

HOUSE OF REPRESENTATIVES - FLOOR VERSION

STATE OF OKLAHOMA

1st Session of the 54th Legislature (2013)

COMMITTEE SUBSTITUTE
FOR
HOUSE BILL NO. 1324

By: McDaniel (Randy) of the
House

and

Sykes of the Senate

COMMITTEE SUBSTITUTE

An Act relating to the Oklahoma Police Pension and Retirement System; amending 11 O.S. 2011, Sections 50-114.1, as last amended by Section 10, Chapter 364, O.S.L. 2012 and 50-114.4 (11 O.S. Supp. 2012, Section 50-114.1), which relate to limitation on benefits pursuant to requirements of the Internal Revenue Code; modifying reference to Internal Revenue Code; modifying provisions related to permissive service credit; modifying provisions related to repayments; modifying references for purposes of certain qualified health insurance premiums; and declaring an emergency.

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

SECTION 1. AMENDATORY 11 O.S. 2011, Section 50-114.1, as last amended by Section 10, Chapter 364, O.S.L. 2012 (11 O.S. Supp. 2012, Section 50-114.1), is amended to read as follows:

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

1 Section 50-114.1 A. For limitation years prior to July 1,
2 2007, the limitations of Section 415 of the Internal Revenue Code of
3 1986, as amended, shall be computed in accordance with the
4 applicable provisions of the System in effect at that time and, to
5 the extent applicable, Revenue Ruling 98-1 and Revenue Ruling 2001-
6 51, except as provided below. Notwithstanding any other provision
7 contained herein to the contrary, the benefits payable to a member
8 from the System provided by employer contributions (including
9 contributions picked up by the employer under Section 414(h) of the
10 Internal Revenue Code of 1986, as amended) shall be subject to the
11 limitations of Section 415 of the Internal Revenue Code of 1986, as
12 amended, in accordance with the provisions of this section. The
13 limitations of this section shall apply in limitation years
14 beginning on or after July 1, 2007, except as otherwise provided
15 below.

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

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

23 2. No actuarial adjustment to the benefit shall be made for:
24

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

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

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

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

- 17 a. a nondecreasing annuity (other than a straight life
18 annuity) payable for a period of not less than the
19 life of the member (or, in the case of a qualified
20 preretirement survivor annuity, the life of the
21 surviving spouse), or
22 b. an annuity that decreases during the life of the
23 member merely because of:

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

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

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

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

21 (2) a five percent (5%) interest rate assumption and
22 the applicable mortality table described in Rev.
23 Rul. 2001-62 (or its successor for these
24

1 purposes, if applicable) for that annuity
2 starting date.

3 d. Limitation Year Beginning On January 1, 2008. For the
4 limitation year beginning on January 1, 2008, the
5 actuarially equivalent straight life annuity is equal
6 to the greater of:

7 (1) the annual amount of the straight life annuity
8 (if 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 e. Limitation Years Beginning On or After July 1, 2008.
20 For limitation years beginning on or after July 1,
21 2008, the actuarially equivalent straight life annuity
22 is equal to the greater of:

- 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 within the meaning of
11 Section ~~417(e)(B)~~ 417(e)(3)(B) of the Internal
12 Revenue Code of 1986, as amended, as described in
13 Rev. Rul. 2007-67 (and subsequent guidance) for
14 that annuity starting date.

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

- 22 a. Annuity Starting Date on or after January 1, 2009. If
23 the annuity starting date of the member's form of
24

1 benefit is in the period beginning on January 1, 2009,
2 through June 30, 2009, or in a plan year beginning
3 after June 30, 2009, the actuarially equivalent
4 straight life annuity is equal to the greatest of (1),
5 (2) and (3) below:

6 (1) the annual amount of the straight life annuity
7 commencing at the same annuity starting date that
8 has the same actuarial present value as the
9 member's form of benefit, computed using the
10 interest rate and the mortality table (or other
11 tabular factor) as set forth in the most recent
12 actuarial valuation referenced in subsection G of
13 Section 50-105.4 of this title prior to September
14 1, 2011, and effective September 1, 2011, in
15 paragraph 22 of Section 50-101 of this title, for
16 adjusting benefits in the same form,

17 (2) 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 a five
21 and one-half percent (5.5%) interest rate
22 assumption and the applicable mortality table
23 within the meaning of Section 417 (e) (3) (B) of
24

1 the Internal Revenue Code of 1986, as amended, as
2 described in Rev. Rul. 2007-67 (and subsequent
3 guidance), and

4 (3) 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:

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

3 (b) the applicable mortality table within the
4 meaning of Section 417(e)(3)(B) of the
5 Internal Revenue Code of 1986, as amended,
6 as described in Rev. Rul. 2007-67 (and
7 subsequent guidance),

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

9 b. Annuity Starting Date in the Period Beginning on July
10 1, 2008 through December 31, 2008. If the annuity
11 starting date of the member's form of benefit is in
12 the period beginning on July 1, 2008, through December
13 31, 2008, the actuarially equivalent straight life
14 annuity is equal to the greatest of (1), (2) and (3)
15 below:

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

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

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

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

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

12 c. 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) and (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
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1 of Section 50-105.4 of this title for adjusting
2 benefits in the same form,

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

11 (3) 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:

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

1 contains the annuity starting date for the
2 distribution and for which the applicable
3 interest rate remains constant, and

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

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

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

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

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

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

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

21 (a) the interest rate and mortality table (or
22 other tabular factor) each as set forth in
23 subsection G of Section 50-105.4 of this
24

1 title for adjusting benefits in the same
2 form,

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

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

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

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

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

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

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

4 D. Adjustment of Dollar Limitation for Benefit Commencement

5 Before Age Sixty-two (62) or After Age Sixty-five (65): Effective
6 for benefits commencing in limitation years ending after December
7 31, 2001, the dollar limitation under subsection B of this section
8 shall be adjusted if the annuity starting date of the member's
9 benefit is before age sixty-two (62) or after age sixty-five (65).

10 If the annuity starting date is before age sixty-two (62), the
11 dollar limitation under subsection B of this section shall be
12 adjusted under paragraph 1 of this subsection, as modified by
13 paragraph 3 of this subsection, but subject to paragraph 4 of this
14 subsection. If the annuity starting date is after age sixty-five
15 (65), the dollar limitation under subsection B of this section shall
16 be adjusted under paragraph 2 of this subsection, as modified by
17 paragraph 3 of this subsection.

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

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

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

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

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

- 20 (1) System Does Not Have Immediately Commencing
21 Straight Life Annuity Payable at Both Age Sixty-
22 two (62) and the Age of Benefit Commencement.
23
24

1 (a) If the annuity starting date for the
2 member's benefit is prior to age sixty-two
3 (62) and occurs in the limitation year
4 beginning on January 1, 2008, and the System
5 does not have an immediately commencing
6 straight life annuity payable at both age
7 sixty-two (62) and the age of benefit
8 commencement, the dollar limitation for the
9 member's annuity starting date is the annual
10 amount of a benefit payable in the form of a
11 straight life annuity commencing at the
12 member's annuity starting date that is the
13 actuarial equivalent of the dollar
14 limitation under subsection B of this
15 section (adjusted under subsection C of this
16 section for years of participation less than
17 ten (10), if required) with actuarial
18 equivalence computed using a five-percent
19 interest rate assumption and the applicable
20 mortality table for the annuity starting
21 date as described in Rev. Rul. 2001-62 (or
22 its successor for these purposes, if
23 applicable) (and expressing the member's age
24

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

3 (b) If the annuity starting date for the
4 member's benefit is prior to age sixty-two
5 (62) and occurs in a limitation year
6 beginning on or after January 1, 2009, and
7 the System does not have an immediately
8 commencing straight life annuity payable at
9 both age sixty-two (62) and the age of
10 benefit commencement, the dollar limitation
11 for the member's annuity starting date is
12 the annual amount of a benefit payable in
13 the form of a straight life annuity
14 commencing at the member's annuity starting
15 date that is the actuarial equivalent of the
16 dollar limitation under subsection B of this
17 section (adjusted under subsection C of this
18 section for years of participation less than
19 ten (10), if required) with actuarial
20 equivalence computed using a five-percent
21 interest rate assumption and the applicable
22 mortality table within the meaning of
23 Section 417(e)(3)(B) of the Internal Revenue
24

1 Code of 1986, as amended, as described in
2 Rev. Rul. 2007-67 (and subsequent guidance)
3 (and expressing the member's age based on
4 completed calendar months as of the annuity
5 starting date).

6 (2) System Has Immediately Commencing Straight Life
7 Annuity Payable at Both Age Sixty-two (62) and
8 the Age of Benefit Commencement. If the annuity
9 starting date for the member's benefit is prior
10 to age sixty-two (62) and occurs in a limitation
11 year beginning on or after July 1, 2007, and the
12 System has an immediately commencing straight
13 life annuity payable at both age sixty-two (62)
14 and the age of benefit commencement, the dollar
15 limitation for the member's annuity starting date
16 is the lesser of the limitation determined under
17 division (1) of subparagraph b of this paragraph
18 and the dollar limitation under subsection B of
19 this section (adjusted under subsection C of this
20 section for years of participation less than ten
21 (10), if required) multiplied by the ratio of the
22 annual amount of the immediately commencing
23 straight life annuity under the System at the
24

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

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

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

22 (1) the interest rate and the mortality table (or
23 other tabular factor) each as set forth in
24

1 subsection G of Section 50-105.4 of this title,
2 or

3 (2) a five-percent interest rate assumption and the
4 applicable mortality table as described in Rev.
5 Rul. 2001-62 (or its successor for these
6 purposes, if applicable).

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

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

11 (a) If the annuity starting date for the
12 member's benefit is after age sixty-five
13 (65) and occurs in the limitation year
14 beginning on January 1, 2008, and the System
15 does not have an immediately commencing
16 straight life annuity payable at both age
17 sixty-five (65) and the age of benefit
18 commencement, the dollar limitation at the
19 member's annuity starting date is the annual
20 amount of a benefit payable in the form of a
21 straight life annuity commencing at the
22 member's annuity starting date that is the
23 actuarial equivalent of the dollar

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

13 (b) If the annuity starting date for the
14 member's benefit is after age sixty-five
15 (65) and occurs in a limitation year
16 beginning on or after January 1, 2009, and
17 the System does not have an immediately
18 commencing straight life annuity payable at
19 both age sixty-five (65) and the age of
20 benefit commencement, the dollar limitation
21 at the member's annuity starting date is the
22 annual amount of a benefit payable in the
23 form of a straight life annuity commencing
24

1 at the member's annuity starting date that
2 is the actuarial equivalent of the dollar
3 limitation under subsection B of this
4 section (adjusted under subsection C of this
5 section for years of participation less than
6 ten (10), if required) with actuarial
7 equivalence computed using a five-percent
8 interest rate assumption and the applicable
9 mortality table within the meaning of
10 Section 417(e)(3)(B) of the Internal Revenue
11 Code of 1986, as amended, as described in
12 Rev. Rul. 2007-67 (and subsequent guidance)
13 (and expressing the member's age based on
14 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
19 date for the member's benefit is after age sixty-
20 five (65) and occurs in a limitation year
21 beginning on or after July 1, 2007, and the
22 System has an immediately commencing straight
23 life annuity payable at both age sixty-five (65)

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

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

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

20 4. Notwithstanding any other provision to the contrary, for
21 limitation years beginning on or after January 1, 1997, if payment
22 begins before the member reaches age sixty-two (62), the reductions
23 in the limitations in this subsection shall not apply to a member
24

1 who is a "qualified participant" as defined in Section 415(b)(2)(H)
2 of the Internal Revenue Code of 1986, as amended.

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

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

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

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

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

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

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

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

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

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~~ If
5 a member repays to the System any amounts ~~received~~ refunded from the
6 System because of such member's prior termination ~~pursuant to~~
7 ~~subsection C of Section 50-111.1 of this title~~ or any other amount
8 which qualifies as a repayment under Section 415(k)(3) of the
9 Internal Revenue Code of 1986, as amended, such repayment shall not
10 be taken into account for purposes of Section 415 of the Internal
11 Revenue Code of 1986, as amended, pursuant to Section 415(k)(3) of
12 the Internal Revenue Code of 1986, as amended.

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

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

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

4 SECTION 2. AMENDATORY 11 O.S. 2011, Section 50-114.4, is
5 amended to read as follows:

6 Section 50-114.4 A. A member who is an eligible retired public
7 safety officer and who wishes to have direct payments made toward
8 the member's qualified health insurance premiums from the member's
9 monthly disability benefit or monthly pension payment must make a
10 written election in accordance with Section 402(1) of the Internal
11 Revenue Code of 1986, as amended, on the form provided by the
12 System, as follows:

13 1. The election must be made after the member separates from
14 service as a public safety officer with the member's participating
15 municipality;

16 2. The election shall only apply to distributions from the
17 System after December 31, 2006, and to amounts not yet distributed
18 to the eligible retired public safety officer;

19 3. Direct payments for an eligible retired public safety
20 officer's qualified health insurance premiums can only be made from
21 the member's monthly disability benefit or monthly pension payment
22 from the System and cannot be made from the Deferred Option Plan;
23 and

1 4. The aggregate amount of the exclusion from an eligible
2 retired public safety officer's gross income is Three Thousand
3 Dollars (\$3,000.00) per calendar year.

4 B. As used in this section:

5 1. A "public safety officer" is a member serving a public
6 agency in an official capacity, with or without compensation, as a
7 law enforcement officer, firefighter, chaplain, or as a member of a
8 rescue squad or ambulance crew;

9 2. An "eligible retired public safety officer" is a member who,
10 by reason of disability or attainment of normal retirement date or
11 age, is separated from service as a public safety officer with the
12 member's participating municipality; and

13 3. "Qualified health insurance premiums" are for coverage for
14 the eligible retired public safety officer, the eligible retired
15 public safety officer's spouse, and dependents, as defined in
16 Section 152 of the Internal Revenue Code of 1986, as amended, by an
17 accident or health ~~insurance~~ plan or a qualified long-term care
18 insurance contract, as defined in Section 7702B(b) of the Internal
19 Revenue Code of 1986, as amended. The health plan does not have to
20 be sponsored by the eligible retired public safety officer's former
21 participating municipality.

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

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

5

6 COMMITTEE REPORT BY: COMMITTEE ON ECONOMIC DEVELOPMENT AND FINANCIAL
7 SERVICES, dated 02/07/2013 - DO PASS, As Amended and Coauthored.

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