

THE STATE SENATE
Wednesday, February 17, 2010

Senate Bill No. 1989

SENATE BILL NO. 1989 - By: Brown of the Senate and Sullivan of the House.

An Act relating to retirement; amending 11 O.S. 2001, Sections 50-111.3, as last amended by Section 4, Chapter 177, O.S.L. 2008, 50-114, as last amended by Section 2, Chapter 169, O.S.L. 2009, 50-114.1, as last amended by Section 3, Chapter 169, O.S.L. 2009, 50-114.2, as last amended by Section 6, Chapter 177, O.S.L. 2008, Section 4, Chapter 152, O.S.L. 2007, as amended by Section 4, Chapter 169, O.S.L. 2009 and 50-128, as last amended by Section 6, Chapter 169, O.S.L. 2009 (11 O.S. Supp. 2009, Sections 50-111.3, 50-114, 50-114.1, 50-114.2, 50-114.3 and 50-128), which relate to the Oklahoma Police Pension and Retirement System; providing that a member of the Oklahoma Police Pension and Retirement System must make an irrevocable election to participate in certain plans; specifying when certain distributions under certain plan shall commence; providing that no minimum distribution is required for certain time period; specifying how certain limitations are to be computed; updating statutory citation; allowing successor rulings to be used for certain purposes; modifying the computation of certain annuities; eliminating certain exception; modifying procedures relating to certain distributions; modifying definition; specifying how certain distributions are to be made; modifying treatment of certain trust; specifying definition applicable to certain situation; amending 47 O.S. 2001, Sections 2-305.1A, as last amended by Section 9, Chapter 177, O.S.L. 2008, Section 9, Chapter 152, O.S.L. 2007, as amended by Section 10, Chapter 169, O.S.L. 2009, 2-305.2, as last amended by Section 20, Chapter 46, 2nd Extraordinary Session, O.S.L. 2006, 2-305.4, as last amended by Section 11, Chapter 169, O.S.L. 2009 and 2-307, as last amended by Section 12, Chapter 169, O.S.L. 2009 (47 O.S. Supp. 2009, Sections 2-305.1A, 2-305.1B, 2-305.2, 2-305.4 and 2-307), which relate to the Oklahoma Law Enforcement Retirement System; modifying procedures relating to certain distributions; modifying definition; modifying treatment of certain trust; providing that a member of the Oklahoma Law Enforcement Retirement System must make an

1 irrevocable election to participate in certain plans;
 2 specifying when certain distributions under certain plan
 3 shall commence; specifying how certain limitations are to be
 4 computed; updating statutory citation; allowing successor
 5 rulings to be used for certain purposes; modifying the
 6 computation of certain annuities; eliminating certain
 7 exception; specifying definition applicable to certain
 8 situation; and declaring an emergency.

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

10 SECTION 1. AMENDATORY 11 O.S. 2001, Section 50-111.3, as
 11 last amended by Section 4, Chapter 177, O.S.L. 2008 (11 O.S. Supp.
 12 2009, Section 50-111.3), is amended to read as follows:

13 Section 50-111.3 A. In lieu of terminating employment and
 14 accepting a service retirement pension pursuant to Section 50-114 of
 15 this title, any member of the Oklahoma Police Pension and Retirement
 16 System who has not less than twenty (20) years of creditable service
 17 and who is eligible to receive a service retirement pension may
 18 ~~elect~~ make an irrevocable election to participate in the Oklahoma
 19 Police Deferred Option Plan and defer the receipts of benefits in
 20 accordance with the provisions of this section.

21 B. For purposes of this section, creditable service shall
 22 include service credit reciprocally recognized pursuant to Section
 23 50-101 et seq. of this title but for eligibility purposes only.

24 C. The duration of participation in the Oklahoma Police
 25 Deferred Option Plan for a member shall not exceed five (5) years.
 26 Participation in the Oklahoma Police Deferred Option Plan must begin
 27 the first day of a month and end on the last day of a month. At the

1 conclusion of a member's participation in the Oklahoma Police
2 Deferred Option Plan, the member shall terminate employment with all
3 participating municipalities as an officer, and shall start
4 receiving the member's accrued monthly retirement benefit from the
5 System. Such a member may receive in-service distributions of such
6 member's accrued monthly retirement benefit from the System if such
7 member is reemployed by a participating municipality only if such
8 reemployment is as a police chief or in a position not covered under
9 the System.

10 D. When a member begins participation in the Oklahoma Police
11 Deferred Option Plan, the contribution of the employee shall cease.
12 The employer contributions shall continue to be paid in accordance
13 with Section 50-109 of this title. Municipal contributions for
14 employees who elect the Oklahoma Police Deferred Option Plan shall
15 be credited equally to the Oklahoma Police Pension and Retirement
16 System and to the Oklahoma Police Deferred Option Plan. The monthly
17 retirement benefits that would have been payable had the member
18 elected to cease employment and receive a service retirement shall
19 be paid into the Oklahoma Police Deferred Option Plan account.

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

22 2. A member who participates in this plan shall earn interest
23 at a rate of two percentage points below the rate of return of the

1 investment portfolio of the System, but no less than the actuarial
2 assumed interest rate as certified by the actuary in the yearly
3 evaluation report of the actuary. The interest shall be credited to
4 the individual account balance of the member on an annual basis.

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

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

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

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

14 Notwithstanding any other provision contained herein to the
15 contrary, commencement of distributions under the Oklahoma Police
16 Deferred Option Plan shall be no later than the time as set forth in
17 subsection C of Section 50-114 of this title.

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

22 H. In lieu of participating in the Oklahoma Police Deferred
23 Option Plan pursuant to subsections A, B, C, D, E and F of this

1 section, a member may ~~elect~~ make an irrevocable election to
2 participate in the Oklahoma Police Deferred Option Plan pursuant to
3 this subsection as follows:

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

- 6 a. "back drop date" means the date selected by the
7 member, which is up to five (5) years before the
8 member elects to participate in the Oklahoma Police
9 Deferred Option Plan, but not before the date at which
10 the member completes twenty (20) years of credited
11 service,
- 12 b. "termination date" means the date the member elects to
13 participate in the Oklahoma Police Deferred Option
14 Plan pursuant to this subsection, and the date the
15 member terminates employment with all participating
16 municipalities as an active police officer, such
17 termination has at all times included reemployment of
18 a member by a participating municipality only if such
19 reemployment is as a police chief or in a position not
20 covered under the System,
- 21 c. "earlier attained credited service" means the credited
22 service earned by a member as of the back drop date,
23 and earlier attained credited service cannot be

1 reduced to less than twenty (20) years of credited
2 service, and
3 d. "deferred benefit balance" means all monthly
4 retirement benefits that would have been payable had
5 the member elected to cease employment on the back
6 drop date and receive a service retirement from the
7 back drop date to the termination date, all of the
8 member's contributions and one-half (1/2) of the
9 employer contributions from the back drop date to the
10 termination date, with interest based on how the
11 benefit would have accumulated as if the member had
12 participated in the Oklahoma Police Deferred Option
13 Plan pursuant to subsections A, B, C, D and E of this
14 section from the back drop date to the termination
15 date;

16 2. At the termination date, the monthly pension benefit shall
17 be determined based on earlier attained credited service and on the
18 final average salary as of the back drop date. The member's
19 individual deferred option account shall be credited with an amount
20 equal to the deferred benefit balance; the member shall terminate
21 employment with all participating municipalities as a police officer
22 and shall start receiving the member's accrued monthly retirement
23 benefit from the System. The provisions of subsections B, C, E, F

1 and G of this section shall apply to this subsection. A member
2 shall not participate in the Oklahoma Police Deferred Option Plan
3 pursuant to this subsection if the member has elected to participate
4 in the Oklahoma Police Deferred Option Plan pursuant to subsections
5 A, B, C, D, E and F of this section; and

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

19 SECTION 2. AMENDATORY 11 O.S. 2001, Section 50-114, as
20 last amended by Section 2, Chapter 169, O.S.L. 2009 (11 O.S. Supp.
21 2009, Section 50-114), is amended to read as follows:

22 Section 50-114. A. The State Board is hereby authorized to pay
23 out of funds in the System a monthly service pension to any member

1 eligible as hereinafter provided, not exceeding in any event the
2 amount of money in such funds and not exceeding in any event the
3 accrued retirement benefit for such member, except as provided for
4 herein. In order for a member to be eligible for such service
5 pension the following requirements must be complied with:

- 6 1. The member's service with the police department for any
7 participating municipality must have ceased; however, a member may
8 be subsequently reemployed in the position of police chief pursuant
9 to subsection C of Section 50-112 of this title;
- 10 2. The member must have reached the member's normal retirement
11 date; and
- 12 3. The member must have complied with any agreement as to
13 contributions by the member and other members to any funds of the
14 System where said agreement has been made as provided by this
15 article; provided, that should a retired member receive disability
16 benefits as provided in this and other sections of this article, the
17 time the retired member is receiving said disability benefits shall
18 count as time on active service if the retired member should be
19 recalled by the Chief of Police from said disability retirement. It
20 shall be necessary before said time shall be counted toward
21 retirement that the retired member make the same contribution as the
22 member would have otherwise made if on active service for the time
23 the retired member was disabled.

1 B. Any member complying with all requirements of this article,
2 who reaches normal retirement date, upon application, shall be
3 retired at the accrued retirement benefit. When a member has served
4 for the necessary number of years and is otherwise eligible, as
5 provided in this article, if such member is discharged without cause
6 by the participating municipality, the member shall be eligible for
7 a pension.

8 C. Effective July 1, 1989, in no event shall commencement of
9 distribution of the accrued retirement benefit of a member be
10 delayed beyond April 1 of the calendar year following the later of:

11 1. The calendar year in which the member reaches seventy and
12 one-half (70 1/2) years of age; or

13 2. The actual retirement date of the member.

14 For distributions made for calendar years beginning on or after
15 January 1, 2001 through December 31, 2004, the System shall apply
16 the minimum distribution requirements and incidental benefit
17 requirements of Section 401(a)(9) of the Internal Revenue Code of
18 1986, as amended, in accordance with the regulations under Section
19 401(a)(9) of the Internal Revenue Code of 1986, as amended, which
20 were proposed on January 17, 2001, notwithstanding any provision of
21 the System to the contrary. For distributions made for calendar
22 years beginning on or after January 1, 2005, the System shall apply
23 the minimum distribution incidental benefit requirements, incidental

1 benefit requirements, and minimum distribution requirements of
2 Section 401(a)(9) of the Internal Revenue Code of 1986, as amended,
3 in accordance with the final regulations under Section 401(a)(9) of
4 the Internal Revenue Code of 1986, as amended, which were issued in
5 April 2002 and June 2004, notwithstanding any provision of the
6 System to the contrary. Effective January 1, 2009, with respect to
7 the Oklahoma Police Deferred Option Plan, to the extent applicable,
8 no minimum distribution is required for 2009 in accordance with
9 Section 401(a)(9)(H) of the Internal Revenue Code of 1986, as
10 amended.

11 D. In the event of the death of any member who has been awarded
12 a retirement benefit or is eligible therefor as provided in this
13 section, such member's beneficiaries shall be paid such retirement
14 benefit. The remaining portion of the member's retirement benefit
15 shall be distributed to the beneficiaries at least as rapidly as
16 under the method of distribution to the member. Effective March 1,
17 1997, if a member to whom a retirement benefit has been awarded or
18 who is eligible therefor dies prior to the date as of which the
19 total amount of retirement benefit paid equals the total amount of
20 the employee contributions paid by or on behalf of the member and
21 the member does not have a surviving beneficiary, the total benefits
22 paid as of the date of the member's death shall be subtracted from

1 the accumulated employee contribution amount and the balance, if
2 greater than zero (0), shall be paid to the member's estate.

3 E. The State Board may review and affirm a member's request for
4 retirement benefits prior to the member's normal retirement date
5 provided that no retirement benefits are paid prior to the normal
6 retirement date.

7 F. A member retired under the provisions of this article may
8 apply to the State Board to have the member's retirement benefits
9 set aside and may make application for disability benefits. Upon
10 approval of the disability benefits, the member would become subject
11 to all provisions of this article pertaining to disability
12 retirement.

13 G. Upon the death of a retired member or a beneficiary, the
14 benefit payment for the month in which the retired member or
15 beneficiary died, if not previously paid, shall be made to the
16 beneficiary of the member or to the member's or beneficiary's estate
17 if there is no beneficiary. Such benefit payment shall be made in
18 an amount equal to a full monthly benefit payment regardless of the
19 day of the month in which the retired member or beneficiary died.

20 H. If the requirements of Section 50-114.4 of this title are
21 satisfied, a member who, by reason of attainment of normal
22 retirement date or age, is separated from service as a public safety
23 officer with the member's participating municipality, may elect to

1 have payment made directly to the provider for qualified health
 2 insurance premiums by deduction from his or her monthly pension
 3 payment, after December 31, 2006, in accordance with Section 402(l)
 4 of the Internal Revenue Code of 1986, as amended.

5 SECTION 3. AMENDATORY 11 O.S. 2001, Section 50-114.1, as
 6 last amended by Section 3, Chapter 169, O.S.L. 2009 (11 O.S. Supp.
 7 2009, Section 50-114.1), is amended to read as follows:

8 Section 50-114.1 A. For limitation years prior to July 1,
 9 2007, the limitations of Section 415 of the Internal Revenue Code of
 10 1986, as amended, shall be computed in accordance with the
 11 applicable provisions of the System in effect at that time and, to
 12 the extent applicable, Revenue Ruling 98-1 and Revenue Ruling 2001-
 13 51, except as provided below. Notwithstanding any other provision
 14 contained herein to the contrary, the benefits payable to a member
 15 from the System provided by employer contributions (including
 16 contributions picked up by the employer under Section 414(h) of the
 17 Internal Revenue Code of 1986, as amended) shall be subject to the
 18 limitations of Section 415 of the Internal Revenue Code of 1986, as
 19 amended, in accordance with the provisions of this section. The
 20 limitations of this section shall apply in limitation years
 21 beginning on or after July 1, 2007, except as otherwise provided
 22 below.

1 B. Except as provided below, effective for limitation years
2 ending after December 31, 2001, any accrued retirement benefit
3 payable to a member as an annual benefit as described below shall
4 not exceed One Hundred Sixty Thousand Dollars (\$160,000.00),
5 automatically adjusted under Section 415(d) of the Internal Revenue
6 Code of 1986, as amended, for increases in the cost of living, as
7 prescribed by the Secretary of the Treasury or the Secretary's
8 delegate, effective January 1 of each calendar year and applicable
9 to the limitation year ending with or within such calendar year.
10 The automatic annual adjustment of the dollar limitation in this
11 subsection under Section 415(d) of the Internal Revenue Code of
12 1986, as amended, shall apply to a member who has had a separation
13 from employment.

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

1 limitations of this section as of each such date), actuarially
2 adjusting for past and future distributions of benefits commencing
3 at the other annuity starting dates. For this purpose, the
4 determination of whether a new starting date has occurred shall be
5 made without regard to Section 1.401(a)-20, Q&A 10(d), and with
6 regard to Section 1.415(b)-1(b)(1)(iii)(B) and (C) of the Income Tax
7 Regulations.

- 8 2. No actuarial adjustment to the benefit shall be made for:
- 9 a. survivor benefits payable to a surviving spouse under
10 a qualified joint and survivor annuity to the extent
11 such benefits would not be payable if the member's
12 benefit were paid in another form,
- 13 b. benefits that are not directly related to retirement
14 benefits (such as a qualified disability benefit,
15 preretirement incidental death benefits, and
16 postretirement medical benefits), or
- 17 c. the inclusion in the form of benefit of an automatic
18 benefit increase feature, provided the form of benefit
19 is not subject to Section 417(e)(3) of the Internal
20 Revenue Code of 1986, as amended, and would otherwise
21 satisfy the limitations of this section, and the
22 System provides that the amount payable under the form
23 of benefit in any limitation year shall not exceed the

1 limits of this section applicable at the annuity
2 starting date, as increased in subsequent years
3 pursuant to Section 415(d) of the Internal Revenue
4 Code of 1986, as amended. For this purpose, an
5 automatic benefit increase feature is included in a
6 form of benefit if the form of benefit provides for
7 automatic, periodic increases to the benefits paid in
8 that form.

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

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

20 5. Benefit Forms Not Subject to Section 417(e)(3) of the
21 Internal Revenue Code of 1986, as amended: The straight life
22 annuity that is actuarially equivalent to the member's form of

1 benefit shall be determined under this paragraph 5 if the form of
2 the member's benefit is either:

3 a. a nondecreasing annuity (other than a straight life
4 annuity) payable for a period of not less than the
5 life of the member (or, in the case of a qualified
6 preretirement survivor annuity, the life of the
7 surviving spouse), or

8 b. an annuity that decreases during the life of the
9 member merely because of:

10 (1) the death of the survivor annuitant (but only if
11 the reduction is not below fifty percent (50%) of
12 the benefit payable before the death of the
13 survivor annuitant), or

14 (2) the cessation or reduction of Social Security
15 supplements or qualified disability payments (as
16 defined in Section ~~401(a)(11)~~ 411(a)(9) of the
17 Internal Revenue Code of 1986, as amended).

18 c. Limitation Years Beginning Before July 1, 2007. For
19 limitation years beginning before July 1, 2007, the
20 actuarially equivalent straight life annuity is equal
21 to the annual amount of the straight life annuity
22 commencing at the same annuity starting date that has
23 the same actuarial present value as the member's form

1 of benefit computed using whichever of the following
2 produces the greater annual amount:

- 3 (1) the interest rate and the mortality table (or
4 other tabular factor), each as set forth in
5 subsection G of Section 50-105.4 of this title
6 for adjusting benefits in the same form; and
7 (2) a five percent (5%) interest rate assumption and
8 the applicable mortality table described in Rev.
9 Rul. 2001-62 (or its successor for these
10 purposes, if applicable) for that annuity
11 starting date.

12 d. Limitation Years Beginning On Or After July 1, 2007.

13 For limitation years beginning on or after July 1,
14 2007, the actuarially equivalent straight life annuity
15 is equal to the greater of:

- 16 (1) the annual amount of the straight life annuity
17 (if any) payable to the member under the System
18 commencing at the same annuity starting date as
19 the member's form of benefit, and
20 (2) the annual amount of the straight life annuity
21 commencing at the same annuity starting date that
22 has the same actuarial present value as the
23 member's form of benefit, computed using a five

1 percent (5%) interest rate assumption and the
2 applicable mortality table described in Rev. Rul.
3 2001-62 (or its successor for these purposes, if
4 applicable) for that annuity starting date.

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

12 a. Annuity Starting Date in Plan Years Beginning After
13 ~~2005~~ December 31, 2007 (Plan Years beginning on or
14 after July 1, 2008). If the annuity starting date of
15 the member's form of benefit is in a plan year
16 beginning after ~~2005~~ December 31, 2007, the
17 actuarially equivalent straight life annuity is equal
18 to the greatest of (1), (2) or (3) below:

19 (1) the annual amount of the straight life annuity
20 commencing at the same annuity starting date that
21 has the same actuarial present value as the
22 member's form of benefit, computed using the
23 interest rate and the mortality table (or other

1 tabular factor) each as set forth in subsection G
 2 of Section 50-105.4 of this title for adjusting
 3 benefits in the same form,

4 (2) the annual amount of the straight life annuity
 5 commencing at the same annuity starting date that
 6 has the same actuarial present value as the
 7 member's form of benefit, computed using a five
 8 and one-half percent (5.5%) interest rate
 9 assumption and the applicable mortality table
 10 described in Rev. Rul. 2001-62 (or its successor
 11 for these purposes, if applicable), and

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

16 (a) ~~the rate of interest on thirty year Treasury~~
 17 ~~securities as specified by the Commissioner~~
 18 ~~for the lookback month for the stability~~
 19 ~~period specified below. The lookback month~~
 20 ~~applicable to the stability period is the~~
 21 ~~fourth calendar month preceding the first~~
 22 ~~day of the stability period, as specified~~
 23 ~~below. The adjusted first, second, and~~

1 third segment rates under Section
2 417(e)(3)(C) and (D) of the Internal Revenue
3 Code of 1986, as amended, applied under
4 rules similar to the rules of Section
5 430(h)(2)(C) of the Internal Revenue Code of
6 1986, as amended, for the fourth calendar
7 month preceding the plan year in which falls
8 the annuity starting date for the
9 distribution and the stability period is the
10 successive period of one (1) plan year which
11 contains the annuity starting date for the
12 distribution and for which the applicable
13 interest rate remains constant, or as
14 otherwise provided in the applicable
15 guidance if the first day of the first plan
16 year beginning after December 31, 2007, does
17 not coincide with the first day of the
18 applicable stability period, and
19 (b) the applicable mortality table described in
20 Rev. Rul. 2001-62 (or its successor for
21 these purposes, if applicable),
22 divided by one and five one-hundredths (1.05).

1 b. Annuity Starting Date in Plan Years Beginning in 2006
2 or 2007. If the annuity starting date of the member's
3 form of benefit is in a Plan Year beginning in 2006 or
4 2007, the actuarially equivalent straight life annuity
5 is equal to the greatest of (1), (2) or (3) below:

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

14 (2) the annual amount of the straight life annuity
15 commencing at the same annuity starting date that
16 has the same actuarial present value as the
17 member's form of benefit, computed using a five
18 and one-half percent (5.5%) interest rate
19 assumption and the applicable mortality table
20 described in Rev. Rul. 2001-62 (or its successor
21 for these purposes, if applicable), and

22 (3) the annual amount of the straight life annuity
23 commencing at the same annuity starting date that

1 has the same actuarial present value as the
2 member's form of benefit, computed using:

3 (a) the rate of interest on thirty-year Treasury
4 securities as specified by the Commissioner
5 for the lookback month for the stability
6 period specified below. The lookback month
7 applicable to the stability period is the
8 fourth calendar month preceding the first
9 day of the stability period, as specified
10 below. The stability period is the
11 successive period of one (1) plan year which
12 contains the annuity starting date for the
13 distribution and for which the applicable
14 interest rate remains constant, and
15 (b) the applicable mortality table described in
16 Rev. Rul. 2001-62 (or its successor for
17 these purposes, if applicable),
18 divided by one and five one-hundredths (1.05).

19 c. Annuity Starting Date in Plan Years Beginning in 2004
20 or 2005:

21 (1) If the annuity starting date of the member's form
22 of benefit is in a plan year beginning in 2004 or
23 2005, the actuarially equivalent straight life

1 annuity is equal to the annual amount of the
2 straight life annuity commencing at the same
3 annuity starting date that has the same actuarial
4 present value as the member's form of benefit,
5 computed using whichever of the following
6 produces the greater annual amount:

- 7 (a) the interest rate and the mortality table
8 (or other tabular factor) each as set forth
9 in subsection G of Section 50-105.4 of this
10 title for adjusting benefits in the same
11 form, and
12 (b) a five and one-half percent (5.5%) interest
13 rate assumption and the applicable mortality
14 table described in Rev. Rul. 2001-62 (or its
15 successor for these purposes, if
16 applicable).

- 17 (2) If the annuity starting date of the member's
18 benefit is on or after the first day of the first
19 plan year beginning in 2004 and before December
20 31, 2004, the application of this subparagraph b
21 shall not cause the amount payable under the
22 member's form of benefit to be less than the
23 benefit calculated under the System, taking into

1 account the limitations of this section, except
2 that the actuarially equivalent straight life
3 annuity is equal to the annual amount of the
4 straight life annuity commencing at the same
5 annuity starting date that has the same actuarial
6 present value as the member's form of benefit,
7 computed using whichever of the following
8 produces the greatest annual amount:

9 (a) the interest rate and mortality table (or
10 other tabular factor) each as set forth in
11 subsection G of Section 50-105.4 of this
12 title for adjusting benefits in the same
13 form,

14 (b) (i) the rate of interest on thirty-year
15 Treasury securities as specified by the
16 Commissioner for the lookback month for
17 the stability period specified below.
18 The lookback month applicable to the
19 stability period is the fourth calendar
20 month preceding the first day of the
21 stability period, as specified below.
22 The stability period is the successive
23 period of one (1) plan year which

1 contains the annuity starting date for
2 the distribution and for which the
3 applicable interest rate remains
4 constant, and
5 (ii) the applicable mortality table
6 described in Rev. Rul. 2001-62 (or its
7 successor for these purposes, if
8 applicable), and
9 (c) (i) the rate of interest on thirty-year
10 Treasury securities as specified by the
11 Commissioner for the lookback month for
12 the stability period specified below.
13 The lookback month applicable to the
14 stability period is the fourth calendar
15 month preceding the first day of the
16 stability period, as specified below.
17 The stability period is the successive
18 period of one (1) plan year which
19 contains the annuity starting date for
20 the distribution and for which the
21 applicable interest rate remains
22 constant (as in effect on the last day
23 of the last plan year beginning before

1 January 1, 2004, under provisions of
2 the System then adopted and in effect),
3 and

4 (ii) the applicable mortality table
5 described in Rev. Rul. 2001-62 (or its
6 successor for these purposes, if
7 applicable).

8 ~~7. Subject to the adjustment under subsection E of this~~
9 ~~section, the foregoing limitation shall not be applicable with~~
10 ~~respect to any member whose annual benefits from the System and~~
11 ~~under all other defined benefit plans of the participating~~
12 ~~municipality are less than Ten Thousand Dollars (\$10,000.00) for the~~
13 ~~year or from any prior year, if such member has not at any time~~
14 ~~participated in any defined contribution plan maintained by the~~
15 ~~participating municipality.~~

16 C. If a member has less than ten (10) years of participation in
17 the System and all predecessor municipal police pension and
18 retirement systems, the dollar limitation otherwise applicable under
19 subsection B of this section shall be multiplied by a fraction, the
20 numerator of which is the number of the years of participation in
21 the System of the member, but never less than one (1), and the
22 denominator of which is ten (10).

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

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

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

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

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

12 (2) a five-percent interest rate assumption and the
13 applicable mortality table as described in Rev.
14 Rul. 2001-62 (or its successor for these
15 purposes, if applicable).

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

17 (1) System Does Not Have Immediately Commencing
18 Straight Life Annuity Payable at Both Age Sixty-
19 two (62) and the Age of Benefit Commencement. If
20 the annuity starting date for the member's
21 benefit is prior to age sixty-two (62) and occurs
22 in a limitation year beginning on or after July
23 1, 2007, and the System does not have an

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

20 (2) System Has Immediately Commencing Straight Life
21 Annuity Payable at Both Age Sixty-two (62) and
22 the Age of Benefit Commencement. If the annuity
23 starting date for the member's benefit is prior

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

20 2. Adjustment of Defined Benefit Dollar Limitation for Benefit
21 Commencement After Age Sixty-five (65):

22 a. Limitation Years Beginning Before July 1, 2007. If
23 the annuity starting date for the member's benefit is

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

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

17 (2) a five-percent interest rate assumption and the
18 applicable mortality table as described in Rev.
19 Rul. 2001-62 (or its successor for these
20 purposes, if applicable).

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

22 (1) System Does Not Have Immediately Commencing
23 Straight Life Annuity Payable at Both Age Sixty-

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

1 on completed calendar months as of the annuity
2 starting date).

3 (2) System Has Immediately Commencing Straight Life
4 Annuity Payable at Both Age Sixty-five (65) and
5 Age of Commencement. If the annuity starting
6 date for the member's benefit is after age sixty-
7 five (65) and occurs in a limitation year
8 beginning on or after July 1, 2007, and the
9 System has an immediately commencing straight
10 life annuity payable at both age sixty-five (65)
11 and the age of benefit commencement, the dollar
12 limitation at the member's annuity starting date
13 is the lesser of the limitation determined under
14 division (1) of subparagraph b of this paragraph
15 and the dollar limitation under subsection B of
16 this section (adjusted under subsection C of this
17 section for years of participation less than ten
18 (10), if required) multiplied by the ratio of the
19 annual amount of the adjusted immediately
20 commencing straight life annuity under the System
21 at the member's annuity starting date to the
22 annual amount of the adjusted immediately
23 commencing straight life annuity under the System

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

17 3. Notwithstanding the other requirements of this subsection,
18 no adjustment shall be made to the dollar limitation under
19 subsection B of this section to reflect the probability of a
20 member's death between the annuity starting date and age sixty-two
21 (62), or between age sixty-five (65) and the annuity starting date,
22 as applicable, if benefits are not forfeited upon the death of the
23 member prior to the annuity starting date. To the extent benefits

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

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

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

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

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

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

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

15 F. In no event shall the maximum annual accrued retirement
16 benefit of a member allowable under this section be less than the
17 annual amount of such accrued retirement benefit, including early
18 pension and qualified joint and survivor annuity amounts, duly
19 accrued by the member as of the last day of the limitation year
20 beginning in 1982, or as of the last day of the limitation year
21 beginning in 1986, whichever is greater, disregarding any plan
22 changes or cost-of-living adjustments occurring after July 1, 1982,

1 as to the 1982 accrued amount, and May 5, 1986, as to the 1986
2 accrued amount.

3 G. Effective for years beginning after December 31, 1997, if a
4 member purchases service pursuant to Section 50-111.2 and Section
5 50-111.4 of this title, which qualifies as "permissive service
6 credit" pursuant to Section 415(n) of the Internal Revenue Code of
7 1986, as amended, the limitations of Section 415 of the Internal
8 Revenue Code of 1986, as amended, may be met by either:

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

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

14 H. Effective for years beginning after December 31, 1997, if a
15 member repays to the System any amounts received because of such
16 member's prior termination pursuant to subsection C of Section 50-
17 111.1 of this title, such repayment shall not be taken into account
18 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
20 of 1986, as amended.

21 I. For limitation years beginning on or after January 1, 1995,
22 subsection C of this section, paragraph 1 of subsection D of this
23 section, and the proration provided under subparagraphs a and b of

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

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

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

12 SECTION 4. AMENDATORY 11 O.S. 2001, Section 50-114.2, as
 13 last amended by Section 6, Chapter 177, O.S.L. 2008 (11 O.S. Supp.
 14 2009, Section 50-114.2), is amended to read as follows:

15 Section 50-114.2 A. This section applies to distributions made
 16 on or after January 1, 1993. Notwithstanding any provision of the
 17 System to the contrary that would otherwise limit a Distributee's
 18 election hereunder, a Distributee, including a nonspouse designated
 19 beneficiary, to the extent permitted under paragraph 3 of subsection
 20 B of this section, may elect, at the time and in the manner
 21 prescribed by the State Board, to have any portion of an Eligible
 22 Rollover Distribution paid directly to ~~an~~:

23 1. An Eligible Retirement Plan; or

1 2. Effective for distributions after December 31, 2007, a Roth
2 IRA described in Section 408A of the Internal Revenue Code of 1986,
3 as amended, subject to any limitations described in Section
4 408A(c) of the Internal Revenue Code of 1986, as amended;
5 specified by the Distributee in a Direct Rollover.

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

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

- 1 a. from January 1, 2002, through December 31, 2006,~~to:~~
- 2 (1) to an individual retirement account or annuity
- 3 described in Section 408(a) or (b) of the
- 4 Internal Revenue Code of 1986, as amended, or
- 5 (2) in a direct trustee-to-trustee transfer, to a
- 6 qualified trust which is part of a defined
- 7 contribution plan ~~described in Section 401(a) or~~
- 8 ~~403(a) of the Internal Revenue Code of 1986, as~~
- 9 ~~amended, and which~~ that agrees to separately
- 10 account for amounts so transferred, including
- 11 separately accounting for the portion of such
- 12 distribution which is includable in gross income
- 13 and the portion of such distribution which is not
- 14 so includable, and
- 15 b. on or after January 1, 2007,~~to:~~
- 16 (1) to an individual retirement account or annuity
- 17 described in Section 408(a) or (b) of the
- 18 Internal Revenue Code of 1986, as amended, or
- 19 (2) in a direct trustee-to-trustee transfer, to a
- 20 qualified trust ~~described in Section 401(a) or~~
- 21 ~~403(a) of the Internal Revenue Code of 1986, as~~
- 22 ~~amended,~~ or an annuity contract described in
- 23 Section 403(b) of the Internal Revenue Code of

1 1986, as amended, ~~and~~ if such trust or annuity
2 contract provides for separate accounting for
3 amounts so transferred (and earnings thereon),
4 including separately accounting for the portion
5 of such distribution which is includable in gross
6 income and the portion of such distribution which
7 is not so includable~~+~~.

8 Effective for distributions after December 31, 2007, such after-
9 tax portion may also be transferred to a Roth IRA described in
10 Section 408A of the Internal Revenue Code of 1986, as amended,
11 subject to any limitations described in Section 408A(c) of the
12 Internal Revenue Code of 1986, as amended, that agrees to separately
13 account for amounts so transferred, including separately accounting
14 for the portion of such distribution which is includible in gross
15 income and the portion of such distribution which is not so
16 includible.

17 Notwithstanding the foregoing, effective January 1, 2009, to the
18 extent applicable, if all or a portion of a distribution from the
19 Oklahoma Police Deferred Option Plan during 2009 is treated as an
20 Eligible Rollover Distribution pursuant to Section 402(c)(4) of the
21 Internal Revenue Code of 1986, as amended, but would not be so
22 treated if the minimum distribution requirements under Section
23 401(a)(9) of the Internal Revenue Code of 1986, as amended, had

1 applied during 2009, such distribution shall not be treated as an
2 Eligible Rollover Distribution for purposes of Section 401(a)(31),
3 Section 3405(c) or Section 402(f) of the Internal Revenue Code of
4 1986, as amended;

5 2. "Eligible Retirement Plan" means an individual retirement
6 account described in Section 408(a) of the Internal Revenue Code of
7 1986, as amended, an individual retirement annuity described in
8 Section 408(b) of the Internal Revenue Code of 1986, as amended, an
9 annuity plan described in Section 403(a) of the Internal Revenue
10 Code of 1986, as amended, or a qualified trust described in Section
11 401(a) of the Internal Revenue Code of 1986, as amended, that
12 accepts the Distributee's Eligible Rollover Distribution. Effective
13 January 1, 2002, an Eligible Retirement Plan shall also mean an
14 annuity contract described in Section 403(b) of the Internal Revenue
15 Code of 1986, as amended, and an eligible plan under Section 457(b)
16 of the Internal Revenue Code of 1986, as amended, which is
17 maintained by a state, political subdivision of a state, or any
18 agency or instrumentality of a state or political subdivision of a
19 state and which agrees to separately account for amounts transferred
20 into such plan from the System;

21 3. "Distributee" means an employee or former employee. In
22 addition, effective June 7, 1993, the employee's or former
23 employee's surviving spouse and the employee's or former employee's

1 spouse or former spouse who is the alternate payee under a qualified
2 domestic order, as defined in subsection B of Section 50-124 of this
3 title, are Distributees with regard to the interest of the spouse or
4 the former spouse. Effective for distributions after December 31,
5 2006, a Distributee also includes the member's nonspouse designated
6 beneficiary, pursuant to Section 401(a)(9)(E) of the Internal
7 Revenue Code of 1986, as amended. ~~In the case of a nonspouse~~
8 ~~beneficiary, the, who may only elect a Direct Rollover (to the~~
9 extent such Distributee does not receive a lump sum payment) may be
10 ~~made only~~ to an individual retirement account or annuity (other than
11 an endowment contract) described in Section 408(a) or (b) of the
12 Internal Revenue Code of 1986, as amended, (IRA), that is
13 established on behalf of such designated beneficiary and that will
14 be treated as an inherited IRA pursuant to the provisions of Section
15 402(c)(11) of the Internal Revenue Code of 1986, as amended. Also,
16 in this case, the determination of any required minimum distribution
17 under Section 401(a)(9) of the Internal Revenue Code of 1986, as
18 amended, that is ineligible for rollover shall be made in accordance
19 with Notice 2007-7, Q&A 17 and 18, 2007-5 I.R.B. 395. The required
20 minimum distribution rules of Section 401(a)(9)(B) (other than
21 clause iv thereof) of the Internal Revenue Code of 1986, as amended,
22 apply to the transferee IRA; and

1 4. "Direct Rollover" means a payment by the System to the
2 Eligible Retirement Plan specified by the Distributee or, effective
3 for distributions on or after January 1, 2008, to a Roth IRA under
4 Section 408A of the Internal Revenue Code of 1986, as amended, as
5 specified by the Distributee (assuming the Distributee otherwise
6 meets the Roth IRA requirements).

7 C. At least thirty (30) days before and, effective January 1,
8 2007, not more than one hundred eighty (180) days before the date of
9 distribution, the Distributee (other than a nonspouse designated
10 beneficiary prior to January 1, 2010) must be provided with a notice
11 of rights which satisfies Section 402(f) of the Internal Revenue
12 Code of 1986, as amended, as to rollover options and tax effects.
13 Such distribution may commence less than thirty (30) days after the
14 notice is given, provided that:

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

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

21 D. Prior to January 1, 2010, a distribution with respect to a
22 nonspouse designated beneficiary shall be made in accordance with
23 Notice 2007-7, Q&A 15, 2007-5 Internal Revenue Bulletin 395.

1 Effective January 1, 2010, a distribution with respect to a
2 nonspouse designated beneficiary shall be subject to Sections
3 401(a)(31), 402(f), and 3405(c) of the Internal Revenue Code of
4 1986, as amended.

5 SECTION 5. AMENDATORY Section 4, Chapter 152, O.S.L.
6 2007, as amended by Section 4, Chapter 169, O.S.L. 2009 (11 O.S.
7 Supp. 2009, Section 50-114.3), is amended to read as follows:

8 Section 50-114.3 A. An individual who has been designated,
9 pursuant to Section 401(a)(9)(E) of the Internal Revenue Code of
10 1986, as amended, as the beneficiary of a deceased member and who is
11 not the surviving spouse of the member, may elect, in accordance
12 with Section 402(c)(11) of the Internal Revenue Code of 1986, as
13 amended, and at the time and in the manner prescribed by the State
14 Board, to have a direct trustee-to-trustee transfer of any portion
15 of such beneficiary's lump-sum distribution from the System after
16 December 31, 2006, made to an individual retirement account or
17 individual retirement annuity (other than an endowment contract)
18 described in Section 408(a) or (b) of the Internal Revenue Code of
19 1986, as amended (IRA), that is established on behalf of such
20 designated individual. If such transfer is made, then:

21 1. The transfer is treated as an eligible rollover distribution
22 for purposes of Section 402(c)(11) of the Internal Revenue Code of
23 1986, as amended;

1 2. The transferee IRA is treated as an inherited individual
 2 retirement account or an inherited individual retirement annuity
 3 (within the meaning of Section 408(d)(3)(C) of the Internal Revenue
 4 Code of 1986, as amended), and must be titled in the name of the
 5 deceased member, for the benefit of the beneficiary; and

6 3. The required minimum distribution rules of Section
 7 401(a)(9)(B) (other than clause iv thereof) of the Internal Revenue
 8 Code of 1986, as amended, apply to the transferee IRA.

9 B. A trust maintained for the benefit of one or more designated
 10 beneficiaries shall be treated in the same manner as a ~~trust~~
 11 designated beneficiary.

12 C. The State Board shall promulgate such rules as are necessary
 13 to implement the provisions of this section.

14 SECTION 6. AMENDATORY 11 O.S. 2001, Section 50-128, as
 15 last amended by Section 6, Chapter 169, O.S.L. 2009 (11 O.S. Supp.
 16 2009, Section 50-128), is amended to read as follows:

17 Section 50-128. A. Any member who has heretofore left the
 18 Police Department qualifying under this article to enter the
 19 military service of the United States during World War II and who
 20 returned to said department on or before July 1, 1947, or the Korean
 21 conflict and who returned to said department on or before January 1,
 22 1956, shall receive credit for such time in military service without
 23 having made contribution to the System; and any member who has

1 heretofore left, or hereafter may leave said department because of
2 involuntary conscription into the military services of the United
3 States at any time and who returns to said department within ninety
4 (90) days after the member's release from such involuntary service
5 shall receive credit for such time in said military service on the
6 Police Department without having made contribution to the System
7 only for that period that is involuntary; voluntary enlistments and
8 voluntary extensions of military service being herewith specifically
9 excluded for retirement credit.

10 B. A member who began participation in the System prior to July
11 1, 2003, and who retires on or after July 1, 1998, shall be entitled
12 to prior service credit, not to exceed five (5) years, for those
13 periods of military service on active duty prior to membership in
14 the Oklahoma Police Pension and Retirement System. All members who
15 initially begin participation with the System after June 30, 2003,
16 may acquire prior military service credit for a maximum of five (5)
17 years of such service credit upon payment of the actuarial cost of
18 such service in the manner prescribed by and subject to all of the
19 requirements of Section 50-111.4 of this title. For members of the
20 System hired or rehired on or after July 1, 2003, if the military
21 service credit authorized by this subsection is used to compute the
22 retirement benefit of the member and the member retires from the
23 System, such military service credit shall not be used to compute

1 the retirement benefit in any other retirement system created
2 pursuant to the Oklahoma Statutes and the member may receive credit
3 for such service only in the retirement system from which the member
4 first retires.

5 For purposes of this subsection, "military service" means
6 service in the Armed Forces of the United States by honorably
7 discharged persons during the following time periods, as reflected
8 on such person's Defense Department Form 214, as follows:

9 1. During the following periods, including the beginning and
10 ending dates, and only for the periods served, from:

- 11 a. April 6, 1917, to November 11, 1918, commonly referred
12 to as World War I,
- 13 b. September 16, 1940, to December 7, 1941, as a member
14 of the 45th Division,
- 15 c. December 7, 1941, to December 31, 1946, commonly
16 referred to as World War II,
- 17 d. June 27, 1950, to January 31, 1955, commonly referred
18 to as the Korean Conflict or the Korean War,
- 19 e. February 28, 1961, to May 7, 1975, commonly referred
20 to as the Vietnam era, except that:
- 21 (1) for the period from February 28, 1961, to August
22 4, 1964, military service shall only include

1 service in the Republic of Vietnam during that
2 period, and

3 (2) for purposes of determining eligibility for
4 education and training benefits, such period
5 shall end on December 31, 1976, or

6 f. August 1, 1990, to December 31, 1991, commonly
7 referred to as the Gulf War, the Persian Gulf War, or
8 Operation Desert Storm, but excluding any person who
9 served on active duty for training only, unless
10 discharged from such active duty for a service-
11 connected disability;

12 2. During a period of war or combat military operation other
13 than a conflict, war or era listed in paragraph 1 of this
14 subsection, beginning on the date of Congressional authorization,
15 Congressional resolution, or Executive Order of the President of the
16 United States, for the use of the Armed Forces of the United States
17 in a war or combat military operation, if such war or combat
18 military operation lasted for a period of ninety (90) days or more,
19 for a person who served, and only for the period served, in the area
20 of responsibility of the war or combat military operation, but
21 excluding a person who served on active duty for training only,
22 unless discharged from such active duty for a service-connected
23 disability, and provided that the burden of proof of military

1 service during this period shall be with the member, who must
2 present appropriate documentation establishing such service.

3 C. An eligible member pursuant to subsection B of this section
4 shall include only those persons who shall have served during the
5 times or in the areas prescribed thereunder and only if such person
6 provides appropriate documentation in such time and manner as
7 required by the System to establish such military service prescribed
8 in this section, or for service pursuant to division (1) of
9 subparagraph e of paragraph 1 of subsection B of this section, those
10 persons who were awarded service medals, as authorized by the United
11 States Department of Defense as reflected in the veteran's Defense
12 Department Form 214, related to the Vietnam Conflict for service
13 prior to August 5, 1964. The provisions of subsection B of this
14 section shall include military retirees, whose retirement was based
15 only on active service, that have been rated as having twenty
16 percent (20%) or greater service-connected disability by the
17 Veterans Administration or the Armed Forces of the United States.

18 D. Effective December 12, 1994, a leave of absence on account
19 of a period of "qualified military service" in the uniformed
20 services of the United States (within the meaning of Section
21 414(u)(5) of the Internal Revenue Code of 1986), followed by a
22 return to the service of the participating municipality within
23 ninety (90) days after the completion of the period of service,

1 shall constitute credited service. Notwithstanding any provision
2 herein to the contrary:

3 1. Contributions, benefits and service credit with respect to
4 qualified military service shall be provided in accordance with
5 Section 414(u) of the Internal Revenue Code of 1986, as amended,
6 which is in accordance with the Uniformed Services Employment and
7 Reemployment Rights Act of 1994, as amended (USERRA). The
8 municipality's contributions to the System for a member covered by
9 USERRA are due when such a member makes up his or her contributions
10 that were missed due to his or her qualified military service; and

11 2. Effective January 1, 2007, if any member dies while
12 performing qualified military service (as defined in Section 414(u)
13 of the Internal Revenue Code of 1986, as amended), the survivors of
14 the member are entitled to any additional benefits other than
15 benefit accruals relating to the period of qualified military
16 service provided under the System had the member resumed and then
17 terminated employment on account of death.

18 SECTION 7. AMENDATORY 47 O.S. 2001, Section 2-305.1A, as
19 last amended by Section 9, Chapter 177, O.S.L. 2008 (47 O.S. Supp.
20 2009, Section 2-305.1A), is amended to read as follows:

21 Section 2-305.1A A. This section applies to distributions made
22 on or after January 1, 1993. Notwithstanding any provision of the
23 System to the contrary that would otherwise limit a Distributee's

1 election hereunder, a Distributee, including a nonspouse designated
2 beneficiary, to the extent permitted under paragraph 3 of subsection
3 B of this section, may elect, at the time and in the manner
4 prescribed by the Board, to have any portion of an Eligible Rollover
5 Distribution paid directly to ~~an~~ :

6 1. An Eligible Retirement Plan; or
7 2. Effective for distributions after December 31, 2007, a Roth
8 IRA described in Section 408A of the Internal Revenue Code of 1986,
9 as amended, subject to any limitations described in Section 408A(c)
10 of the Internal Revenue Code of 1986, as amended,
11 specified by the Distributee in a Direct Rollover.

12 B. As used in this section:

13 1. "Eligible Rollover Distribution" means any distribution of
14 all or any portion of the balance to the credit of the Distributee,
15 except that an Eligible Rollover Distribution does not include: any
16 distribution that is one of a series of substantially equal periodic
17 payments (not less frequently than annually) made for the life (or
18 life expectancy) of the Distributee or the joint lives (or life
19 expectancies) of the Distributee and the Distributee's designated
20 beneficiary, or for a specified period of ten (10) years or more;
21 any distribution to the extent such distribution is required under
22 Section 401(a)(9) of the Internal Revenue Code of 1986, as amended;
23 and the portion of any distribution that is not includable in gross

1 income. Effective January 1, 2002, a portion of a distribution
 2 shall not fail to be an Eligible Rollover Distribution merely
 3 because the portion consists of after-tax member contributions which
 4 are not includable in gross income. However, such portion may be
 5 ~~paid~~ transferred only:

- 6 a. from January 1, 2002, through December 31, 2006,~~to:~~
- 7 (1) to an individual retirement account or annuity
 8 described in Section 408(a) or (b) of the
 9 Internal Revenue Code of 1986, as amended, or
- 10 (2) in a direct trustee-to-trustee transfer, to a
 11 qualified trust which is part of a defined
 12 contribution plan ~~described in Section 401(a) or~~
 13 ~~403(a) of the Internal Revenue Code of 1986, as~~
 14 ~~amended, and which~~ that agrees to separately
 15 account for amounts so transferred, including
 16 separately accounting for the portion of such
 17 distribution which is includable in gross income
 18 and the portion of such distribution which is not
 19 so includable; and
- 20 b. on or after January 1, 2007,~~to:~~
- 21 (1) to an individual retirement account or annuity
 22 described in Section 408(a) or (b) of the
 23 Internal Revenue Code of 1986, as amended, or

1 1986, as amended, an individual retirement annuity described in
2 Section 408(b) of the Internal Revenue Code of 1986, as amended, an
3 annuity plan described in Section 403(a) of the Internal Revenue
4 Code of 1986, as amended, or a qualified trust described in Section
5 401(a) of the Internal Revenue Code of 1986, as amended, that
6 accepts the Distributee's Eligible Rollover Distribution. Effective
7 January 1, 2002, an Eligible Retirement Plan shall also mean an
8 annuity contract described in Section 403(b) of the Internal Revenue
9 Code of 1986, as amended, and an eligible plan under Section 457(b)
10 of the Internal Revenue Code of 1986, as amended, which is
11 maintained by a state, political subdivision of a state, or any
12 agency or instrumentality of a state or political subdivision of a
13 state and which agrees to separately account for amounts transferred
14 into such plan from the System.

15 3. "Distributee" means an employee or former employee. In
16 addition, effective June 7, 1993, the employee's or former
17 employee's surviving spouse and the employee's or former employee's
18 spouse or former spouse who is the alternate payee under a qualified
19 domestic order, as defined in subsection B of Section 2-303.3 of
20 this title, are Distributees with regard to the interest of the
21 spouse or the former spouse. Effective for distributions after
22 December 31, 2006, a Distributee also includes the member's
23 nonspouse designated beneficiary, pursuant to Section 401(a)(9)(E)

1 of the Internal Revenue Code of 1986, as amended. ~~In the case of a~~
2 ~~nonspouse beneficiary, the,~~ who may only elect a Direct Rollover may
3 ~~be made only~~ (to the extent such Distributee does not receive a lump
4 sum payment) to an individual retirement account or annuity (other
5 than an endowment contract) described in Section 408(a) or (b) of
6 the Internal Revenue Code of 1986, as amended, ("IRA"), that is
7 established on behalf of such designated beneficiary and that will
8 be treated as an inherited IRA pursuant to the provisions of Section
9 402(c)(11) of the Internal Revenue Code of 1986, as amended. Also,
10 in this case, the determination of any required minimum distribution
11 under Section 401(a)(9) of the Internal Revenue Code of 1986, as
12 amended, that is ineligible for rollover shall be made in accordance
13 with Notice 2007-7, Q&A 17 and 18, 2007-5 Internal Revenue Bulletin
14 395. The required minimum distribution rules of Section
15 401(a)(9)(B) (other than clause iv thereof) of the Internal Revenue
16 Code of 1986, as amended, apply to the transferee IRA.

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

1 C. At least thirty (30) days before and, effective January 1,
2 2007, not more than one hundred eighty (180) days before the date of
3 distribution, the Distributee (other than a nonspouse designated
4 beneficiary prior to January 1, 2010) must be provided with a notice
5 of rights which satisfies Section 402(f) of the Internal Revenue
6 Code of 1986, as amended, as to rollover options and tax effects.
7 Such distribution may commence less than thirty (30) days after the
8 notice is given, provided that:

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

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

15 D. Prior to January 1, 2010, a distribution with respect to a
16 nonspouse designated beneficiary shall be made in accordance with
17 Notice 2007-7, Q&A 15, 2007-5 Internal Revenue Bulletin 395.
18 Effective January 1, 2010, a distribution with respect to a
19 nonspouse designated beneficiary shall be subject to Sections
20 401(a)(31), 402(f) and 3405(c) of the Internal Revenue Code of 1986,
21 as amended.

1 SECTION 8. AMENDATORY Section 9, Chapter 152, O.S.L.
2 2007, as amended by Section 10, Chapter 169, O.S.L. 2009 (47 O.S.
3 Supp. 2009, Section 2-305.1B), is amended to read as follows:

4 Section 2-305.1B A. An individual who has been designated,
5 pursuant to Section 401(a)(9)(E) of the Internal Revenue Code of
6 1986, as amended, as the beneficiary of a deceased member and who is
7 not the surviving spouse of the member, may elect, in accordance
8 with Section 402(c)(11) of the Internal Revenue Code of 1986, as
9 amended, and at the time and in the manner prescribed by the Board,
10 to have a direct trustee-to-trustee transfer of any portion of such
11 beneficiary's lump-sum distribution from the Oklahoma Law
12 Enforcement Retirement System after December 31, 2006, made to an
13 individual retirement account or individual retirement annuity
14 (other than an endowment contract) described in Section 408(a) or
15 (b) of the Internal Revenue Code of 1986, as amended (IRA), that is
16 established on behalf of such designated individual. If such
17 transfer is made, then:

18 1. The transfer is treated as an eligible rollover distribution
19 for purposes of Section 402(c)(11) of the Internal Revenue Code of
20 1986, as amended;

21 2. The transferee IRA is treated as an inherited individual
22 retirement account or an inherited individual retirement annuity
23 (within the meaning of Section 408(d)(3)(C) of the Internal Revenue

1 Code of 1986, as amended), and must be titled in the name of the
2 deceased member, for the benefit of the beneficiary; and

3 3. The required minimum distribution rules of Section
4 401(a)(9)(B), other than clause iv thereof, of the Internal Revenue
5 Code of 1986, as amended, apply to the transferee IRA.

6 B. A trust maintained for the benefit of one or more designated
7 beneficiaries shall be treated in the same manner as a ~~trust~~
8 designated beneficiary.

9 C. The Board shall promulgate such rules as are necessary to
10 implement the provisions of this section.

11 SECTION 9. AMENDATORY 47 O.S. 2001, Section 2-305.2, as
12 last amended by Section 20, Chapter 46, 2nd Extraordinary Session,
13 O.S.L. 2006 (47 O.S. Supp. 2009, Section 2-305.2), is amended to
14 read as follows:

15 Section 2-305.2 A. In lieu of terminating employment and
16 accepting a service retirement pension pursuant to Section 2-305 of
17 this title, any member of the Oklahoma Law Enforcement Retirement
18 System who has not less than twenty (20) years of participating
19 service and who is eligible to receive a service retirement pension
20 may ~~elect~~ make an irrevocable election to participate in the
21 Oklahoma Law Enforcement Deferred Option Plan and defer the receipts
22 of benefits in accordance with the provisions of this section.

1 B. For purposes of this section, participating service shall
2 include service credit recognized pursuant to paragraphs (c) and (d)
3 of Section 2-307, subsection B of Section 2-307.2, and Sections 2-
4 309.1, 2-309.2, 2-309.3, 2-309.4, 2-309.5, 2-309.6 and 2-309.7 of
5 this title but for eligibility purposes only.

6 C. The duration of participation in the Oklahoma Law
7 Enforcement Deferred Option Plan for a member shall not exceed five
8 (5) years. Participation in the Oklahoma Law Enforcement Deferred
9 Option Plan must begin the first day of a month and end on the last
10 day of the month. At the conclusion of a member's participation in
11 the Oklahoma Law Enforcement Deferred Option Plan, the member shall
12 terminate employment as a member of the Oklahoma Law Enforcement
13 Retirement System, and shall start receiving the member's accrued
14 monthly retirement benefit from the System. Such a member may
15 continue to receive in-service distributions of such member's
16 accrued monthly retirement benefit from the System if the member is
17 reemployed by a state agency only if such reemployment is in a
18 position not covered under the System.

19 D. When a member begins participation in the Oklahoma Law
20 Enforcement Deferred Option Plan, the contribution of the member
21 shall cease. The employer contributions shall continue to be paid
22 in accordance with Section 2-304 of this title. Employer
23 contributions for members who elect the Oklahoma Law Enforcement

1 Deferred Option Plan shall be credited equally to the Oklahoma Law
2 Enforcement Retirement System and to the member's Oklahoma Law
3 Enforcement Deferred Option Plan account. The monthly retirement
4 benefits that would have been payable had the member elected to
5 cease employment and receive a service retirement shall be paid into
6 the member's Oklahoma Law Enforcement Deferred Option Plan account.

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

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

15 F. A member in the Oklahoma Law Enforcement Deferred Option
16 Plan shall receive, at the option of the member:

17 1. A lump-sum payment from the account equal to the option
18 account balance of the member, payable to the member;

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

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

1 Notwithstanding any other provision contained herein to the
2 contrary, commencement of distributions under the Oklahoma Law
3 Enforcement Deferred Option Plan shall be no later than the time as
4 set forth in paragraph 7 of Section 2-300 of this title.

5 If a member meets the definition of disability as defined in
6 paragraph 11 of Section 2-300 of this title by direct reason of the
7 performance of the member's duties, the payment from the account
8 shall be an in-line-of-duty disability payment.

9 G. If the member dies during the period of participation in the
10 Oklahoma Law Enforcement Deferred Option Plan, a lump-sum payment
11 equal to the account balance of the member shall be paid to the
12 designated beneficiary as defined in paragraph 17 of Section 2-300
13 of this title, or if there is no designated beneficiary or the
14 designated beneficiary predeceases the member, to the estate of the
15 member. If such member was receiving, or eligible to receive, an
16 in-line-of-duty disability pension pursuant to subsection E or F of
17 Section 2-305 of this title at the time of death, payment of the
18 account balance shall be an in-line-of-duty disability payment.

19 H. In lieu of participating in the Oklahoma Law Enforcement
20 Deferred Option Plan pursuant to subsections A, B, C, D, E and F of
21 this section, a member may ~~elect~~ make an irrevocable election to
22 participate in the Oklahoma Law Enforcement Deferred Option Plan
23 pursuant to this subsection as follows:

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

3 a. "back drop date" means the date selected by the member
4 which is up to five (5) years before the member elects
5 to participate in the Oklahoma Law Enforcement
6 Deferred Option Plan, but not before the date at which
7 the member completes twenty (20) years of
8 participating service,

9 b. "termination date" means the date the member elects to
10 participate in the Oklahoma Law Enforcement Deferred
11 Option Plan pursuant to this subsection and the date
12 the member terminates employment and starts receiving
13 the member's accrued monthly retirement benefit from
14 the System. Such termination has at all times
15 included reemployment of a member by a state agency,
16 but only in a position not covered under the System,

17 c. "earlier attained participating service" means the
18 participating service earned by a member as of the
19 back drop date. Earlier attained participating
20 service cannot be reduced to less than twenty (20)
21 years of participating service, and

22 d. "deferred benefit balance" means all retirement
23 benefits that would have been paid from the back drop

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

9 2. At the termination date, a member's monthly pension benefit
10 shall be determined based on the earlier attained participating
11 service and on the final average salary as of the back drop date.
12 The member's individual deferred option account shall be credited
13 with an amount equal to the deferred benefit balance; the member
14 shall terminate employment and shall start receiving the member's
15 accrued monthly retirement benefit from the System. The member
16 shall, upon application filed with the Board, be refunded from the
17 fund an amount equal to the accumulated contributions the member
18 made to the fund from the back drop date to the termination date,
19 but excluding any interest. Such termination has at all times
20 included reemployment of a member by a state agency, but only in a
21 position not covered under the System. The provisions of
22 subsections B, C, E, F and G of this section shall apply to this
23 subsection; and

1 3. A member may participate in the Oklahoma Law Enforcement
 2 Deferred Option Plan pursuant to this subsection even if the member
 3 has elected to participate in the Oklahoma Law Enforcement Deferred
 4 Option Plan pursuant to subsections A, B, C, D, E and F of this
 5 section. Such a member may select a back drop date which is up to
 6 five (5) years prior to the termination date, but not before the
 7 date at which the member completes twenty (20) years of
 8 participating service. Such a member's participation in the
 9 Oklahoma Law Enforcement Deferred Option Plan may not exceed five
 10 (5) years when combined with such a member's prior period of
 11 participation in the Oklahoma Law Enforcement Deferred Option Plan.
 12 The provisions of subsections B, C, E, F and G of this section shall
 13 apply to this subsection.

14 SECTION 10. AMENDATORY 47 O.S. 2001, Section 2-305.4, as
 15 last amended by Section 11, Chapter 169, O.S.L. 2009 (47 O.S. Supp.
 16 2009, Section 2-305.4), is amended to read as follows:

17 Section 2-305.4 A. For limitation years prior to July 1, 2007,
 18 the limitations of Section 415 of the Internal Revenue Code of 1986,
 19 as amended, shall be computed in accordance with the applicable
 20 provisions of the System in effect at that time and, to the extent
 21 applicable, Revenue Ruling 98-1 and Revenue Ruling 2001-51, except
 22 as provided below. Notwithstanding any other provision contained
 23 herein to the contrary, the benefits payable to a member from the

1 Oklahoma Law Enforcement Retirement System provided by employer
2 contributions (including contributions picked up by the employer
3 under Section 414(h) of the Internal Revenue Code of 1986, as
4 amended), shall be subject to the limitations of Section 415 of the
5 Internal Revenue Code of 1986, as amended, in accordance with the
6 provisions of this section. The limitations of this section shall
7 apply in limitation years beginning on or after July 1, 2007, except
8 as otherwise provided below.

9 B. Except as provided below, effective for limitation years
10 ending after December 31, 2001, any accrued retirement benefit
11 payable to a member as an annual benefit as described below shall
12 not exceed One Hundred Sixty Thousand Dollars (\$160,000.00),
13 automatically adjusted under Section 415(d) of the Internal Revenue
14 Code of 1986, as amended, for increases in the cost of living, as
15 prescribed by the Secretary of the Treasury or the Secretary's
16 delegate, effective January 1 of each calendar year and applicable
17 to the limitation year ending with or within such calendar year.
18 The automatic annual adjustment of the dollar limitation in this
19 subsection under Section 415(d) of the Internal Revenue Code of
20 1986, as amended, shall apply to a member who has had a separation
21 from employment.

22 1. The member's annual benefit is a benefit that is payable
23 annually in the form of a straight life annuity. Except as provided

1 below, where a benefit is payable in a form other than a straight
2 life annuity, the benefit shall be adjusted to an actuarially
3 equivalent straight life annuity that begins at the same time as
4 such other form of benefit and is payable on the first day of each
5 month, before applying the limitations of this section. For a
6 member who has or will have distributions commencing at more than
7 one annuity starting date, the annual benefit shall be determined as
8 of each such annuity starting date (and shall satisfy the
9 limitations of this section as of each such date), actuarially
10 adjusting for past and future distributions of benefits commencing
11 at the other annuity starting dates. For this purpose, the
12 determination of whether a new starting date has occurred shall be
13 made without regard to Section 1.401(a)-20, Q&A 10(d), and with
14 regard to Section 1.415(b)-1(b)(1)(iii)(B) and (C) of the Income Tax
15 Regulations.

- 16 2. No actuarial adjustment to the benefit shall be made for:
- 17 a. survivor benefits payable to a surviving spouse under
18 a qualified joint and survivor annuity to the extent
19 such benefits would not be payable if the member's
20 benefit were paid in another form,
- 21 b. benefits that are not directly related to retirement
22 benefits (such as a qualified disability benefit,

1 preretirement incidental death benefits) and
2 postretirement medical benefits, or
3 c. the inclusion in the form of a benefit of an automatic
4 benefit increase feature, provided, the form of
5 benefit is not subject to Section 417(e)(3) of the
6 Internal Revenue Code of 1986, as amended, and would
7 otherwise satisfy the limitations of this section, and
8 the System provides that the amount payable under the
9 form of benefit in any limitation year shall not
10 exceed the limits of this section applicable at the
11 annuity starting date, as increased in subsequent
12 years pursuant to Section 415(d) of the Internal
13 Revenue Code of 1986, as amended. For this purpose,
14 an automatic benefit increase feature is included in a
15 form of benefit if the form of benefit provides for
16 automatic, periodic increases to the benefits paid in
17 that form.

18 3. The determination of the annual benefit shall take into
19 account Social Security supplements described in Section 411(a)(9)
20 of the Internal Revenue Code of 1986, as amended, and benefits
21 transferred from another defined benefit plan, other than transfers
22 of distributable benefits pursuant to Section 1.411(d)-4, Q&A-3(c),

1 of the Income Tax Regulations, but shall disregard benefits
2 attributable to employee contributions or rollover contributions.

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

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

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

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

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

1 (2) the cessation or reduction of Social Security
2 supplements or qualified disability payments (as
3 defined in Section ~~401(a)(11)~~ 411(a)(9) of the
4 Internal Revenue Code of 1986, as amended).

5 c. Limitation Years Beginning Before July 1, 2007. For
6 limitation years beginning before July 1, 2007, the
7 actuarially equivalent straight life annuity is equal
8 to the annual amount of the straight life annuity
9 commencing at the same annuity starting date that has
10 the same actuarial present value as the member's form
11 of benefit computed using whichever of the following
12 produces the greater annual amount:

13 (1) the interest rate and the mortality table or
14 other tabular factor, each as set forth in
15 subsection H of Section 2-303.1 of this title for
16 adjusting benefits in the same form, and

17 (2) a five percent (5%) interest rate assumption and
18 the applicable mortality table described in
19 Revenue Ruling 2001-62 (or its successor for
20 these purposes, if applicable) for that annuity
21 starting date.

22 d. Limitation Years Beginning On Or After July 1, 2007.
23 For limitation years beginning on or after July 1,

1 2007, the actuarially equivalent straight life annuity
2 is equal to the greater of:

- 3 (1) the annual amount of the straight life annuity,
4 if any, payable to the member under the System
5 commencing at the same annuity starting date as
6 the member's form of benefit, and
7 (2) the annual amount of the straight life annuity
8 commencing at the same annuity starting date that
9 has the same actuarial present value as the
10 member's form of benefit, computed using a five
11 percent (5%) interest rate assumption and the
12 applicable mortality table described in Revenue
13 Ruling 2001-62 (or its successor for these
14 purposes, if applicable) for that annuity
15 starting date.

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

1 a. Annuity Starting Date in Plan Years Beginning After
2 2005 December 31, 2007 (Plan Years beginning on or
3 after July 1, 2008). If the annuity starting date of
4 the member's form of benefit is in a plan year
5 beginning after 2005 December 31, 2007, the
6 actuarially equivalent straight life annuity is equal
7 to the greatest of (1), (2) or (3) below:

8 (1) the annual amount of the straight life annuity
9 commencing at the same annuity starting date that
10 has the same actuarial present value as the
11 member's form of benefit, computed using the
12 interest rate and the mortality table or other
13 tabular factor, each as set forth in subsection H
14 of Section 2-303.1 of this title for adjusting
15 benefits in the same form,

16 (2) the annual amount of the straight life annuity
17 commencing at the same annuity starting date that
18 has the same actuarial present value as the
19 member's form of benefit, computed using a five
20 and one-half percent (5.5%) interest rate
21 assumption and the applicable mortality table
22 described in Revenue Ruling 2001-62 (or its
23 successor for these purposes, if applicable), and

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

5 (a) the adjusted first, second, and third
6 segment rates under Section 417(e)(3)(C) and
7 (D) of the Internal Revenue Code of 1986, as
8 amended, applied under rules similar to the
9 rules of Section 430(h)(2)(C) of the
10 Internal Revenue Code of 1986, as amended,
11 for the fourth calendar month preceding the
12 plan year in which falls the annuity
13 starting date for the distribution and the
14 stability period is the successive period of
15 one (1) plan year which contains the annuity
16 starting date for the distribution and for
17 which the applicable interest rate remains
18 constant, or as otherwise provided in the
19 applicable guidance if the first day of the
20 first plan year beginning after December 31,
21 2007, does not coincide with the first day
22 of the applicable stability period, and

1 (b) the applicable mortality table described in
2 Revenue Ruling 2001-62 (or its successor for
3 these purposes, if applicable),
4 divided by one and five one-hundredths (1.05).

5 b. Annuity Starting Date in Plan Years Beginning in 2006
6 or 2007. If the annuity starting date of the member's
7 form of benefit is in a Plan Year beginning in 2006 or
8 2007, the actuarially equivalent straight life annuity
9 is equal to the greatest of (1), (2) or (3) below:

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

18 (2) the annual amount of the straight life annuity
19 commencing at the same annuity starting date that
20 has the same actuarial present value as the
21 member's form of benefit, computed using a five
22 and one-half percent (5.5%) interest rate
23 assumption and the applicable mortality table

1 described in Revenue Ruling 2001-62 (or its
2 successor for these purposes, if applicable), and
3 (3) the annual amount of the straight life annuity
4 commencing at the same annuity starting date that
5 has the same actuarial present value as the
6 member's form of benefit, computed using:

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

19 (b) the applicable mortality table described in
20 Revenue Ruling 2001-62 (or its successor for
21 these purposes, if applicable),

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

23 b-

1 plan year beginning in 2004 and before December
2 31, 2004, the application of this subparagraph
3 shall not cause the amount payable under the
4 member's form of benefit to be less than the
5 benefit calculated under the System, taking into
6 account the limitations of this section, except
7 that the actuarially equivalent straight life
8 annuity is equal to the annual amount of the
9 straight life annuity commencing at the same
10 annuity starting date that has the same actuarial
11 present value as the member's form of benefit,
12 computed using whichever of the following
13 produces the greatest annual amount:

- 14 (a) the interest rate and mortality table or
15 other tabular factor, each as set forth in
16 subsection H of Section 2-203.1 of this
17 title for adjusting benefits in the same
18 form,
- 19 (b) i. the rate of interest on thirty-year
20 Treasury securities as specified by the
21 Commissioner for the lookback month for
22 the stability period specified below.
23 The lookback month applicable to the

1 stability period is the fourth calendar
2 month preceding the first day of the
3 stability period, as specified below.

4 The stability period is the successive
5 period of one (1) plan year which
6 contains the annuity starting date for
7 the distribution and for which the
8 applicable interest rate remains
9 constant, and

10 ii. the applicable mortality table
11 described in Revenue Ruling 2001-62 (or
12 its successor for these purposes, if
13 applicable), and

14 (c) i. the rate of interest on thirty-year
15 Treasury securities as specified by the
16 Commissioner for the lookback month for
17 the stability period specified below.

18 The lookback month applicable to the
19 stability period is the fourth calendar
20 month preceding the first day of the
21 stability period, as specified below.

22 The stability period is the successive
23 period of one (1) plan year which

1 contains the annuity starting date for
2 the distribution and for which the
3 applicable interest rate remains
4 constant (as in effect on the last day
5 of the last plan year beginning before
6 January 1, 2004, under provisions of
7 the System then adopted and in effect),
8 and

- 9 ii. the applicable mortality table
10 described in Revenue Ruling 2001-62 (or
11 its successor for these purposes, if
12 applicable).

13 ~~7. Subject to the adjustment under subsection E of this~~
14 ~~section, the foregoing limitation shall not be applicable with~~
15 ~~respect to any member whose annual benefits from the System and~~
16 ~~under all other defined benefit plans of the employer are less than~~
17 ~~Ten Thousand Dollars (\$10,000.00) for the year or from any prior~~
18 ~~year, if such member has not at any time participated in any defined~~
19 ~~contribution plan maintained by the employer.~~

20 C. If a member has less than ten (10) years of participation in
21 the System and all predecessor pension and retirement systems, the
22 dollar limitation otherwise applicable under subsection B of this
23 section shall be multiplied by a fraction, the numerator of which is

1 the number of the years of participation in the System of the
2 member, but never less than one (1), and the denominator of which is
3 ten (10).

4 D. Adjustment of Dollar Limitation for Benefit Commencement
5 Before Sixty-two (62) Years of Age or After Sixty-five (65) Years of
6 Age: Effective for benefits commencing in limitation years ending
7 after December 31, 2001, the dollar limitation under subsection B of
8 this section shall be adjusted if the annuity starting date of the
9 member's benefit is before sixty-two (62) years of age or after
10 sixty-five (65) years of age. If the annuity starting date is
11 before sixty-two (62) years of age, the dollar limitation under
12 subsection B of this section shall be adjusted under paragraph 1 of
13 this subsection, as modified by paragraph 3 of this subsection, but
14 subject to paragraph 4 of this subsection. If the annuity starting
15 date is after sixty-five (65) years of age, the dollar limitation
16 under subsection B of this section shall be adjusted under paragraph
17 2 of this subsection, as modified by paragraph 3 of this subsection.

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

20 a. Limitation Years Beginning Before July 1, 2007. If
21 the annuity starting date for the member's benefit is
22 prior to sixty-two (62) years of age and occurs in a
23 limitation year beginning before July 1, 2007, the

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

- 11 (1) the interest rate and the mortality table or
12 other tabular factor, each as set forth in
13 subsection H of Section 2-303.1 of this title, or
14 (2) a five percent (5%) interest rate assumption and
15 the applicable mortality table as described in
16 Revenue Ruling 2001-62 (or its successor for
17 these purposes, if applicable).

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

- 19 (1) System Does Not Have Immediately Commencing
20 Straight Life Annuity Payable at Both Sixty-two
21 (62) Years of Age and the Age of Benefit
22 Commencement. If the annuity starting date for
23 the member's benefit is prior to sixty-two (62)

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

1 (2) System Has Immediately Commencing Straight Life
2 Annuity Payable at Both Sixty-two (62) Years of
3 Age and the Age of Benefit Commencement. If the
4 annuity starting date for the member's benefit is
5 prior to sixty-two (62) years of age and occurs
6 in a limitation year beginning on or after July
7 1, 2007, and the System has an immediately
8 commencing straight life annuity payable at both
9 sixty-two (62) years of age and the age of
10 benefit commencement, the dollar limitation for
11 the member's annuity starting date is the lesser
12 of the limitation determined under division (1)
13 of subparagraph b of this paragraph and the
14 dollar limitation under subsection B of this
15 section (adjusted under subsection C of this
16 section for years of participation less than ten
17 (10), if required) multiplied by the ratio of the
18 annual amount of the immediately commencing
19 straight life annuity under the System at the
20 member's annuity starting date to the annual
21 amount of the immediately commencing straight
22 life annuity under the System at sixty-two (62)

1 years of age, both determined without applying
2 the ~~limitation~~ limitations of this section.

3 2. Adjustment of Defined Benefit Dollar Limitation for Benefit
4 Commencement After Sixty-five (65) Years of Age:

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

19 (1) the interest rate and the mortality table or
20 other tabular factor, each as set forth in
21 subsection H of Section 2-303.1 of this title, or
22 (2) a five percent (5%) interest rate assumption and
23 the applicable mortality table as described in

1 Revenue Ruling 2001-62 (or its successor for
2 these purposes, if applicable).

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

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

1 percent (5%) interest rate assumption and the
2 applicable mortality table for the annuity
3 starting date as described in Revenue Ruling
4 2001-62 (or its successor for these purposes, if
5 applicable) (and expressing the member's age based
6 on completed calendar months as of the annuity
7 starting date).

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

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

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

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

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

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

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

11 b. the denominator of which is ten (10), and

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

21 F. In no event shall the maximum annual accrued retirement
22 benefit of a member allowable under this section be less than the
23 annual amount of such accrued retirement benefit, including early

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

8 G. Effective for years beginning after December 31, 1997, if a
9 member purchases service under this title, which qualifies as
10 "permissive service credit" pursuant to Section 415(n) of the
11 Internal Revenue Code of 1986, as amended, the limitations of
12 Section 415 of the Internal Revenue Code of 1986, as amended, may be
13 met by either:

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

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

19 H. Effective for years beginning after December 31, 1997, if a
20 member repays to the System any amounts received because of the
21 member's prior termination pursuant to paragraph 3 of subsection (b)
22 of Section 2-307 of this title, such repayment shall not be taken
23 into account for purposes of Section 415 of the Internal Revenue

1 Code of 1986, as amended, pursuant to Section 415(k)(3) of the
2 Internal Revenue Code of 1986, as amended.

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

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

14 K. The Board is hereby authorized to revoke the special
15 election previously made under Internal Revenue Code Section
16 415(b)(10).

17 SECTION 11. AMENDATORY 47 O.S. 2001, Section 2-307, as
18 last amended by Section 12, Chapter 169, O.S.L. 2009 (47 O.S. Supp.
19 2009, Section 2-307), is amended to read as follows:

20 Section 2-307. (a) In the event a member of the System obtains
21 a leave of absence, of not to exceed ninety (90) days at any one
22 time, because of injury or illness or for any personal reason other
23 than the acceptance of other employment, the member's membership in

1 the System shall not terminate and the period of such leave shall be
2 counted toward retirement for length of service if, during such
3 leave of absence or at the end thereof, the member shall pay to the
4 Fund an amount equal to the contributions which would have been
5 deducted from the member's salary during such period if such leave
6 of absence had not been obtained, but if such contributions are not
7 paid during such leave or made up within thirty (30) days after the
8 end of such leave, or if such leave of absence extends for more than
9 ninety (90) days at any one time, the period of such leave shall not
10 be counted toward length of service for retirement nor in computing
11 the amount of any pension or any retirement pay or any other
12 benefits hereunder.

13 (b) In the event a member of the System obtains a leave of
14 absence for the purpose of accepting other employment, or if a
15 member resigns and during such resignation accepts other employment,
16 the member's membership in the System shall terminate as of the date
17 of the beginning of such leave. Provided, that if the membership of
18 a member of the System shall have been terminated either by such
19 leave of absence or by termination of employment, and such former
20 member is reemployed, the Board, upon application therefor made in
21 the same manner as an original application for membership in the
22 System, may reinstate such membership. Such reinstated member shall

1 be allowed full credit toward retirement for all service credit
2 accrued up to the time of termination of membership if, but only if:

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

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

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

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

14 a. a cash lump-sum payment,

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

21 c. a direct rollover of tax-deferred funds from a Code
22 Section 403(b) annuity or custodial account, an
23 eligible deferred compensation plan described in Code

1 Section 457(b) which is maintained by an eligible
2 employer described in Code Section 457(e)(1)(A), a
3 Code Section 401(a) qualified plan, and/or a Code
4 Section 408(a) or 408(b) traditional or conduit
5 Individual Retirement Account or Annuity (IRA). Roth
6 IRAs, Coverdell Education Savings Accounts and after-
7 tax contributions shall not be used to purchase such
8 service credit, or

9 d. any combination of the above methods of payment.

10 The provisions of this subsection shall not apply to absences
11 caused by such military service as may be considered as service for
12 retirement for length of service under the provisions of subsection
13 (c) of this section.

14 (c) In determining the eligibility of a member for retirement
15 based upon length of service, any service in the Armed Forces of the
16 United States or any component thereof between the 16th day of
17 September, 1940, and the 30th day of June, 1954, and any service in
18 the Armed Forces of the United States or any component thereof upon
19 call of the President of the United States or of the Governor of the
20 State of Oklahoma, together with such prior service, as would have
21 been otherwise considered as service for retirement for length of
22 service, shall be considered as service for length of service,
23 provided that the member returns and files application for

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

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

22 (e) Notwithstanding any provisions herein to the contrary:

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

9 2. Effective January 1, 2007, if any member dies while
10 performing qualified military service (as defined in Section 414(u)
11 of the Internal Revenue Code of 1986, as amended), the survivors of
12 the member are entitled to any additional benefits other than
13 benefit accruals relating to the period of qualified military
14 service provided under the System had the member resumed and then
15 terminated employment on account of death.

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

20 COMMITTEE REPORT BY: COMMITTEE ON RETIREMENT & INSURANCE, dated
21 2-11-10 - DO PASS, As Coauthored.