

1 ENGROSSED SENATE  
2 BILL NO. 1214

By: Brown of the Senate

3 and

4 Moore of the House

5  
6 An Act relating to compliance with Internal Revenue  
7 Service regulations; amending 11 O.S. 2011, Sections  
8 50-105.4, 50-106, 50-114.1, 50-114.2 and 50-114.3,  
9 which relate to the Oklahoma Police Pension and  
10 Retirement System; allowing assets of the System to  
11 be invested in certain funds or trusts; authorizing  
12 the use of electronic media under certain conditions;  
13 modifying dates regarding certain distributions;  
14 specifying value of certain annuities; providing that  
15 a Roth IRA is an Eligible Retirement Plan; modifying  
16 definitions; authorizing a nonspouse designated  
17 beneficiary to directly rollover a distribution to a  
18 Roth IRA; and declaring an emergency.

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

20 SECTION 1. AMENDATORY 11 O.S. 2011, Section 50-105.4, is  
21 amended to read as follows:

22 Section 50-105.4. A. The Oklahoma Police Pension and  
23 Retirement Board shall discharge their duties with respect to the  
24 System solely in the interest of the participants and beneficiaries  
and:

1. For the exclusive purpose of:

- a. providing benefits to participants and their  
beneficiaries, and

1           b.    defraying reasonable expenses of administering the  
2                    System;

3           2.    With the care, skill, prudence, and diligence under the  
4 circumstances then prevailing that a prudent person acting in a like  
5 capacity and familiar with such matters would use in the conduct of  
6 an enterprise of a like character and with like aims;

7           3.    By diversifying the investments of the System so as to  
8 minimize the risk of large losses, unless under the circumstances it  
9 is clearly prudent not to do so; and

10          4.    In accordance with the laws, documents and instruments  
11 governing the System.

12          B.    The State Board may procure insurance indemnifying the  
13 members of the State Board from personal loss or accountability from  
14 liability resulting from a member's action or inaction as a member  
15 of the State Board.

16          C.    The State Board may establish an investment committee. The  
17 investment committee shall be composed of not more than five (5)  
18 members of the State Board appointed by the chairman of the State  
19 Board. The committee shall make recommendations to the full State  
20 Board on all matters related to the choice of custodians and  
21 managers of the assets of the System, on the establishment of  
22 investment and fund management guidelines, and in planning future  
23 investment policy. The committee shall have no authority to act on  
24 behalf of the State Board in any circumstances whatsoever. No

1 recommendation of the committee shall have effect as an action of  
2 the State Board nor take effect without the approval of the State  
3 Board as provided by law.

4 D. The State Board shall retain qualified investment managers  
5 to provide for the investment of the monies of the System. The  
6 investment managers shall be chosen by a solicitation of proposals  
7 on a competitive bid basis pursuant to standards set by the State  
8 Board unless the State Board deems it necessary and prudent to do  
9 otherwise to fulfill its fiduciary responsibility. Subject to the  
10 overall investment guidelines set by the State Board, the investment  
11 managers shall have full discretion in the management of those  
12 monies of the System allocated to the investment managers. The  
13 State Board shall manage those monies not specifically allocated to  
14 the investment managers. The monies of the System allocated to the  
15 investment managers shall be actively managed by the investment  
16 managers, which may include selling investments and realizing losses  
17 if such action is considered advantageous to longer term return  
18 maximization. Because of the total return objective, no distinction  
19 shall be made for management and performance evaluation purposes  
20 between realized and unrealized capital gains and losses.

21 E. Funds and revenues for investment by the investment managers  
22 or the State Board shall be placed with a custodian selected by the  
23 State Board. The custodian shall be a bank or trust company  
24 offering pension fund master trustee and master custodial services

1 and any related custodial agreement or trust agreement is  
2 incorporated herein by reference. The custodian shall be chosen by  
3 a solicitation of proposals on a competitive basis pursuant to  
4 standards set by the State Board. In compliance with the investment  
5 policy guidelines of the State Board, the custodian bank or trust  
6 company shall be contractually responsible for ensuring that all  
7 monies of the System are invested in income-producing investment  
8 vehicles at all times. If a custodian bank or trust company has not  
9 received direction from the investment managers of the System as to  
10 the investment of the monies of the System in specific investment  
11 vehicles, the custodian bank or trust company shall be contractually  
12 responsible to the State Board for investing the monies in  
13 appropriately collateralized short-term interest-bearing investment  
14 vehicles. Any assets of the System may be invested in a collective  
15 investment fund or in a group trust that satisfies the requirements  
16 of Rev. Rul. 81-100, as further amended by Rev. Rul. 2004-67, Rev.  
17 Rul. 2008-40, and Rev. Rul. 2011-1, and as subsequently amended by  
18 future guidance. Each such collective investment fund or group  
19 trust is adopted, with respect to any monies invested therein, as  
20 part of the System, its trust, and custodial account and each such  
21 declaration of trust or trust agreement and related adoption,  
22 participation, investment management, subtrust or other agreements,  
23 as amended from time to time, with respect to any monies invested  
24 therein, are incorporated by reference into the System, its trust

1 agreement(s) or custodial agreement(s), upon approval by the State  
2 Board.

3 F. By November 1, 1988, and prior to August 1 of each year  
4 thereafter, the State Board shall develop a written investment plan  
5 for the System.

6 G. After July 1 and before November 1 of each year, the State  
7 Board shall publish widely an annual report presented in simple and  
8 easily understood language pursuant to uniform reporting standards  
9 prescribed by the Oklahoma State Pension Commission for all state  
10 retirement systems. The report shall be submitted to the Governor,  
11 the Speaker of the House of Representatives, the President Pro  
12 Tempore of the Senate, the Oklahoma State Pension Commission and the  
13 members of the System. The annual report shall cover the operation  
14 of the System during the past fiscal year, including income,  
15 disbursements, and the financial condition of the System at the end  
16 of the fiscal year. The annual report shall also contain a summary  
17 of the results of the most recent actuarial valuation to include  
18 total assets, total liabilities, unfunded liability or over funded  
19 status, contributions and any other information deemed relevant by  
20 the State Board. The annual report shall be written in such a  
21 manner as to permit a readily understandable means for analyzing the  
22 financial condition and performances of the System for the fiscal  
23 year.

24

1 H. The State Board shall adopt a cost of living adjustment  
2 actuarial assumption in its annual actuarial valuation report.

3 SECTION 2. AMENDATORY 11 O.S. 2011, Section 50-106, is  
4 amended to read as follows:

5 Section 50-106. The State Board shall, in addition to other  
6 powers herein granted, have power to:

7 1. Compel witnesses to attend and testify before it upon all  
8 matters connected with the operations of this article or ordinances  
9 enacted by any municipality relative to the System, and in the same  
10 manner as is or may be provided by law for the taking of testimony  
11 before notaries public; and its Chairman or any member of the State  
12 Board may administer oaths to such witnesses;

13 2. Provide for the payment of all its necessary expenses, and  
14 pay for actuarial, legal and such other services as shall be  
15 required to transact the business of the System;

16 3. Provide all rules and regulations necessary for its guidance  
17 in conformity with the provisions of this article including the  
18 physical requirements for eligibility for initial membership in the  
19 System. In connection with such authority, on or after July 1,  
20 2011, the State Board may permit, effective for applicable notices,  
21 elections and consents provided or made for a member, beneficiary,  
22 alternate payee or individual entitled to benefits under the System,  
23 the use of electronic media to provide such applicable notices and  
24

1 make such elections and consents as described in Section 1.401(a)-21  
2 of the Income Tax Regulations;

3 4. For the purpose of meeting disbursements for pensions and  
4 other payments, to keep on deposit in one or more banks, trust  
5 companies or savings and loan associations, to the extent that such  
6 deposit is insured, what it considers an adequate amount of cash.  
7 No trustee or employee of the State Board shall, directly or  
8 indirectly, for himself or as an agent, in any manner use the assets  
9 of the System, except to make such current and necessary payments as  
10 are authorized by the State Board, nor shall any trustee or employee  
11 of the State Board become an endorser or surety or become in any  
12 manner an obligor for monies loaned by or borrowed from the State  
13 Board; and

14 5. Effective July 1, 1999, do all acts and things necessary and  
15 proper to carry out the purpose of the System and to make the least  
16 costly amendments and changes, if any, as may be necessary to  
17 qualify the System under the applicable sections of the Internal  
18 Revenue Code of 1986, as amended.

19 SECTION 3. AMENDATORY 11 O.S. 2011, Section 50-114.1, is  
20 amended to read as follows:

21 Section 50-114.1. A. For limitation years prior to July 1,  
22 2007, the limitations of Section 415 of the Internal Revenue Code of  
23 1986, as amended, shall be computed in accordance with the  
24 applicable provisions of the System in effect at that time and, to

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

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

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

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

- 18            a. survivor benefits payable to a surviving spouse under a  
19                qualified joint and survivor annuity to the extent such  
20                benefits would not be payable if the member's benefit  
21                were paid in another form,
- 22            b. benefits that are not directly related to retirement  
23                benefits (such as a qualified disability benefit,

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

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

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

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

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

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

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

21           (2) the cessation or reduction of Social Security  
22 supplements or qualified disability payments (as  
23 defined in Section 411(a)(9) of the Internal  
24 Revenue Code of 1986, as amended).

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

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

13 (2) a five percent (5%) interest rate assumption and  
14 the applicable mortality table described in Rev.  
15 Rul. 2001-62 (or its successor for these purposes,  
16 if applicable) for that annuity starting date.

17 d. Limitation ~~Years~~ Year Beginning On ~~Or After July 1,~~  
18 ~~2007~~ January 1, 2008. For the limitation ~~years~~ year  
19 beginning on ~~or after July 1, 2007~~ January 1, 2008, the  
20 actuarially equivalent straight life annuity is equal  
21 to the greater of:

22 (1) the annual amount of the straight life annuity (if  
23 any) payable to the member under the System  
24

1 commencing at the same annuity starting date as  
2 the member's form of benefit, and

- 3 (2) 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 a five  
7 percent (5%) interest rate assumption and the  
8 applicable mortality table described in Rev. Rul.  
9 2001-62 (or its successor for these purposes, if  
10 applicable) for that annuity starting date.

11 e. Limitation Years Beginning On or After July 1, 2008.

12 For limitation years beginning on or after July 1,  
13 2008, the actuarially equivalent straight life annuity  
14 is equal to the greater of:

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

19 (2) the annual amount of the straight life annuity  
20 commencing at the same annuity starting date that  
21 has the same actuarial present value as the  
22 member's form of benefit, computed using a five  
23 percent (5%) interest rate assumption and the  
24 applicable mortality table within the meaning of

1                   Section 417(e) (B) of the Internal Revenue Code of  
2                   1986, as amended, as described in Rev. Rul. 2007-  
3                   67 (and subsequent guidance) for that annuity  
4                   starting date.

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

- 12           a. Annuity Starting Date ~~in Plan Years Beginning After~~  
13           ~~December 31, 2007 (Plan Years beginning on or after~~  
14           ~~July 1, 2008)~~ January 1, 2009. If the annuity starting  
15           date of the member's form of benefit is in the period  
16           beginning on January 1, 2009, through June 30, 2009, or  
17           in a plan year beginning after ~~December 31, 2007~~ June  
18           30, 2009, the actuarially equivalent straight life  
19           annuity is equal to the greatest of (1), (2) ~~or~~ and (3)  
20           below:

- 21           (1) the annual amount of the straight life annuity  
22           commencing at the same annuity starting date that  
23           has the same actuarial present value as the  
24           member's form of benefit, computed using the

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

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 and one-half percent (5.5%) interest rate  
10 assumption and the applicable mortality table  
11 within the meaning of Section 417 (e) (3) (B) of the  
12 Internal Revenue Code of 1986, as amended, as  
13 described in Rev. Rul. 2007-67 (and subsequent  
14 guidance), and

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

19 (a) the adjusted first, second, and third segment  
20 rates under Section 417(e) (3) (C) and (D) of  
21 the Internal Revenue Code of 1986, as  
22 amended, applied under rules similar to the  
23 rules of Section 430(h) (2) (C) of the Internal  
24 Revenue Code of 1986, as amended, for the

1 fourth calendar month preceding the plan year  
2 in which falls the annuity starting date for  
3 the distribution and the stability period is  
4 the successive period of one (1) plan year  
5 which contains the annuity starting date for  
6 the distribution and for which the applicable  
7 interest rate remains constant, or as  
8 otherwise provided in the applicable guidance  
9 if the first day of the first plan year  
10 beginning after December 31, 2007, does not  
11 coincide with the first day of the applicable  
12 stability period, and

13 (b) the applicable mortality table within the  
14 meaning of Section 417(e) (3) (B) of the  
15 Internal Revenue Code of 1986, as amended, as  
16 described in Rev. Rul. 2007-67 (and  
17 subsequent guidance), divided by one and five  
18 one-hundredths (1.05).

19 b. Annuity Starting Date in the Period Beginning on July  
20 1, 2008 through December 31, 2008. If the annuity  
21 starting date of the member's form of benefit is in the  
22 period beginning on July 1, 2008, through December 31,  
23 2008, the actuarially equivalent straight life annuity  
24 is equal to the greatest of (1), (2) and (3) below:

- 1 (1) 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 the  
5 interest rate and the mortality table (or other  
6 tabular factor) each as set forth in subsection G  
7 of Section 50-105.4 of this title for adjusting  
8 benefits in the same form,
- 9 (2) 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 a five  
13 and one-half percent (5.5%) interest rate  
14 assumption and the applicable mortality table  
15 described in Rev. Rul. 2001-62 (or its successor  
16 for these purposes, if applicable), and
- 17 (3) 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:
- 21 (a) the adjusted first, second, and third segment  
22 rates under Section 417(e) (3) (C) and (D) of  
23 the Internal Revenue Code of 1986, as  
24 amended, applied under rules similar to the

1 rules of Section 430(h)(2)(C) of the Internal  
2 Revenue Code of 1986, as amended, for the  
3 fourth calendar month preceding the plan year  
4 in which falls the annuity starting date for  
5 the distribution and the stability period is  
6 the successive period of one (1) plan year  
7 which contains the annuity starting date for  
8 the distribution and for which the applicable  
9 interest rate remains constant, or as  
10 otherwise provided in the applicable guidance  
11 if the first day of the first plan year  
12 beginning after December 31, 2007, does not  
13 coincide with the first day of the applicable  
14 stability period, and

15 (b) the applicable mortality table described in  
16 Rev. Rul. 2001-62 (or its successor for these  
17 purposes, if applicable),

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

19 ~~b.~~

20 c. Annuity Starting Date in Plan Years Beginning in 2006  
21 or 2007. If the annuity starting date of the member's  
22 form of benefit is in a Plan Year beginning in 2006 or  
23 2007, the actuarially equivalent straight life annuity  
24 is equal to the greatest of (1), (2) ~~or~~ and (3) below:

1 (1) 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 the  
5 interest rate and the mortality table (or other  
6 tabular factor) each as set forth in subsection G  
7 of Section 50-105.4 of this title for adjusting  
8 benefits in the same form,

9 (2) 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 a five  
13 and one-half percent (5.5%) interest rate  
14 assumption and the applicable mortality table  
15 described in Rev. Rul. 2001-62 (or its successor  
16 for these purposes, if applicable), and

17 (3) 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:

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

1 applicable to the stability period is the  
2 fourth calendar month preceding the first day  
3 of the stability period, as specified below.  
4 The stability period is the successive period  
5 of one (1) plan year which contains the  
6 annuity starting date for the distribution  
7 and for which the applicable interest rate  
8 remains constant, and

9 (b) the applicable mortality table described in  
10 Rev. Rul. 2001-62 (or its successor for these  
11 purposes, if applicable),  
12 divided by one and five one-hundredths (1.05).

13 ~~e.~~

14 d. Annuity Starting Date in Plan Years Beginning in 2004  
15 or 2005:

16 (1) If the annuity starting date of the member's form  
17 of benefit is in a plan year beginning in 2004 or  
18 2005, the actuarially equivalent straight life  
19 annuity is equal to the annual amount of the  
20 straight life annuity commencing at the same  
21 annuity starting date that has the same actuarial  
22 present value as the member's form of benefit,  
23 computed using whichever of the following produces  
24 the greater annual amount:

1 (a) the interest rate and the mortality table (or  
2 other tabular factor) each as set forth in  
3 subsection G of Section 50-105.4 of this  
4 title for adjusting benefits in the same  
5 form, and

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

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

1 (a) the interest rate and mortality table (or  
2 other tabular factor) each as set forth in  
3 subsection G of Section 50-105.4 of this  
4 title for adjusting benefits in the same  
5 form,

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

20 (ii) the applicable mortality table described  
21 in Rev. Rul. 2001-62 (or its successor  
22 for these purposes, if applicable), and

23 (c) (i) the rate of interest on thirty-year  
24 Treasury securities as specified by the

1 Commissioner for the lookback month for  
2 the stability period specified below.

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

7 The stability period is the successive  
8 period of one (1) plan year which

9 contains the annuity starting date for  
10 the distribution and for which the

11 applicable interest rate remains

12 constant (as in effect on the last day

13 of the last plan year beginning before

14 January 1, 2004, under provisions of the

15 System then adopted and in effect), and

16 (ii) the applicable mortality table described

17 in Rev. Rul. 2001-62 (or its successor

18 for these purposes, if applicable).

19 C. If a member has less than ten (10) years of participation in  
20 the System and all predecessor municipal police pension and  
21 retirement systems, the dollar limitation otherwise applicable under  
22 subsection B of this section shall be multiplied by a fraction, the  
23 numerator of which is the number of the years of participation, or  
24

1 part thereof, in the System of the member, but never less than one  
2 (1), and the denominator of which is ten (10).

3 D. Adjustment of Dollar Limitation for Benefit Commencement

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

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

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

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

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

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

- 16 (1) System Does Not Have Immediately Commencing  
17 Straight Life Annuity Payable at Both Age Sixty-  
18 two (62) and the Age of Benefit Commencement.  
19 (a) If the annuity starting date for the member's  
20 benefit is prior to age sixty-two (62) and  
21 occurs in ~~a~~ the limitation year beginning on  
22 ~~or after July 1, 2007~~ January 1, 2008, and  
23 the System does not have an immediately  
24 commencing straight life annuity payable at

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

19 (b) If the annuity starting date for the member's  
20 benefit is prior to age sixty-two (62) and  
21 occurs in a limitation year beginning on or  
22 after January 1, 2009, and the System does  
23 not have an immediately commencing straight  
24 life annuity payable at both age sixty-two

1                   (62) and the age of benefit commencement, the  
2                   dollar limitation for the member's annuity  
3                   starting date is the annual amount of a  
4                   benefit payable in the form of a straight  
5                   life annuity commencing at the member's  
6                   annuity starting date that is the actuarial  
7                   equivalent of the dollar limitation under  
8                   subsection B of this section (adjusted under  
9                   subsection C of this section for years of  
10                   participation less than ten (10), if  
11                   required) with actuarial equivalence computed  
12                   using a five-percent interest rate assumption  
13                   and the applicable mortality table within the  
14                   meaning of Section 417(e) (3) (B) of the  
15                   Internal Revenue Code of 1986, as amended, as  
16                   described in Rev. Rul. 2007-67 (and  
17                   subsequent guidance) (and expressing the  
18                   member's age based on completed calendar  
19                   months as of the annuity starting date).

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

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

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

- 21 a. Limitation Years Beginning Before July 1, 2007. If the  
22 annuity starting date for the member's benefit is after  
23 age sixty-five (65) and occurs in a limitation year  
24 beginning before July 1, 2007, the dollar limitation

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

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

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

- 18 (1) System Does Not Have Immediately Commencing  
19 Straight Life Annuity Payable at Both Age Sixty-  
20 five (65) and the Age of Benefit Commencement.

21 (a) If the annuity starting date for the member's  
22 benefit is after age sixty-five (65) and  
23 occurs in ~~a~~ the limitation year beginning on  
24 ~~or after July 1, 2007~~ January 1, 2008, and

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

21 (b) If the annuity starting date for the member's  
22 benefit is after age sixty-five (65) and  
23 occurs in a limitation year beginning on or  
24 after January 1, 2009, and the System does

1                   not have an immediately commencing straight  
2                   life annuity payable at both age sixty-five  
3                   (65) and the age of benefit commencement, the  
4                   dollar limitation at the member's annuity  
5                   starting date is the annual amount of a  
6                   benefit payable in the form of a straight  
7                   life annuity commencing at the member's  
8                   annuity starting date that is the actuarial  
9                   equivalent of the dollar limitation under  
10                   subsection B of this section (adjusted under  
11                   subsection C of this section for years of  
12                   participation less than ten (10), if  
13                   required) with actuarial equivalence computed  
14                   using a five-percent interest rate assumption  
15                   and the applicable mortality table within the  
16                   meaning of Section 417(e) (3) (B) of the  
17                   Internal Revenue Code of 1986, as amended, as  
18                   described in Rev. Rul. 2007-67 (and  
19                   subsequent guidance) (and expressing the  
20                   member's age based on completed calendar  
21                   months as of the annuity starting date).

- 22                   (2) System Has Immediately Commencing Straight Life  
23                   Annuity Payable at Both Age Sixty-five (65) and  
24                   Age of Commencement. If the annuity starting date

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

1           computed disregarding the member's accruals after  
2           age sixty-five (65) but including actuarial  
3           adjustments even if those actuarial adjustments  
4           are used to offset accruals; and the adjusted  
5           immediately commencing straight life annuity under  
6           the System at age sixty-five (65) is the annual  
7           amount of such annuity that would be payable under  
8           the System to a hypothetical member who is age  
9           sixty-five (65) and has the same accrued benefit  
10          as the member.

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

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

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

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

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

22 2. The participating municipality (or a predecessor employer)  
23 has not at any time maintained a defined contribution plan in which  
24 the member participated (for this purpose, mandatory employee

1 contributions under a defined benefit plan, individual medical  
2 accounts under Section 401(h) of the Internal Revenue Code of 1986,  
3 as amended, and accounts for postretirement medical benefits  
4 established under Section 419A(d)(1) of the Internal Revenue Code of  
5 1986, as amended, are not considered a separate defined contribution  
6 plan).

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

17 G. Effective for years beginning after December 31, 1997, if a  
18 member purchases service pursuant to Section 50-111.2 and Section  
19 50-111.4 of this title, which qualifies as "permissive service  
20 credit" pursuant to Section 415(n) of the Internal Revenue Code of  
21 1986, as amended, the limitations of Section 415 of the Internal  
22 Revenue Code of 1986, as amended, may be met by either:

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

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

4        H. Effective for years beginning after December 31, 1997, if a  
5 member repays to the System any amounts received because of such  
6 member's prior termination pursuant to subsection C of Section 50-  
7 111.1 of this title, such repayment shall not be taken into account  
8 for purposes of Section 415 of the Internal Revenue Code of 1986, as  
9 amended, pursuant to Section 415(k)(3) of the Internal Revenue Code  
10 of 1986, as amended.

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

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

22        K. The State Board is hereby authorized to revoke the special  
23 election previously made on June 19, 1991, under Section 415(b)(10)  
24 of the Internal Revenue Code of 1986, as amended.

1 SECTION 4. AMENDATORY 11 O.S. 2011, Section 50-114.2, is  
2 amended to read as follows:

3 Section 50-114.2. A. This section applies to distributions  
4 made on or after January 1, 2002. Notwithstanding any provision of  
5 the System to the contrary that would otherwise limit a  
6 Distributee's election hereunder, a Distributee, including a  
7 nonspouse designated beneficiary, to the extent permitted under  
8 paragraph 3 of subsection B of this section, may elect, at the time  
9 and in the manner prescribed by the State Board, to have any portion  
10 of an Eligible Rollover Distribution paid directly to:

- 11 ~~1. An Eligible Retirement Plan; or~~  
12 ~~2. Effective for distributions after December 31, 2007, a Roth~~  
13 ~~IRA described in Section 408A of the Internal Revenue Code of 1986,~~  
14 ~~as amended, subject to any limitations described in Section~~  
15 ~~408A(c) of the Internal Revenue Code of 1986, as amended;~~  
16 ~~specified by the Distributee in a Direct Rollover~~ an Eligible  
17 Retirement Plan specified by the Distributee in a Direct Rollover.

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

- 20 1. "Eligible Rollover Distribution" means any distribution of  
21 all or any portion of the balance to the credit of the Distributee,  
22 except that an Eligible Rollover Distribution does not include: any  
23 distribution that is one of a series of substantially equal periodic  
24 payments (not less frequently than annually) made for the life (or

1 life expectancy) of the Distributee or the joint lives (or life  
2 expectancies) of the Distributee and the Distributee's designated  
3 beneficiary, or for a specified period of ten (10) years or more;  
4 any distribution to the extent such distribution is required under  
5 Section 401(a)(9) of the Internal Revenue Code of 1986, as amended;  
6 and the portion of any distribution that is not includable in gross  
7 income. ~~Effective January 1, 2002, a~~ A portion of a distribution  
8 shall not fail to be an Eligible Rollover Distribution merely  
9 because the portion consists of after-tax member contributions which  
10 are not includable in gross income. However, such portion may be  
11 transferred only:

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

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

16 (2) in a direct trustee-to-trustee transfer, to a  
17 qualified trust which is part of a defined  
18 contribution plan that agrees to separately  
19 account for amounts so transferred, including  
20 separately accounting for the portion of such  
21 distribution which is includable in gross income  
22 and the portion of such distribution which is not  
23 so includable, and

24 b. on or after January 1, 2007:

- 1 (1) to an individual retirement account or annuity  
2 described in Section 408(a) or (b) of the  
3 Internal Revenue Code of 1986, as amended, or  
4 (2) in a direct trustee-to-trustee transfer, to a  
5 qualified trust or an annuity contract described  
6 in Section 403(b) of the Internal Revenue Code of  
7 1986, as amended, and such trust or contract  
8 provides for separate accounting for amounts so  
9 transferred (and earnings thereon), including  
10 separately accounting for the portion of such  
11 distribution which is includable in gross income  
12 and the portion of such distribution which is not  
13 so includable.

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

23 Notwithstanding the foregoing, effective January 1, 2009, to the  
24 extent applicable, if all or a portion of a distribution from the

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

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

1 into such plan from the System. Effective for distributions after  
2 December 31, 2007, an Eligible Retirement Plan includes a Roth IRA,  
3 subject to any limitations under Section 408A(c) of the Internal  
4 Revenue Code of 1986, as amended;

5 3. "Distributee" means an employee or former employee. In  
6 addition, ~~effective June 7, 1993,~~ the employee's or former  
7 employee's surviving spouse and the employee's or former employee's  
8 spouse or former spouse who is the alternate payee under a qualified  
9 domestic order, as defined in subsection B of Section 50-124 of this  
10 title, are Distributees with regard to the interest of the spouse or  
11 the former spouse. Effective for distributions after December 31,  
12 2006, a Distributee also includes the member's nonspouse designated  
13 beneficiary (and certain trusts described in Section 402(c)(11)(B)  
14 of the Internal Revenue Code of 1986, as amended), pursuant to  
15 Section 401(a)(9)(E) of the Internal Revenue Code of 1986, as  
16 amended, who may elect any portion of a payment to be made in a  
17 Direct Rollover only to ~~an~~ a traditional individual retirement  
18 account or annuity (other than an endowment contract) described in  
19 Section 408(a) or (b) of the Internal Revenue Code of 1986, as  
20 amended, (IRA), or, effective for distributions after December 31,  
21 2007, to a Roth IRA, that is established on behalf of such nonspouse  
22 designated beneficiary for the purpose of receiving the distribution  
23 and that will be treated as an inherited IRA pursuant to the  
24 provisions of Section 402(c)(11) of the Internal Revenue Code of

1 1986, as amended. Also, in this case, the determination of any  
2 required minimum distribution under Section 401(a)(9) of the  
3 Internal Revenue Code of 1986, as amended, that is ineligible for  
4 rollover shall be made in accordance with Notice 2007-7, Q&A 17 and  
5 18, 2007-5 I.R.B. 395. The required minimum distribution rules of  
6 Section 401(a)(9)(B) (other than clause iv thereof) of the Internal  
7 Revenue Code of 1986, as amended, apply to the transferee IRA.  
8 ~~Furthermore, to the extent permitted or required under the Worker,~~  
9 ~~Retiree, and Employer Recovery Act of 2008, Notice 2008-30, 2008-12~~  
10 ~~I.R.B. 638 and/or any other regulatory guidance, effective for plan~~  
11 ~~years beginning after December 31, 2009, a nonspouse designated~~  
12 ~~beneficiary (as described in and in accordance with Section~~  
13 ~~402(c)(11) of the Internal Revenue Code of 1986, as amended), may~~  
14 ~~directly roll over a distribution to a Roth IRA; and~~

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

21 C. At least thirty (30) days before and, effective for years  
22 beginning after December 31, 2006, not more than one hundred eighty  
23 (180) days before the date of distribution, the Distributee (other  
24 than a nonspouse designated beneficiary prior to July 1, 2010) must

1 be provided with a notice of rights which satisfies Section 402(f)  
2 of the Internal Revenue Code of 1986, as amended, as to rollover  
3 options and tax effects. Such distribution may commence less than  
4 thirty (30) days after the notice is given, provided that:

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

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

11 D. For distributions made after December 31, 2006, but prior to  
12 July 1, 2010, a distribution with respect to a nonspouse designated  
13 beneficiary shall be made in accordance with Notice 2007-7, Q&A 15,  
14 2007-5 Internal Revenue Bulletin 395. Effective for plan years  
15 beginning after December 31, 2009, a distribution with respect to a  
16 nonspouse designated beneficiary shall be subject to Sections  
17 401(a)(31), 402(f), and 3405(c) of the Internal Revenue Code of  
18 1986, as amended.

19 SECTION 5. AMENDATORY 11 O.S. 2011, Section 50-114.3, is  
20 amended to read as follows:

21 Section 50-114.3. A. An individual who has been designated,  
22 pursuant to Section 401(a)(9)(E) of the Internal Revenue Code of  
23 1986, as amended, as the beneficiary of a deceased member and who is  
24 not the surviving spouse of the member, may elect, in accordance

1 with Section 402(c)(11) of the Internal Revenue Code of 1986, as  
2 amended, to have a direct trustee-to-trustee transfer of any portion  
3 of such beneficiary's distribution from the System after December  
4 31, 2006, made only to ~~an~~ a traditional individual retirement  
5 account or individual retirement annuity (other than an endowment  
6 contract) described in Section 408(a) or (b) of the Internal Revenue  
7 Code of 1986, as amended (IRA), or, effective for distributions  
8 after December 31, 2007, to a Roth individual retirement account or  
9 annuity described in Section 408A of the Internal Revenue Code of  
10 1986, as amended (Roth IRA), that is established on behalf of such  
11 designated individual for the purpose of receiving the distribution.

12 If such transfer is made, then:

13 1. For distributions made after December 31, 2006, but prior to  
14 July 1, 2010, the transfer is treated as an eligible rollover  
15 distribution for purposes of Section 402(c)(11) of the Internal  
16 Revenue Code of 1986, as amended. For plan years beginning after  
17 December 31, 2009, the transfer is treated as an eligible rollover  
18 distribution;

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

24

1           3. The required minimum distribution rules of Section  
2 401(a)(9)(B) (other than clause iv thereof) of the Internal Revenue  
3 Code of 1986, as amended, apply to the transferee IRA, and

4           ~~4. Notwithstanding the foregoing provisions of this section, to~~  
5 ~~the extent permitted or required under the Worker, Retiree, and~~  
6 ~~Employer Recovery Act of 2008, Notice 2008-30, 2008-12 I.R.B. 638~~  
7 ~~and/or any other regulatory guidance, effective for plan years~~  
8 ~~beginning after December 31, 2009, a nonspouse designated~~  
9 ~~beneficiary (as described in and in accordance with Section~~  
10 ~~402(c)(11) of the Internal Revenue Code of 1986, as amended), may~~  
11 ~~elect to have a direct trustee-to-trustee transfer of any portion of~~  
12 ~~such beneficiary's distribution from the System to a Roth IRA.~~

13           B. A trust maintained for the benefit of one or more designated  
14 beneficiaries shall be treated in the same manner as a designated  
15 beneficiary.

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

18           SECTION 6. It being immediately necessary for the preservation  
19 of the public peace, health and safety, an emergency is hereby  
20 declared to exist, by reason whereof this act shall take effect and  
21 be in full force from and after its passage and approval.

