

## STATE OF OKLAHOMA

2nd Session of the 52nd Legislature (2010)

SENATE BILL 1989

By: Brown

AS INTRODUCED

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,

1 O.S.L. 2009 (47 O.S. Supp. 2009, Sections 2-305.1A,  
2 2-305.1B, 2-305.2, 2-305.4 and 2-307), which relate  
3 to the Oklahoma Law Enforcement Retirement System;  
4 modifying procedures relating to certain  
5 distributions; modifying definition; modifying  
6 treatment of certain trust; providing that a member  
7 of the Oklahoma Law Enforcement Retirement System  
8 must make an irrevocable election to participate in  
9 certain plans; specifying when certain distributions  
10 under certain plan shall commence; specifying how  
11 certain limitations are to be computed; updating  
12 statutory citation; allowing successor rulings to be  
13 used for certain purposes; modifying the computation  
14 of certain annuities; eliminating certain exception;  
15 specifying definition applicable to certain  
16 situation; and declaring an emergency.

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

18 SECTION 1. AMENDATORY 11 O.S. 2001, Section 50-111.3, as  
19 last amended by Section 4, Chapter 177, O.S.L. 2008 (11 O.S. Supp.  
20 2009, Section 50-111.3), is amended to read as follows:

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

1 B. For purposes of this section, creditable service shall  
2 include service credit reciprocally recognized pursuant to Section  
3 50-101 et seq. of this title but for eligibility purposes only.

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

17 D. When a member begins participation in the Oklahoma Police  
18 Deferred Option Plan, the contribution of the employee shall cease.  
19 The employer contributions shall continue to be paid in accordance  
20 with Section 50-109 of this title. Municipal contributions for  
21 employees who elect the Oklahoma Police Deferred Option Plan shall  
22 be credited equally to the Oklahoma Police Pension and Retirement  
23 System and to the Oklahoma Police Deferred Option Plan. The monthly  
24 retirement benefits that would have been payable had the member

1 | elected to cease employment and receive a service retirement shall  
2 | be paid into the Oklahoma Police Deferred Option Plan account.

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

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

11 |       F. A participant in the Oklahoma Police Deferred Option Plan  
12 | shall receive, at the option of the participant:

13 |       1. A lump sum payment from the account equal to the option  
14 | account balance of the participant, payable to the participant;

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

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

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

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

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

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

12 a. "back drop date" means the date selected by the  
13 member, which is up to five (5) years before the  
14 member elects to participate in the Oklahoma Police  
15 Deferred Option Plan, but not before the date at which  
16 the member completes twenty (20) years of credited  
17 service,

18 b. "termination date" means the date the member elects to  
19 participate in the Oklahoma Police Deferred Option  
20 Plan pursuant to this subsection, and the date the  
21 member terminates employment with all participating  
22 municipalities as an active police officer, such  
23 termination has at all times included reemployment of  
24 a member by a participating municipality only if such

1 reemployment is as a police chief or in a position not  
2 covered under the System,

3 c. "earlier attained credited service" means the credited  
4 service earned by a member as of the back drop date,  
5 and earlier attained credited service cannot be  
6 reduced to less than twenty (20) years of credited  
7 service, and

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

21 2. At the termination date, the monthly pension benefit shall  
22 be determined based on earlier attained credited service and on the  
23 final average salary as of the back drop date. The member's  
24 individual deferred option account shall be credited with an amount

1 equal to the deferred benefit balance; the member shall terminate  
2 employment with all participating municipalities as a police officer  
3 and shall start receiving the member's accrued monthly retirement  
4 benefit from the System. The provisions of subsections B, C, E, F  
5 and G of this section shall apply to this subsection. A member  
6 shall not participate in the Oklahoma Police Deferred Option Plan  
7 pursuant to this subsection if the member has elected to participate  
8 in the Oklahoma Police Deferred Option Plan pursuant to subsections  
9 A, B, C, D, E and F of this section; and

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

23

24

1 SECTION 2. AMENDATORY 11 O.S. 2001, Section 50-114, as  
2 last amended by Section 2, Chapter 169, O.S.L. 2009 (11 O.S. Supp.  
3 2009, Section 50-114), is amended to read as follows:

4 Section 50-114. A. The State Board is hereby authorized to pay  
5 out of funds in the System a monthly service pension to any member  
6 eligible as hereinafter provided, not exceeding in any event the  
7 amount of money in such funds and not exceeding in any event the  
8 accrued retirement benefit for such member, except as provided for  
9 herein. In order for a member to be eligible for such service  
10 pension the following requirements must be complied with:

11 1. The member's service with the police department for any  
12 participating municipality must have ceased; however, a member may  
13 be subsequently reemployed in the position of police chief pursuant  
14 to subsection C of Section 50-112 of this title;

15 2. The member must have reached the member's normal retirement  
16 date; and

17 3. The member must have complied with any agreement as to  
18 contributions by the member and other members to any funds of the  
19 System where said agreement has been made as provided by this  
20 article; provided, that should a retired member receive disability  
21 benefits as provided in this and other sections of this article, the  
22 time the retired member is receiving said disability benefits shall  
23 count as time on active service if the retired member should be  
24 recalled by the Chief of Police from said disability retirement. It

1 shall be necessary before said time shall be counted toward  
2 retirement that the retired member make the same contribution as the  
3 member would have otherwise made if on active service for the time  
4 the retired member was disabled.

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

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

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

17 2. The actual retirement date of the member.

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

1 the System to the contrary. For distributions made for calendar  
2 years beginning on or after January 1, 2005, the System shall apply  
3 the minimum distribution incidental benefit requirements, incidental  
4 benefit requirements, and minimum distribution requirements of  
5 Section 401(a)(9) of the Internal Revenue Code of 1986, as amended,  
6 in accordance with the final regulations under Section 401(a)(9) of  
7 the Internal Revenue Code of 1986, as amended, which were issued in  
8 April 2002 and June 2004, notwithstanding any provision of the  
9 System to the contrary. Effective January 1, 2009, with respect to  
10 the Oklahoma Police Deferred Option Plan, to the extent applicable,  
11 no minimum distribution is required for 2009 in accordance with  
12 Section 401(a)(9)(H) of the Internal Revenue Code of 1986, as  
13 amended.

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

1 paid as of the date of the member's death shall be subtracted from  
2 the accumulated employee contribution amount and the balance, if  
3 greater than zero (0), shall be paid to the member's estate.

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

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

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

21 H. If the requirements of Section 50-114.4 of this title are  
22 satisfied, a member who, by reason of attainment of normal  
23 retirement date or age, is separated from service as a public safety  
24 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.

23 B. Except as provided below, effective for limitation years  
24 ending after December 31, 2001, any accrued retirement benefit

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

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

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

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

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

1 benefit if the form of benefit provides for automatic,  
2 periodic increases to the benefits paid in that form.

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

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

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

- 19 a. a nondecreasing annuity (other than a straight life  
20 annuity) payable for a period of not less than the life  
21 of the member (or, in the case of a qualified  
22 preretirement survivor annuity, the life of the  
23 surviving spouse), or  
24

1           b.    an annuity that decreases during the life of the member  
2               merely because of:

3               (1)   the death of the survivor annuitant (but only if  
4               the reduction is not below fifty percent (50%) of  
5               the benefit payable before the death of the  
6               survivor annuitant), or

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

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

19               (1)   the interest rate and the mortality table (or  
20               other tabular factor), each as set forth in  
21               subsection G of Section 50-105.4 of this title for  
22               adjusting benefits in the same form; and

23               (2)   a five percent (5%) interest rate assumption and  
24               the applicable mortality table described in Rev.

1                   Rul. 2001-62 (or its successor for these purposes,  
2                   if applicable) for that annuity starting date.

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

4           For limitation years beginning on or after July 1,  
5           2007, the actuarially equivalent straight life annuity  
6           is equal to the greater of:

- 7           (1)   the annual amount of the straight life annuity (if  
8           any) payable to the member under the System  
9           commencing at the same annuity starting date as  
10          the member's form of benefit, and  
11          (2)   the annual amount of the straight life annuity  
12          commencing at the same annuity starting date that  
13          has the same actuarial present value as the  
14          member's form of benefit, computed using a five  
15          percent (5%) interest rate assumption and the  
16          applicable mortality table described in Rev. Rul.  
17          2001-62 (or its successor for these purposes, if  
18          applicable) for that annuity starting date.

19           6.    Benefit Forms Subject to Section 417(e)(3) of the Internal  
20    Revenue Code of 1986, as amended: The straight life annuity that is  
21    actuarially equivalent to the member's form of benefit shall be  
22    determined under this paragraph 6 if the form of the member's benefit  
23    is other than a benefit form described in paragraph 5 of this  
24

1 subsection. In this case, the actuarially equivalent straight life  
2 annuity shall be determined as follows:

3 a. Annuity Starting Date in Plan Years Beginning After  
4 2005 December 31, 2007 (Plan Years beginning on or  
5 after July 1, 2008). If the annuity starting date of  
6 the member's form of benefit is in a plan year  
7 beginning after 2005 December 31, 2007, the actuarially  
8 equivalent straight life annuity is equal to the  
9 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 G  
16 of Section 50-105.4 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  
24

1 described in Rev. Rul. 2001-62 (or its successor  
2 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 day~~  
13 ~~of the stability period, as specified below.~~  
14 The adjusted first, second, and third segment  
15 rates under Section 417(e)(3)(C) and (D) of  
16 the Internal Revenue Code of 1986, as  
17 amended, applied under rules similar to the  
18 rules of Section 430(h)(2)(C) of the Internal  
19 Revenue Code of 1986, as amended, for the  
20 fourth calendar month preceding the plan year  
21 in which falls the annuity starting date for  
22 the distribution and the stability period is  
23 the successive period of one (1) plan year  
24 which contains the annuity starting date for

1 the distribution and for which the applicable  
2 interest rate remains constant, or as  
3 otherwise provided in the applicable guidance  
4 if the first day of the first plan year  
5 beginning after December 31, 2007, does not  
6 coincide with the first day of the applicable  
7 stability period, and

8 (b) the applicable mortality table described in  
9 Rev. Rul. 2001-62 (or its successor for these  
10 purposes, if applicable),

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

12 b. Annuity Starting Date in Plan Years Beginning in 2006  
13 or 2007. If the annuity starting date of the member's  
14 form of benefit is in a Plan Year beginning in 2006 or  
15 2007, the actuarially equivalent straight life annuity  
16 is equal to the greatest of (1), (2) or (3) below:

17 (1) the annual amount of the straight life annuity  
18 commencing at the same annuity starting date that  
19 has the same actuarial present value as the  
20 member's form of benefit, computed using the  
21 interest rate and the mortality table (or other  
22 tabular factor) each as set forth in subsection G  
23 of Section 50-105.4 of this title for adjusting  
24 benefits in the same form,

1           (2) 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 a five  
5           and one-half percent (5.5%) interest rate  
6           assumption and the applicable mortality table  
7           described in Rev. Rul. 2001-62 (or its successor  
8           for these purposes, if applicable), and

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

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

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

5        c.    Annuity Starting Date in Plan Years Beginning in 2004  
6                    or 2005:

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

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

21                    (b) a five and one-half percent (5.5%) interest  
22                    rate assumption and the applicable mortality  
23                    table described in Rev. Rul. 2001-62 (or its  
24                    successor for these purposes, if applicable).

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

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

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

1 The lookback month applicable to the  
2 stability period is the fourth calendar  
3 month preceding the first day of the  
4 stability period, as specified below.

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

11 (ii) the applicable mortality table described  
12 in Rev. Rul. 2001-62 (or its successor  
13 for these purposes, if 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  
24 contains the annuity starting date for

1 the distribution and for which the  
2 applicable interest rate remains  
3 constant (as in effect on the last day  
4 of the last plan year beginning before  
5 January 1, 2004, under provisions of the  
6 System then adopted and in effect), and  
7 (ii) the applicable mortality table described  
8 in Rev. Rul. 2001-62 (or its successor  
9 for these purposes, if applicable).

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

17 C. If a member has less than ten (10) years of participation in  
18 the System and all predecessor municipal police pension and  
19 retirement systems, the dollar limitation otherwise applicable under  
20 subsection B of this section shall be multiplied by a fraction, the  
21 numerator of which is the number of the years of participation in  
22 the System of the member, but never less than one (1), and the  
23 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 31,  
4 2001, the dollar limitation under subsection B of this section shall  
5 be adjusted if the annuity starting date of the member's benefit is  
6 before age sixty-two (62) or after age sixty-five (65). If the  
7 annuity starting date is before age sixty-two (62), the dollar  
8 limitation under subsection B of this section shall be adjusted under  
9 paragraph 1 of this subsection, as modified by paragraph 3 of this  
10 subsection, but subject to paragraph 4 of this subsection. If the  
11 annuity starting date is after age sixty-five (65), the dollar  
12 limitation under subsection B of this section shall be adjusted under  
13 paragraph 2 of this subsection, as modified by paragraph 3 of this  
14 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 the  
18 annuity starting date for the member's benefit is prior  
19 to age sixty-two (62) and occurs in a limitation year  
20 beginning before July 1, 2007, the dollar limitation  
21 for the member's annuity starting date is the annual  
22 amount of a benefit payable in the form of a straight  
23 life annuity commencing at the member's annuity  
24 starting date that is the actuarial equivalent of the

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

- 6 (1) the interest rate and the mortality table (or  
7 other tabular factor) each as set forth in  
8 subsection G of Section 50-105.4 of this title, or  
9 (2) a five-percent interest rate assumption and the  
10 applicable mortality table as described in Rev.  
11 Rul. 2001-62 (or its successor for these purposes,  
12 if applicable).

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

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

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

- 16 (2) System Has Immediately Commencing Straight Life  
17 Annuity Payable at Both Age Sixty-two (62) and the  
18 Age of Benefit Commencement. If the annuity  
19 starting date for the member's benefit is prior to  
20 age sixty-two (62) and occurs in a limitation year  
21 beginning on or after July 1, 2007, and the System  
22 has an immediately commencing straight life  
23 annuity payable at both age sixty-two (62) and the  
24 age of benefit commencement, the dollar limitation

1 for the member's annuity starting date is the  
2 lesser of the limitation determined under division  
3 (1) of subparagraph b of this paragraph and the  
4 dollar limitation under subsection B of this  
5 section (adjusted under subsection C of this  
6 section for years of participation less than ten  
7 (10), if required) multiplied by the ratio of the  
8 annual amount of the immediately commencing  
9 straight life annuity under the System at the  
10 member's annuity starting date to the annual  
11 amount of the immediately commencing straight life  
12 annuity under the System at age sixty-two (62),  
13 both determined without applying the limitations  
14 of this section.

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

- 17 a. Limitation Years Beginning Before July 1, 2007. If the  
18 annuity starting date for the member's benefit is after  
19 age sixty-five (65) and occurs in a limitation year  
20 beginning before July 1, 2007, the dollar limitation  
21 for the member's annuity starting date is the annual  
22 amount of a benefit payable in the form of a straight  
23 life annuity commencing at the member's annuity  
24 starting date that is the actuarial equivalent of the

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

- 6 (1) the interest rate and the mortality table (or  
7 other tabular factor) each as set forth in  
8 subsection G of Section 50-105.4 of this title, or  
9 (2) a five-percent interest rate assumption and the  
10 applicable mortality table as described in Rev.  
11 Rul. 2001-62 (or its successor for these purposes,  
12 if applicable).

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

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

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

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

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

1 amount of such annuity that would be payable under  
2 the System to a hypothetical member who is age  
3 sixty-five (65) and has the same accrued benefit  
4 as the member.

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

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

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

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

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

16 2. The participating municipality (or a predecessor employer)  
17 has not at any time maintained a defined contribution plan in which  
18 the member participated (for this purpose, mandatory employee  
19 contributions under a defined benefit plan, individual medical  
20 accounts under Section 401(h) of the Internal Revenue Code of 1986,  
21 as amended, and accounts for postretirement medical benefits  
22 established under Section 419A(d) (1) of the Internal Revenue Code of  
23 1986, as amended, are not considered a separate defined contribution  
24 plan).

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

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

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

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

22 H. Effective for years beginning after December 31, 1997, if a  
23 member repays to the System any amounts received because of such  
24 member's prior termination pursuant to subsection C of Section 50-

1 111.1 of this title, such repayment shall not be taken into account  
2 for purposes of Section 415 of the Internal Revenue Code of 1986, as  
3 amended, pursuant to Section 415(k)(3) of the Internal Revenue Code  
4 of 1986, as amended.

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

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

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

19 SECTION 4. AMENDATORY 11 O.S. 2001, Section 50-114.2, as  
20 last amended by Section 6, Chapter 177, O.S.L. 2008 (11 O.S. Supp.  
21 2009, Section 50-114.2), is amended to read as follows:

22 Section 50-114.2 A. This section applies to distributions made  
23 on or after January 1, 1993. Notwithstanding any provision of the  
24 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 State Board, to have any portion of an Eligible  
5 Rollover 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  
10 408A(c) of the Internal Revenue Code of 1986, as amended;

11 specified by the Distributee in a Direct Rollover.

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

14 1. "Eligible Rollover Distribution" means any distribution of  
15 all or any portion of the balance to the credit of the Distributee,  
16 except that an Eligible Rollover Distribution does not include: any  
17 distribution that is one of a series of substantially equal periodic  
18 payments (not less frequently than annually) made for the life (or  
19 life expectancy) of the Distributee or the joint lives (or life  
20 expectancies) of the Distributee and the Distributee's designated  
21 beneficiary, or for a specified period of ten (10) years or more;  
22 any distribution to the extent such distribution is required under  
23 Section 401(a)(9) of the Internal Revenue Code of 1986, as amended;  
24 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

24

1           (2) in a direct trustee-to-trustee transfer, to a  
2           qualified trust described in Section 401(a) or  
3           403(a) of the Internal Revenue Code of 1986, as  
4           amended, or an annuity contract described in  
5           Section 403(b) of the Internal Revenue Code of  
6           1986, as amended, and if such trust or annuity  
7           contract provides for separate accounting for  
8           amounts so transferred (and earnings thereon),  
9           including separately accounting for the portion  
10          of such distribution which is includable in gross  
11          income and the portion of such distribution which  
12          is not so includable~~7~~.

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

22          Notwithstanding the foregoing, effective January 1, 2009, to the  
23          extent applicable, if all or a portion of a distribution from the  
24          Oklahoma Police Deferred Option Plan during 2009 is treated as an

1 Eligible Rollover Distribution pursuant to Section 402(c)(4) of the  
2 Internal Revenue Code of 1986, as amended, but would not be so  
3 treated if the minimum distribution requirements under Section  
4 401(a)(9) of the Internal Revenue Code of 1986, as amended, had  
5 applied during 2009, such distribution shall not be treated as an  
6 Eligible Rollover Distribution for purposes of Section 401(a)(31),  
7 Section 3405(c) or Section 402(f) of the Internal Revenue Code of  
8 1986, as amended;

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

1       3. "Distributee" means an employee or former employee. In  
2 addition, effective June 7, 1993, the employee's or former  
3 employee's surviving spouse and the employee's or former employee's  
4 spouse or former spouse who is the alternate payee under a qualified  
5 domestic order, as defined in subsection B of Section 50-124 of this  
6 title, are Distributees with regard to the interest of the spouse or  
7 the former spouse. Effective for distributions after December 31,  
8 2006, a Distributee also includes the member's nonspouse designated  
9 beneficiary, pursuant to Section 401(a)(9)(E) of the Internal  
10 Revenue Code of 1986, as amended. ~~In the case of a nonspouse~~  
11 ~~beneficiary, the, who may only elect a Direct Rollover (to the~~  
12 ~~extent such Distributee does not receive a lump sum payment) may be~~  
13 ~~made only~~ to an individual retirement account or annuity (other than  
14 an endowment contract) described in Section 408(a) or (b) of the  
15 Internal Revenue Code of 1986, as amended, (IRA), that is  
16 established on behalf of such designated beneficiary and that will  
17 be treated as an inherited IRA pursuant to the provisions of Section  
18 402(c)(11) of the Internal Revenue Code of 1986, as amended. Also,  
19 in this case, the determination of any required minimum distribution  
20 under Section 401(a)(9) of the Internal Revenue Code of 1986, as  
21 amended, that is ineligible for rollover shall be made in accordance  
22 with Notice 2007-7, Q&A 17 and 18, 2007-5 I.R.B. 395. The required  
23 minimum distribution rules of Section 401(a)(9)(B) (other than  
24

1 clause iv thereof) of the Internal Revenue Code of 1986, as amended,  
2 apply to the transferee IRA; and

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

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

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

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

23 D. Prior to January 1, 2010, a distribution with respect to a  
24 nonspouse designated beneficiary shall be made in accordance with

1 Notice 2007-7, Q&A 15, 2007-5 Internal Revenue Bulletin 395.  
2 Effective January 1, 2010, a distribution with respect to a  
3 nonspouse designated beneficiary shall be subject to Sections  
4 401(a)(31), 402(f), and 3405(c) of the Internal Revenue Code of  
5 1986, as amended.

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

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

22 1. The transfer is treated as an eligible rollover distribution  
23 for purposes of Section 402(c)(11) of the Internal Revenue Code of  
24 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  
24 heretofore left, or hereafter may leave said department because of

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

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

1 for such service only in the retirement system from which the member  
2 first retires.

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

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

9 a. April 6, 1917, to November 11, 1918, commonly referred  
10 to as World War I,

11 b. September 16, 1940, to December 7, 1941, as a member  
12 of the 45th Division,

13 c. December 7, 1941, to December 31, 1946, commonly  
14 referred to as World War II,

15 d. June 27, 1950, to January 31, 1955, commonly referred  
16 to as the Korean Conflict or the Korean War,

17 e. February 28, 1961, to May 7, 1975, commonly referred  
18 to as the Vietnam era, except that:

19 (1) for the period from February 28, 1961, to August  
20 4, 1964, military service shall only include  
21 service in the Republic of Vietnam during that  
22 period, and

23

24

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

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

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

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

16 D. Effective December 12, 1994, a leave of absence on account  
17 of a period of "qualified military service" in the uniformed  
18 services of the United States (within the meaning of Section  
19 414(u) (5) of the Internal Revenue Code of 1986), followed by a  
20 return to the service of the participating municipality within  
21 ninety (90) days after the completion of the period of service,  
22 shall constitute credited service. Notwithstanding any provision  
23 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 Services Employment and  
5 Reemployment Rights Act of 1994, as amended (USERRA). The  
6 municipality'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 7.        AMENDATORY        47 O.S. 2001, Section 2-305.1A, as  
17 last amended by Section 9, Chapter 177, O.S.L. 2008 (47 O.S. Supp.  
18 2009, Section 2-305.1A), is amended to read as follows:

19        Section 2-305.1A A. This section applies to distributions made  
20 on or after January 1, 1993. Notwithstanding any provision of the  
21 System to the contrary that would otherwise limit a Distributee's  
22 election hereunder, a Distributee, including a nonspouse designated  
23 beneficiary, to the extent permitted under paragraph 3 of subsection  
24 B of this section, may elect, at the time and in the manner

1 prescribed by the Board, to have any portion of an Eligible Rollover  
2 Distribution paid directly to ~~an~~:

3 1. An Eligible Retirement Plan; or

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

9 B. As used in this section:

10 1. "Eligible Rollover Distribution" means any distribution of  
11 all or any portion of the balance to the credit of the Distributee,  
12 except that an Eligible Rollover Distribution does not include: any  
13 distribution that is one of a series of substantially equal periodic  
14 payments (not less frequently than annually) made for the life (or  
15 life expectancy) of the Distributee or the joint lives (or life  
16 expectancies) of the Distributee and the Distributee's designated  
17 beneficiary, or for a specified period of ten (10) years or more;  
18 any distribution to the extent such distribution is required under  
19 Section 401(a)(9) of the Internal Revenue Code of 1986, as amended;  
20 and the portion of any distribution that is not includable in gross  
21 income. Effective January 1, 2002, a portion of a distribution  
22 shall not fail to be an Eligible Rollover Distribution merely  
23 because the portion consists of after-tax member contributions which  
24

1 are not includable in gross income. However, such portion may be  
2 ~~paid~~ transferred only:

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

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

7 (2) in a direct trustee-to-trustee transfer, to a  
8 qualified trust which is part of a defined  
9 contribution plan ~~described in Section 401(a) or~~  
10 ~~403(a) of the Internal Revenue Code of 1986, as~~  
11 ~~amended, and which~~ that agrees to separately  
12 account for amounts so transferred, including  
13 separately accounting for the portion of such  
14 distribution which is includable in gross income  
15 and the portion of such distribution which is not  
16 so includable; and

17 b. on or after January 1, 2007, ~~to:~~

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

21 (2) in a direct trustee-to-trustee transfer to a  
22 qualified trust ~~described in Section 401(a) or~~  
23 ~~403(a) of the Internal Revenue Code of 1986, as~~  
24 ~~amended,~~ or an annuity contract described in

1 Section 403(b) of the Internal Revenue Code of  
2 1986, as amended, and such trust or annuity  
3 contract provides for separate accounting for  
4 amounts so transferred (and earnings thereon),  
5 including separately accounting for the portion  
6 of such distribution which is includable in gross  
7 income and the portion of such distribution which  
8 is not so includable.

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

18 2. "Eligible Retirement Plan" means an individual retirement  
19 account described in Section 408(a) of the Internal Revenue Code of  
20 1986, as amended, an individual retirement annuity described in  
21 Section 408(b) of the Internal Revenue Code of 1986, as amended, an  
22 annuity plan described in Section 403(a) of the Internal Revenue  
23 Code of 1986, as amended, or a qualified trust described in Section  
24 401(a) of the Internal Revenue Code of 1986, as amended, that

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

10 3. "Distributee" means an employee or former employee. In  
11 addition, effective June 7, 1993, the employee's or former  
12 employee's surviving spouse and the employee's or former employee's  
13 spouse or former spouse who is the alternate payee under a qualified  
14 domestic order, as defined in subsection B of Section 2-303.3 of  
15 this title, are Distributees with regard to the interest of the  
16 spouse or the former spouse. Effective for distributions after  
17 December 31, 2006, a Distributee also includes the member's  
18 nonspouse designated beneficiary, pursuant to Section 401(a)(9)(E)  
19 of the Internal Revenue Code of 1986, as amended. ~~In the case of a~~  
20 ~~nonspouse beneficiary, the, who may only elect a Direct Rollover may~~  
21 ~~be made only~~ (to the extent such Distributee does not receive a lump  
22 sum payment) to an individual retirement account or annuity (other  
23 than an endowment contract) described in Section 408(a) or (b) of  
24 the Internal Revenue Code of 1986, as amended, ("IRA"), that is

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

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

17 C. At least thirty (30) days before and, effective January 1,  
18 2007, not more than one hundred eighty (180) days before the date of  
19 distribution, the Distributee (other than a nonspouse designated  
20 beneficiary prior to January 1, 2010) must be provided with a notice  
21 of rights which satisfies Section 402(f) of the Internal Revenue  
22 Code of 1986, as amended, as to rollover options and tax effects.  
23 Such distribution may commence less than thirty (30) days after the  
24 notice is given, provided that:

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

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

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

10 Effective January 1, 2010, a distribution with respect to a  
11 nonspouse designated beneficiary shall be subject to Sections  
12 401(a)(31), 402(f) and 3405(c) of the Internal Revenue Code of 1986,  
13 as amended.

14        SECTION 8.        AMENDATORY        Section 9, Chapter 152, O.S.L.  
15 2007, as amended by Section 10, Chapter 169, O.S.L. 2009 (47 O.S.  
16 Supp. 2009, Section 2-305.1B), is amended to read as follows:

17        Section 2-305.1B A. An individual who has been designated,  
18 pursuant to Section 401(a)(9)(E) of the Internal Revenue Code of  
19 1986, as amended, as the beneficiary of a deceased member and who is  
20 not the surviving spouse of the member, may elect, in accordance  
21 with Section 402(c)(11) of the Internal Revenue Code of 1986, as  
22 amended, and at the time and in the manner prescribed by the Board,  
23 to have a direct trustee-to-trustee transfer of any portion of such  
24 beneficiary's lump-sum distribution from the Oklahoma Law

1 Enforcement Retirement System after December 31, 2006, made to an  
2 individual retirement account or individual retirement annuity  
3 (other than an endowment contract) described in Section 408(a) or  
4 (b) of the Internal Revenue Code of 1986, as amended (IRA), that is  
5 established on behalf of such designated individual. If such  
6 transfer is made, then:

7 1. The transfer is treated as an eligible rollover distribution  
8 for purposes of Section 402(c)(11) of the Internal Revenue Code of  
9 1986, as amended;

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

15 3. The required minimum distribution rules of Section  
16 401(a)(9)(B), other than clause iv thereof, of the Internal Revenue  
17 Code of 1986, as amended, apply to the transferee IRA.

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

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

23 SECTION 9. AMENDATORY 47 O.S. 2001, Section 2-305.2, as  
24 last amended by Section 20, Chapter 46, 2nd Extraordinary Session,

1 O.S.L. 2006 (47 O.S. Supp. 2009, Section 2-305.2), is amended to  
2 read as follows:

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

11 B. For purposes of this section, participating service shall  
12 include service credit recognized pursuant to paragraphs (c) and (d)  
13 of Section 2-307, subsection B of Section 2-307.2, and Sections 2-  
14 309.1, 2-309.2, 2-309.3, 2-309.4, 2-309.5, 2-309.6 and 2-309.7 of  
15 this title but for eligibility purposes only.

16 C. The duration of participation in the Oklahoma Law  
17 Enforcement Deferred Option Plan for a member shall not exceed five  
18 (5) years. Participation in the Oklahoma Law Enforcement Deferred  
19 Option Plan must begin the first day of a month and end on the last  
20 day of the month. At the conclusion of a member's participation in  
21 the Oklahoma Law Enforcement Deferred Option Plan, the member shall  
22 terminate employment as a member of the Oklahoma Law Enforcement  
23 Retirement System, and shall start receiving the member's accrued  
24 monthly retirement benefit from the System. Such a member may

1 continue to receive in-service distributions of such member's  
2 accrued monthly retirement benefit from the System if the member is  
3 reemployed by a state agency only if such reemployment is in a  
4 position not covered under the System.

5 D. When a member begins participation in the Oklahoma Law  
6 Enforcement Deferred Option Plan, the contribution of the member  
7 shall cease. The employer contributions shall continue to be paid  
8 in accordance with Section 2-304 of this title. Employer  
9 contributions for members who elect the Oklahoma Law Enforcement  
10 Deferred Option Plan shall be credited equally to the Oklahoma Law  
11 Enforcement Retirement System and to the member's Oklahoma Law  
12 Enforcement Deferred Option Plan account. The monthly retirement  
13 benefits that would have been payable had the member elected to  
14 cease employment and receive a service retirement shall be paid into  
15 the member's Oklahoma Law Enforcement Deferred Option Plan account.

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

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

24

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

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

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

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

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

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

18 G. If the member dies during the period of participation in the  
19 Oklahoma Law Enforcement Deferred Option Plan, a lump-sum payment  
20 equal to the account balance of the member shall be paid to the  
21 designated beneficiary as defined in paragraph 17 of Section 2-300  
22 of this title, or if there is no designated beneficiary or the  
23 designated beneficiary predeceases the member, to the estate of the  
24 member. If such member was receiving, or eligible to receive, an

1 in-line-of-duty disability pension pursuant to subsection E or F of  
2 Section 2-305 of this title at the time of death, payment of the  
3 account balance shall be an in-line-of-duty disability payment.

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

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

11 a. "back drop date" means the date selected by the member  
12 which is up to five (5) years before the member elects  
13 to participate in the Oklahoma Law Enforcement  
14 Deferred Option Plan, but not before the date at which  
15 the member completes twenty (20) years of  
16 participating service,

17 b. "termination date" means the date the member elects to  
18 participate in the Oklahoma Law Enforcement Deferred  
19 Option Plan pursuant to this subsection and the date  
20 the member terminates employment and starts receiving  
21 the member's accrued monthly retirement benefit from  
22 the System. Such termination has at all times  
23 included reemployment of a member by a state agency,  
24 but only in a position not covered under the System,

1 c. "earlier attained participating service" means the  
2 participating service earned by a member as of the  
3 back drop date. Earlier attained participating  
4 service cannot be reduced to less than twenty (20)  
5 years of participating service, and

6 d. "deferred benefit balance" means all retirement  
7 benefits that would have been paid from the back drop  
8 date to the termination date, and one half (1/2) of  
9 the employer contributions from the back drop date to  
10 the termination date, with interest based on how the  
11 benefit would have accumulated on a compound annual  
12 basis as if the member had participated in the  
13 Oklahoma Law Enforcement Deferred Option Plan pursuant  
14 to subsections A, B, C, D and E of this section from  
15 the back drop date to the termination date;

16 2. At the termination date, a member's monthly pension benefit  
17 shall be determined based on the earlier attained participating  
18 service and on the final average salary as of the back drop date.  
19 The member's individual deferred option account shall be credited  
20 with an amount equal to the deferred benefit balance; the member  
21 shall terminate employment and shall start receiving the member's  
22 accrued monthly retirement benefit from the System. The member  
23 shall, upon application filed with the Board, be refunded from the  
24 fund an amount equal to the accumulated contributions the member

1 made to the fund from the back drop date to the termination date,  
2 but excluding any interest. Such termination has at all times  
3 included reemployment of a member by a state agency, but only in a  
4 position not covered under the System. The provisions of  
5 subsections B, C, E, F and G of this section shall apply to this  
6 subsection; and

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

20 SECTION 10. AMENDATORY 47 O.S. 2001, Section 2-305.4, as  
21 last amended by Section 11, Chapter 169, O.S.L. 2009 (47 O.S. Supp.  
22 2009, Section 2-305.4), is amended to read as follows:

23 Section 2-305.4 A. For limitation years prior to July 1, 2007,  
24 the limitations of Section 415 of the Internal Revenue Code of 1986,

1 as amended, shall be computed in accordance with the applicable  
2 provisions of the System in effect at that time and, to the extent  
3 applicable, Revenue Ruling 98-1 and Revenue Ruling 2001-51, except  
4 as provided below. Notwithstanding any other provision contained  
5 herein to the contrary, the benefits payable to a member from the  
6 Oklahoma Law Enforcement Retirement System provided by employer  
7 contributions (including contributions picked up by the employer  
8 under Section 414(h) of the Internal Revenue Code of 1986, as  
9 amended), shall be subject to the limitations of Section 415 of the  
10 Internal Revenue Code of 1986, as amended, in accordance with the  
11 provisions of this section. The limitations of this section shall  
12 apply in limitation years beginning on or after July 1, 2007, except  
13 as otherwise provided below.

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

1 1986, as amended, shall apply to a member who has had a separation  
2 from employment.

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

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

21 a. survivor benefits payable to a surviving spouse under  
22 a qualified joint and survivor annuity to the extent  
23 such benefits would not be payable if the member's  
24 benefit were paid in another form,

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

20           3.    The determination of the annual benefit shall take into  
21    account Social Security supplements described in Section 411(a)(9)  
22    of the Internal Revenue Code of 1986, as amended, and benefits  
23    transferred from another defined benefit plan, other than transfers  
24    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

23 (2) the cessation or reduction of Social Security  
24 supplements or qualified disability payments (as

1 defined in Section ~~401(a)(11)~~ 411(a)(9) of the  
2 Internal Revenue Code of 1986, as amended).

3 c. Limitation Years Beginning Before July 1, 2007. For  
4 limitation years beginning before July 1, 2007, the  
5 actuarially equivalent straight life annuity is equal  
6 to the annual amount of the straight life annuity  
7 commencing at the same annuity starting date that has  
8 the same actuarial present value as the member's form  
9 of benefit computed using whichever of the following  
10 produces the greater annual 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 for  
14 adjusting benefits in the same form, and  
15 (2) a five percent (5%) interest rate assumption and  
16 the applicable mortality table described in  
17 Revenue Ruling 2001-62 (or its successor for  
18 these purposes, if applicable) for that annuity  
19 starting date.

20 d. Limitation Years Beginning On Or After July 1, 2007.  
21 For limitation years beginning on or after July 1,  
22 2007, the actuarially equivalent straight life annuity  
23 is equal to the greater of:  
24

1 (1) the annual amount of the straight life annuity,  
2 if any, payable to the member under the System  
3 commencing at the same annuity starting date as  
4 the member's form of benefit, and

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

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

21 a. Annuity Starting Date in Plan Years Beginning After  
22 ~~2005~~ December 31, 2007 (Plan Years beginning on or  
23 after July 1, 2008). If the annuity starting date of  
24 the member's form of benefit is in a plan year

1 beginning after ~~2005~~ December 31, 2007, the  
2 actuarially equivalent straight life annuity is equal  
3 to the greatest of (1), (2) or (3) below:

4 (1) 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 the  
8 interest rate and the mortality table or other  
9 tabular factor, each as set forth in subsection H  
10 of Section 2-303.1 of this title for adjusting  
11 benefits in the same form,

12 (2) 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 a five  
16 and one-half percent (5.5%) interest rate  
17 assumption and the applicable mortality table  
18 described in Revenue Ruling 2001-62 (or its  
19 successor for these purposes, if applicable), and

20 (3) 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:  
24

1           (a) the adjusted first, second, and third segment  
2           rates under Section 417(e) (3) (C) and (D) of  
3           the Internal Revenue Code of 1986, as  
4           amended, applied under rules similar to the  
5           rules of Section 430(h) (2) (C) of the Internal  
6           Revenue Code of 1986, as amended, for the  
7           fourth calendar month preceding the plan year  
8           in which falls the annuity starting date for  
9           the distribution and the stability period is  
10           the successive period of one (1) plan year  
11           which contains the annuity starting date for  
12           the distribution and for which the applicable  
13           interest rate remains constant, or as  
14           otherwise provided in the applicable guidance  
15           if the first day of the first plan year  
16           beginning after December 31, 2007, does not  
17           coincide with the first day of the applicable  
18           stability period, 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. Annuity Starting Date in Plan Years Beginning in 2006  
24           or 2007. If the annuity starting date of the member's

1 form of benefit is in a Plan Year beginning in 2006 or  
2 2007, the actuarially equivalent straight life annuity  
3 is equal to the greatest of (1), (2) or (3) below:

4 (1) 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 the  
8 interest rate and the mortality table (or other  
9 tabular factor) each as set forth in subsection H  
10 of Section 2-303.1 of this title for adjusting  
11 benefits in the same form,

12 (2) 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 a five  
16 and one-half percent (5.5%) interest rate  
17 assumption and the applicable mortality table  
18 described in Revenue Ruling 2001-62 (or its  
19 successor for these purposes, if applicable), and

20 (3) 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:  
24

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

17 ~~b.~~

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

20 (1) If the annuity starting date of the member's form  
21 of benefit is in a plan year beginning in 2004 or  
22 2005, the actuarially equivalent straight life  
23 annuity is equal to the annual amount of the  
24 straight life annuity commencing at the same

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

5 (a) the interest rate and the mortality table or  
6 other tabular factor, each as set forth in  
7 subsection H of Section 2-303.1 of this  
8 title for adjusting benefits in the same  
9 form, and

10 (b) a five and one-half percent (5.5%) interest  
11 rate assumption and the applicable mortality  
12 table described in Revenue Ruling 2001-62  
13 (or its successor for these purposes, if  
14 applicable).

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

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

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

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

1                   ii. the applicable mortality table  
2                   described in Revenue Ruling 2001-62 (or  
3                   its successor for these purposes, if  
4                   applicable), and

5           (c) i. the rate of interest on thirty-year  
6           Treasury securities as specified by the  
7           Commissioner for the lookback month for  
8           the stability period specified below.  
9           The lookback month applicable to the  
10          stability period is the fourth calendar  
11          month preceding the first day of the  
12          stability period, as specified below.  
13          The stability period is the successive  
14          period of one (1) plan year which  
15          contains the annuity starting date for  
16          the distribution and for which the  
17          applicable interest rate remains  
18          constant (as in effect on the last day  
19          of the last plan year beginning before  
20          January 1, 2004, under provisions of  
21          the System then adopted and in effect),  
22          and

23                   ii. the applicable mortality table  
24                   described in Revenue Ruling 2001-62 (or

1 its successor for these purposes, if  
2 applicable).

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

10 C. If a member has less than ten (10) years of participation in  
11 the System and all predecessor pension and retirement systems, the  
12 dollar limitation otherwise applicable under subsection B of this  
13 section shall be multiplied by a fraction, the numerator of which is  
14 the number of the years of participation in the System of the  
15 member, but never less than one (1), and the denominator of which is  
16 ten (10).

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

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

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

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

23

24

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

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

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

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

- 12 (2) System Has Immediately Commencing Straight Life  
13 Annuity Payable at Both Sixty-two (62) Years of  
14 Age and the Age of Benefit Commencement. If the  
15 annuity starting date for the member's benefit is  
16 prior to sixty-two (62) years of age and occurs  
17 in a limitation year beginning on or after July  
18 1, 2007, and the System has an immediately  
19 commencing straight life annuity payable at both  
20 sixty-two (62) years of age and the age of  
21 benefit commencement, the dollar limitation for  
22 the member's annuity starting date is the lesser  
23 of the limitation determined under division (1)  
24 of subparagraph b of this paragraph and the

1           dollar limitation under subsection B of this  
2           section (adjusted under subsection C of this  
3           section for years of participation less than ten  
4           (10), if required) multiplied by the ratio of the  
5           annual amount of the immediately commencing  
6           straight life annuity under the System at the  
7           member's annuity starting date to the annual  
8           amount of the immediately commencing straight  
9           life annuity under the System at sixty-two (62)  
10          years of age, both determined without applying  
11          the ~~limitation~~ limitations of this section.

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

14          a. Limitation Years Beginning Before July 1, 2007. If  
15          the annuity starting date for the member's benefit is  
16          after sixty-five (65) years of age and occurs in a  
17          limitation year beginning before July 1, 2007, the  
18          dollar limitation for the member's annuity starting  
19          date is the annual amount of a benefit payable in the  
20          form of a straight life annuity commencing at the  
21          member's annuity starting date that is the actuarial  
22          equivalent of the dollar limitation under subsection B  
23          of this section (adjusted under subsection C of this  
24          section for years of participation less than ten (10),

1 if required) with actuarial equivalence computed using  
2 whichever of the following produces the smaller annual  
3 amount:

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

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

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

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

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

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

1 five (65) years of age is the annual amount of  
2 such annuity that would be payable under the  
3 System to a hypothetical member who is sixty-five  
4 (65) years of age and has the same accrued  
5 benefit as the member.

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

19 4. Notwithstanding any other provision to the contrary, for  
20 limitation years beginning on or after January 1, 1997, if payment  
21 begins before the member reached sixty-two (62) years of age, the  
22 reductions in the limitations in this subsection shall not apply to  
23 a member who is a "qualified participant" as defined in Section  
24 415(b)(2)(H) of the Internal Revenue Code of 1986, as amended.

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

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

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

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

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

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

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

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

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

22 H. Effective for years beginning after December 31, 1997, if a  
23 member repays to the System any amounts received because of the  
24 member's prior termination pursuant to paragraph 3 of subsection (b)

1 of Section 2-307 of this title, such repayment shall not be taken  
2 into account for purposes of Section 415 of the Internal Revenue  
3 Code of 1986, as amended, pursuant to Section 415(k)(3) of the  
4 Internal Revenue Code of 1986, as amended.

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

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

16 K. The Board is hereby authorized to revoke the special  
17 election previously made under Internal Revenue Code Section  
18 415(b)(10).

19 SECTION 11. AMENDATORY 47 O.S. 2001, Section 2-307, as  
20 last amended by Section 12, Chapter 169, O.S.L. 2009 (47 O.S. Supp.  
21 2009, Section 2-307), is amended to read as follows:

22 Section 2-307. (a) In the event a member of the System obtains  
23 a leave of absence, of not to exceed ninety (90) days at any one  
24 time, because of injury or illness or for any personal reason other

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

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

24

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  
24 Section 457(b) which is maintained by an eligible

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

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

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

13 (c) In determining the eligibility of a member for retirement  
14 based upon length of service, any service in the Armed Forces of the  
15 United States or any component thereof between the 16th day of  
16 September, 1940, and the 30th day of June, 1954, and any service in  
17 the Armed Forces of the United States or any component thereof upon  
18 call of the President of the United States or of the Governor of the  
19 State of Oklahoma, together with such prior service, as would have  
20 been otherwise considered as service for retirement for length of  
21 service, shall be considered as service for length of service,  
22 provided that the member returns and files application for  
23 reinstatement as a member of the System within ninety (90) days  
24 after the member's release, or opportunity for release, from such

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

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

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

21 1. Contributions, benefits and service credit with respect to  
22 qualified military service shall be provided in accordance with  
23 Section 414(u) of the Internal Revenue Code of 1986, as amended,  
24 which is in accordance with the Uniformed Service Employment and

1 Reemployment Rights Act of 1994, as amended (USERRA). The  
2 employer's contributions to the System for a member covered by  
3 USERRA are due when such a member makes up his or her contributions  
4 that were missed due to his or her qualified military service; and

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

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

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