age
9 and the age of benefit commencement, the dollar limitation at
10 the member's annuity starting date is the annual amount of a
11 benefit payable in the form of a straight life annuity
12 commencing at the member's annuity starting date that is the
13 actuarial equivalent of the dollar limitation under subsection B
14 of this section (adjusted under subsection C of this section for
15 years of participation less than ten (10), if required) with
16 actuarial equivalence computed using a five percent (5%)
17 interest rate assumption and the applicable mortality table for
18 the annuity starting date as described in Revenue Ruling 2001-
19 62 (and expressing the member's age based on completed
20 calendar months as of the annuity starting date).
- 21 (2) System Has Immediately Commencing Straight Life Annuity
22 Payable at Both Sixty-five (65) Years of Age and Age of Benefit

1 Commencement. If the annuity starting date for the member's
2 benefit is after sixty-five (65) years of age and occurs in a
3 limitation year beginning on or after July 1, 2007, and the
4 System has an immediately commencing straight life annuity
5 payable at both sixty-five (65) years of age and the age of benefit
6 commencement, the dollar limitation at the member's annuity
7 starting date is the lesser of the limitation determined under
8 division (1) of subparagraph b of this paragraph and the dollar
9 limitation under subsection B of this section (adjusted under
10 subsection C of this section for years of participation less than
11 ten (10), if required) multiplied by the ratio of the annual
12 amount of the adjusted immediately commencing straight life
13 annuity under the System at the member's annuity starting
14 date to the annual amount of the adjusted immediately
15 commencing straight life annuity under the System at sixty-five
16 (65) years of age, both determined without applying the
17 limitations of this section. For this purpose, the adjusted
18 immediately commencing straight life annuity under the System
19 at the member's annuity starting date is the annual amount of
20 such annuity payable to the member, computed disregarding the
21 member's accruals after sixty-five (65) years of age but including
22 actuarial adjustments even if those actuarial adjustments are

1 used to offset accruals; and the adjusted immediately
 2 commencing straight life annuity under the System at sixty-five
 3 (65) years of age is the annual amount of such annuity that
 4 would be payable under the System to a hypothetical member
 5 who is sixty-five (65) years of age and has the same accrued
 6 benefit as the member.

7 3. Notwithstanding the other requirements of this subsection, no adjustment shall
 8 be made to the dollar limitation under subsection B of this section to reflect the
 9 probability of a member's death between the annuity starting date and sixty-two (62)
 10 years of age, or between sixty-five (65) years of age and the annuity starting date, as
 11 applicable, if benefits are not forfeited upon the death of the member prior to the annuity
 12 starting date. To the extent benefits are forfeited upon death before the annuity starting
 13 date, such an adjustment shall be made. For this purpose, no forfeiture shall be treated
 14 as occurring upon the member's death if the System does not charge members for
 15 providing a qualified preretirement survivor annuity, as defined in Section 417(c) of the
 16 Internal Revenue code of 1986, as amended, upon the member's death.

17 4. Notwithstanding any other provision to the contrary, for limitation years
 18 beginning on or after January 1, 1997, if payment begins before the member reached ~~age~~
 19 sixty-two (62) years of age, the reductions in the limitations in this ~~subparagraph~~
 20 subsection shall not apply to a member who is a "qualified participant" as defined in
 21 Section 415(b)(2)(H) of the Internal Revenue Code of 1986, as amended.

- 1 b. ~~If payment begins after the member reaches sixty-five (65) years of~~
2 ~~age, the limitation in paragraph 1 of this subsection shall be the~~
3 ~~actuarial equivalent of such amount otherwise applicable at the~~
4 ~~member reaching sixty-five (65) years of age.~~
- 5 (1) ~~For limitation years beginning before January 1, 1999, the~~
6 ~~interest rate to be used to determine such actuarial equivalent~~
7 ~~amount in this subparagraph shall be the rate specified in the~~
8 ~~actuarial tables adopted by the Board as described in~~
9 ~~subparagraph c of this paragraph; however, the interest rate~~
10 ~~used in determining an actuarially equivalent post-age-sixty-five~~
11 ~~(65) amount shall not be greater than five percent (5%).~~
- 12 (2) ~~Effective for limitation years beginning on or after January 1,~~
13 ~~1999, the actuarial equivalent adjustments in this subparagraph~~
14 ~~shall use the mortality and interest rate basis provided in~~
15 ~~division (2) of subparagraph a of this paragraph.~~
- 16 e. ~~The actuarial tables adopted by the Board for limitation years~~
17 ~~beginning before January 1, 1999, for purposes of adjusting any benefit~~
18 ~~under Sections 415(b)(2)(B), (C) or (D) shall be based on an interest~~
19 ~~rate of seven percent (7%) and the 1983 Group Annuity Mortality~~
20 ~~Table.~~

1 7. E. Minimum Benefit Permitted: Notwithstanding anything else in this section to
 2 the contrary, the benefit otherwise accrued or payable to a member under this System
 3 shall be deemed not to exceed the maximum permissible benefit if:

4 1. The retirement benefits payable for a limitation year under any form of benefit
 5 with respect to such member under this System and under all other defined benefit plans
 6 (without regard to whether a plan has been terminated) ever maintained by a
 7 participating employer do not exceed Ten Thousand Dollars (\$10,000.00) multiplied by a
 8 fraction:

- 9 a. the numerator of which is the member's number of credited years (or
 10 part thereof, but not less than one (1) year) of service, not to exceed ten
 11 (10), with the participating employer, and
 12 b. the denominator of which is ten (10), and

13 2. The participating employer (or a predecessor employer) has not at any time
 14 maintained a defined contribution plan in which the member participated (for this
 15 purpose, mandatory employee contributions under a defined benefit plan, individual
 16 medical accounts under section 401(h) of the Internal Revenue Code of 1986, as
 17 amended, and accounts for postretirement medical benefits established under Section
 18 419A(d)(1) of the Internal Revenue Code of 1986, as amended, are not considered a
 19 separate defined contribution plan).

20 F. In no event shall the maximum annual accrued retirement benefit of a member
 21 allowable under this section be less than the annual amount of such accrued retirement
 22 benefit, including early pension and qualified joint and survivor annuity amounts, duly

1 accrued by the member as of the last day of the limitation year beginning in 1982, or as
 2 of the last day of the limitation year beginning in 1986, whichever is greater,
 3 disregarding any plan changes or cost-of-living adjustments occurring after July 1, 1982,
 4 as to the 1982 accrued amount, and May 5, 1986, as to the 1986 accrued amount.

5 ~~8. G.~~ Effective for years beginning after December 31, 1997, if a member purchases
 6 service under this title, which qualifies as “permissive service credit” pursuant to Section
 7 415(n) of the Internal Revenue Code of 1986, as amended, the limitations of Section 415
 8 of the Internal Revenue Code of 1986, as amended, may be met by either:

9 a. ~~treating~~

10 1. Treating the accrued benefit derived from such contributions as an annual
 11 benefit under subsection B of this section, or

12 b. ~~treating~~

13 2. Treating all such contributions as annual additions for purposes of Section 415(c)
 14 of the Internal Revenue Code of 1986, as amended.

15 ~~9. H.~~ Effective for years beginning after December 31, 1997, if a member repays to
 16 the System any amounts received because of the member’s prior termination pursuant to
 17 paragraph 3 of subsection (b) of Section 2-307 of this title, such repayment shall not be
 18 taken into account for purposes of Section 415 of the Internal Revenue Code of 1986, as
 19 amended, pursuant to Section 415(k)(3) of the Internal Revenue Code of 1986, as
 20 amended.

21 I. For limitation years beginning on or after January 1, 1995, ~~paragraphs 4, 5 and 6~~
 22 ~~of this subsection~~ C of this section, paragraph 1 of subsection D of this section, and the

1 proration provided under subparagraphs a and b of paragraph 1 of subsection E of this
 2 section, shall not apply to a benefit paid under the System as a result of the member
 3 becoming disabled by reason of personal injuries or sickness, or amounts received by the
 4 beneficiaries, survivors or estate of the member as the result of the death of the member.

5 ~~C. J.~~ For distributions made in limitation years beginning on or after January 1,
 6 2000, the combined limit of repealed Section 415(e) of the Internal Revenue Code of 1986,
 7 as amended, shall not apply.

8 ~~D. K.~~ The Board is hereby authorized to revoke the special election previously
 9 made under Internal Revenue Code Section 415(b)(10).

10 SECTION 11. AMENDATORY 47 O.S. 2001, Section 2-307, as last amended by
 11 Section 22, Chapter 46, 2nd Extraordinary Session, O.S.L. 2006 (47 O.S. Supp. 2007,
 12 Section 2-307), is amended to read as follows:

13 Section 2-307. (a) In the event a member of the System obtains a leave of absence,
 14 of not to exceed ninety (90) days at any one time, because of injury or illness or for any
 15 personal reason other than the acceptance of other employment, the member's
 16 membership in the System shall not terminate and the period of such leave shall be
 17 counted toward retirement for length of service if, during such leave of absence or at the
 18 end thereof, the member shall pay to the Fund an amount equal to the contributions
 19 which would have been deducted from the member's salary during such period if such
 20 leave of absence had not been obtained, but if such contributions are not paid during
 21 such leave or made up within thirty (30) days after the end of such leave, or if such leave
 22 of absence extends for more than ninety (90) days at any one time, the period of such

1 leave shall not be counted toward length of service for retirement nor in computing the
2 amount of any pension or any retirement pay or any other benefits hereunder.

3 (b) In the event a member of the System obtains a leave of absence for the purpose
4 of accepting other employment, or if a member resigns and during such resignation
5 accepts other employment, the member's membership in the System shall terminate as of
6 the date of the beginning of such leave. Provided, that if the membership of a member of
7 the System shall have been terminated either by such leave of absence or by termination
8 of employment, and such former member is reemployed, the Board, upon application
9 therefor made in the same manner as an original application for membership in the
10 System, may reinstate such membership. Such reinstated member shall be allowed full
11 credit toward retirement for all service credit accrued up to the time of termination of
12 membership if, but only if:

13 1. Such application for reinstatement is made within three (3) years from the date
14 of such termination of such membership; and

15 2. Such reinstated member remains a member of the System for a period of five (5)
16 consecutive years after reinstatement of membership; and

17 3. Such reinstated member reimburses the Fund, at the time application for
18 reinstatement is made, with the amount of any portion of the membership contribution
19 which has been refunded to the member under the provisions of Section 2-308 of this
20 title; and

21 4. A lump-sum payment for repayment of any amount received because of a
22 member's prior termination may be repaid by:

- 1 a. a cash lump-sum payment,
- 2 b. a trustee-to-trustee transfer from a Section 403(b) annuity or custodial
- 3 account, an eligible deferred compensation plan described in Code
- 4 Section 457(b) which is maintained by an eligible employer described
- 5 in Code Section 457(e)(1)(A), and/or a Code Section 401(a) qualified
- 6 plan,
- 7 c. a direct rollover of tax-deferred funds from a Code Section 403(b)
- 8 annuity or custodial account, an eligible deferred compensation plan
- 9 described in Code Section 457(b) which is maintained by an eligible
- 10 employer described in Code Section 457(e)(1)(A), a Code Section 401(a)
- 11 qualified plan, and/or a Code Section 408(a) or 408(b) traditional or
- 12 conduit Individual Retirement Account or Annuity (IRA). Roth IRAs,
- 13 Coverdell Education Savings Accounts and after-tax contributions
- 14 shall not be used to purchase such service credit, or
- 15 d. any combination of the above methods of payment.

16 The provisions of this subsection shall not apply to absences caused by such

17 military service as may be considered as service for retirement for length of service under

18 the provisions of subsection (c) of this section.

19 (c) In determining the eligibility of a member for retirement based upon length of

20 service, any service in the Armed Forces of the United States or any component thereof

21 between the 16th day of September, 1940, and the 30th day of June, 1954, and any

22 service in the Armed Forces of the United States or any component thereof upon call of

1 the President of the United States or of the Governor of the State of Oklahoma, together
 2 with such prior service, as would have been otherwise considered as service for
 3 retirement for length of service, shall be considered as service for length of service,
 4 provided that the member returns and files application for reinstatement as a member of
 5 the System within ninety (90) days after the member's release, or opportunity for release,
 6 from such Armed Forces or component thereof. The member's employing agency that is
 7 making contributions to the System on behalf of the member shall continue payment of
 8 contributions into the pension fund, to the same force and effect as though the member
 9 was in the actual employment of such agency at the same salary for a period not to
 10 exceed five (5) years. If such member shall have been refunded any portion of the
 11 membership contributions as provided in Section 2-308 of this title, the member shall be
 12 required to reimburse the Fund with the same amount at the time of the member's
 13 application for reinstatement in the System, before the reinstated member is given credit
 14 for accrued prior service. Provided, that in no event shall a member of the System who
 15 has entered such Armed Forces or component thereof prior to retirement be or become
 16 eligible for retirement for length of service unless the member shall thereafter have been
 17 reinstated as a member of the System as provided for herein, and thereafter remained a
 18 member for at least one (1) year after such reinstatement.

19 (d) Time spent on involuntary furlough by members pursuant to the rules of the
 20 Office of Personnel Management shall be credited.

21 (e) Notwithstanding any provisions herein to the contrary, contributions, benefits
 22 and service credit with respect to qualified military service shall be provided in

1 accordance with Section 414(u) of the Internal Revenue Code of 1986, as amended, which
 2 is in accordance with the Uniformed Service Employment and Reemployment Rights Act
 3 of 1994, as amended (USERRA). The employer's contributions to the System for a
 4 member covered by USERRA are due when such a member makes up his or her
 5 contributions that were missed due to his or her qualified military service.

6 SECTION 12. AMENDATORY 47 O.S. 2001, Section 2-307.2, as amended by
 7 Section 24, Chapter 46, 2nd Extraordinary Session, O.S.L. 2006 (47 O.S. Supp. 2007,
 8 Section 2-307.2), is amended to read as follows:

9 Section 2-307.2 A. The total service credit of a member who retires, elects a
 10 Deferred Option Plan or terminates employment and elects a vested benefit shall include
 11 not to exceed one hundred-thirty (130) days of unused sick leave accumulated while a
 12 member of the System. Effective July 1, 2008, a member who retires, elects a Deferred
 13 Option Plan or terminates employment and elects a vested benefit shall include not to
 14 exceed two hundred forty (240) days of unused sick leave accumulated while a member of
 15 the System. Such credit shall be added in terms of whole months. Twenty (20) days of
 16 unused sick leave shall equal one (1) month for purposes of service credit. If unused sick
 17 leave entitles a member to an additional year or fraction thereof of service credit, the
 18 member's employer shall reimburse the System for the cost of funding the additional
 19 reserve by paying the amount determined by the Board pursuant to Section 25 of this
 20 act. Each employer shall provide the System with adequate and timely information
 21 necessary to determine additional benefits and its cost under this section. This section
 22 shall apply to members retiring or vesting on or after July 1, 1985, and shall not be

1 retroactive. The amount of accrued sick leave available for determination of a member's
 2 monthly benefit for purposes of the deferred option election shall be limited to the
 3 accrued sick leave available as of the effective date of the deferred option election, but not
 4 to exceed two hundred forty (240) days. The member's monthly benefit determined as of
 5 the effective date of the deferred option election shall not be adjusted for additional
 6 accrued sick leave earned by the member after the deferred option election.

7 B. Whenever any member is unable to perform the member's duties because of
 8 sickness or temporary disability caused or sustained while in the discharge of the
 9 member's duty as a member, is receiving a temporary total disability benefit under
 10 Section 1 et seq. of Title 85 of the Oklahoma Statutes, and does not purchase service
 11 credit as described below, such member shall only receive prorated service credit based
 12 on the contributions made by the member and the member's employer while the member
 13 is receiving a temporary total disability benefit under Section 1 et seq. of Title 85 of the
 14 Oklahoma Statutes. Whenever any member is unable to perform the member's duties
 15 because of sickness or temporary disability caused or sustained while in the discharge of
 16 the member's duty as a member and is receiving a temporary disability benefit under
 17 Section 1 et seq. of Title 85 of the Oklahoma Statutes, such member shall have the option
 18 to purchase service credit for the time related to such leave of absence for such sickness
 19 or temporary disability.

20 1. The payment for such purchase must be completed no later than three (3) years
 21 from the date the member commenced receipt of a temporary total disability benefit.

22 2. The purchase price shall be:

- 1 a. the actual paid base salary that the member was entitled to
 2 immediately prior to the member's sickness or temporary disability
 3 minus any vacation or sick leave payments received by the member
 4 during such sickness or temporary disability, multiplied by,
 5 b. the following percent:
- 6 (1) eighteen percent (18%) for members who are suspended without
 7 pay, or
 8 (2) eight percent (8%) for members who are not suspended without
 9 pay.

10 If such member has not been suspended without pay, the employer shall contribute,
 11 within three (3) months of the completion of the member's purchase of service credit, ten
 12 percent (10%) of the actual paid base salary that the member was entitled to
 13 immediately prior to the member's sickness or temporary disability minus any vacation
 14 or sick leave payments received by the member during such sickness or temporary
 15 disability.

16 3. The member may purchase such service credit through:

- 17 a. a cash lump-sum payment,
 18 b. a trustee-to-trustee transfer from a Code Section 403(b) annuity or
 19 custodial account, an eligible deferred compensation plan described in
 20 Code Section 457(b) which is maintained by an eligible employer
 21 described in Code Section 457(e)(1)(A), and/or a Code Section 401(a)
 22 qualified plan,

- 1 c. a direct rollover of tax-deferred funds from a Code Section 403(b)
 2 annuity or custodial account, an eligible deferred compensation plan
 3 described in Code Section 457(b) which is maintained by an eligible
 4 employer described in Code Section 457(e)(1)(A), a Code Section 401(a)
 5 qualified plan, and/or a Code Section 408(a) or 408(b) traditional or
 6 conduit Individual Retirement Account or Annuity (IRA). Roth IRAs,
 7 Coverdell Education Savings Accounts and after-tax contributions
 8 shall not be used to purchase such service credit, or
 9 d. any combination of the above methods of payment.

10 SECTION 13. AMENDATORY 47 O.S. 2001, Section 2-309.8, is amended to
 11 read as follows:

12 Section 2-309.8 A. Any state employee who is employed in a commissioned officer
 13 position of the Oklahoma Highway Patrol Division, ~~including the Capitol Patrol Section~~
 14 ~~and the Lake Patrol Section of the Department of Public Safety~~, the Oklahoma State
 15 Bureau of Investigation, the Oklahoma Bureau of Narcotics and Dangerous Drugs
 16 Control, the Alcoholic Beverage Laws Enforcement Commission, a Parks Ranger of the
 17 Tourism and Recreation Department, and a Pharmacy Inspector of the Pharmacy Board
 18 shall be eligible for service credit for employment prior to July 1, 1993, if the employee
 19 was in a commissioned officer position in the former Oklahoma Capitol Patrol Division,
 20 the former Mansion Security, and the former Training Center Security of the
 21 Department of Public Safety and the employee was a full-time, active employee eligible
 22 for all state employee benefits.

1 B. An eligible member of the System shall receive credit for all prior service as
2 provided in subsection A of this section, provided the member is not receiving or eligible
3 to receive retirement credit or benefits for such service in any other public retirement
4 system. Service credit received pursuant to this section shall be used in determining the
5 years of service for retirement and vesting purposes.

6 C. To receive credit for such service, an eligible member, as provided in this section,
7 who became a member of the System prior to July 1, 1993, shall make application to the
8 Board in writing for such service prior to July 1, 2002.

9 SECTION 14. This act shall become effective July 1, 2008.

10 SECTION 15. It being immediately necessary for the preservation of the public
11 peace, health and safety, an emergency is hereby declared to exist, by reason whereof
12 this act shall take effect and be in full force from and after its passage and approval.

13 COMMITTEE REPORT BY: COMMITTEE ON APPROPRIATIONS AND BUDGET,
14 dated 04-15-08 - DO PASS, As Amended and Coauthored.