

SENATE FLOOR VERSION

March 25, 2013

COMMITTEE SUBSTITUTE
FOR ENGROSSED
HOUSE BILL NO. 1324

By: McDaniel (Randy) of the
House

and

Sykes of the Senate

[Oklahoma Police Pension and Retirement System -
election to transfer Systems - limitation on benefits
pursuant to requirements of the Internal Revenue Code

emergency]

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

SECTION 1. AMENDATORY 11 O.S. 2011, Section 50-111.5, is
amended to read as follows:

Section 50-111.5. A. Any individual who was a member with a
vested benefit with the Oklahoma Police Pension and Retirement
System on or after July 1, 1987, and who becomes appointed to a
position in the Oklahoma State Bureau of Narcotics and Dangerous
Drugs Control, the Oklahoma State Bureau of Investigation, or the
Alcoholic Beverage Laws Enforcement Commission may, at the time the
individual accepts such position, elect in writing to remain a
member of the Oklahoma Police Pension and Retirement System as long
as the individual has not begun receiving benefits from the Oklahoma

1 Police Pension and Retirement System or the Oklahoma Law Enforcement
2 Retirement System ~~and shall not become a member of the Oklahoma Law~~
3 Enforcement Retirement System. The agency shall send a copy of the
4 written election to the Oklahoma Police Pension and Retirement
5 System and the Oklahoma Law Enforcement Retirement System within
6 five (5) business days from its signing. If such eligible
7 individual does not elect to remain in the Oklahoma Police Pension
8 and Retirement System pursuant to this subsection, then the
9 individual may elect to transfer at a later date pursuant to
10 subsection B of this section.

11 B. Any individual who was a member with a vested benefit with
12 the Oklahoma Police Pension and Retirement System on or after July
13 1, 1987, and who subsequently entered the Oklahoma Law Enforcement
14 Retirement System because he or she was appointed to a position in
15 the Oklahoma State Bureau of Narcotics and Dangerous Drugs Control,
16 the Oklahoma State Bureau of Investigation, or the Alcoholic
17 Beverage Laws Enforcement Commission or, effective July 1, 2013,
18 through July 31, 2013, an individual who made an election under
19 subsection A that had been accepted by the Oklahoma Police Pension
20 and Retirement System who did not have a vested benefit may, at any
21 time the member is an active employee of such agency and has not
22 begun receiving benefits from the Oklahoma Police Pension and
23 Retirement System or the Oklahoma Law Enforcement Retirement System,
24 elect in writing to reenter the Oklahoma Police Pension and

1 Retirement System. Such written election shall be provided to the
2 Oklahoma Police Pension and Retirement System. For purposes of this
3 section, constructive receipt of the written election shall be the
4 first day of the month following actual receipt.

5 1. A person who elects to transfer pursuant to this subsection
6 shall have all of his or her employer and employee contributions
7 made to the Oklahoma Law Enforcement Retirement System transferred
8 to the Oklahoma Police Pension and Retirement System along with
9 accrued earnings based upon the actuarial rate of return of the
10 Oklahoma Law Enforcement Retirement System. Upon receiving the
11 transfer of the employer and employee contributions and earnings,
12 and notwithstanding the provisions of Section 50-111.4 of this
13 title, the Oklahoma Police Pension and Retirement System shall treat
14 the service that the member accrued in the Oklahoma Law Enforcement
15 Retirement System as service in the Oklahoma Police Pension and
16 Retirement System; and

17 2. Upon actual receipt of the written election pursuant to this
18 subsection, the Oklahoma Police Pension and Retirement System shall
19 notify the Oklahoma Law Enforcement Retirement System of the
20 transfer election and shall send to the Oklahoma Law Enforcement
21 Retirement System a copy of the election within five (5) business
22 days. The Oklahoma Law Enforcement Retirement System shall transfer
23 the employer and employee contributions and earnings of the
24 transferring member to the Oklahoma Police Pension and Retirement

1 System on or before the first day of the month following
2 constructive receipt of the election. The transferring member shall
3 then reenter the Oklahoma Police Pension and Retirement System
4 beginning on the first day of the month following the month in which
5 constructive receipt of the written election was made to the
6 Oklahoma Police Pension and Retirement System. Any member who
7 transfers to the Oklahoma Police Pension and Retirement System
8 pursuant to this subsection shall have all service credit in the
9 Oklahoma Law Enforcement Retirement System canceled.

10 C. Notwithstanding the provisions of Section 2-300 et seq. of
11 Title 47 of the Oklahoma Statutes, the Oklahoma State Bureau of
12 Narcotics and Dangerous Drugs Control, the Oklahoma State Bureau of
13 Investigation, and the Alcoholic Beverage Laws Enforcement
14 Commission shall make employer contributions to the Oklahoma Police
15 Pension and Retirement System in the same manner as participating
16 municipalities of the Oklahoma Police Pension and Retirement System
17 for all members who either elect to remain in or elect to transfer
18 to the Oklahoma Police Pension and Retirement System pursuant to
19 this section. The electing member shall make employee contributions
20 to the Oklahoma Police Pension and Retirement System as other
21 participating members of the Oklahoma Police Pension and Retirement
22 System.

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1 SECTION 2. AMENDATORY 11 O.S. 2011, Section 50-114.1, as
2 last amended by Section 10, Chapter 364, O.S.L. 2012 (11 O.S. Supp.
3 2012, Section 50-114.1), is amended to read as follows:

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

19 B. Except as provided below, effective for limitation years
20 ending after December 31, 2001, any accrued retirement benefit
21 payable to a member as an annual benefit as described below shall
22 not exceed One Hundred Sixty Thousand Dollars (\$160,000.00),
23 automatically adjusted under Section 415(d) of the Internal Revenue
24 Code of 1986, as amended, for increases in the cost of living, as

1 prescribed by the Secretary of the Treasury or the Secretary's
2 delegate, effective January 1 of each calendar year and applicable
3 to the limitation year ending with or within such calendar year.
4 The automatic annual adjustment of the dollar limitation in this
5 subsection under Section 415(d) of the Internal Revenue Code of
6 1986, as amended, shall apply to a member who has had a severance
7 from employment.

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

- 1 2. No actuarial adjustment to the benefit shall be made for:
- 2 a. survivor benefits payable to a surviving spouse under
- 3 a qualified joint and survivor annuity to the extent
- 4 such benefits would not be payable if the member's
- 5 benefit were paid in another form,
- 6 b. benefits that are not directly related to retirement
- 7 benefits (such as a qualified disability benefit,
- 8 preretirement incidental death benefits, and
- 9 postretirement medical benefits), or
- 10 c. the inclusion in the form of benefit of an automatic
- 11 benefit increase feature, provided the form of benefit
- 12 is not subject to Section 417(e) (3) of the Internal
- 13 Revenue Code of 1986, as amended, and would otherwise
- 14 satisfy the limitations of this section, and the
- 15 System provides that the amount payable under the form
- 16 of benefit in any limitation year shall not exceed the
- 17 limits of this section applicable at the annuity
- 18 starting date, as increased in subsequent years
- 19 pursuant to Section 415(d) of the Internal Revenue
- 20 Code of 1986, as amended. For this purpose, an
- 21 automatic benefit increase feature is included in a
- 22 form of benefit if the form of benefit provides for
- 23 automatic, periodic increases to the benefits paid in
- 24 that form.

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:
24

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:

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

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

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

- 20 a. Annuity Starting Date on or after January 1, 2009. If
21 the annuity starting date of the member's form of
22 benefit is in the period beginning on January 1, 2009,
23 through June 30, 2009, or in a plan year beginning
24 after June 30, 2009, the actuarially equivalent

1 straight life annuity is equal to the greatest of (1),
2 (2) and (3) below:

3 (1) 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 the
7 interest rate and the mortality table (or other
8 tabular factor) as set forth in the most recent
9 actuarial valuation referenced in subsection G of
10 Section 50-105.4 of this title prior to September
11 1, 2011, and effective September 1, 2011, in
12 paragraph 22 of Section 50-101 of this title, for
13 adjusting benefits in the same form,

14 (2) the annual amount of the straight life annuity
15 commencing at the same annuity starting date that
16 has the same actuarial present value as the
17 member's form of benefit, computed using a five
18 and one-half percent (5.5%) interest rate
19 assumption and the applicable mortality table
20 within the meaning of Section 417(e)(3)(B) of the
21 Internal Revenue Code of 1986, as amended, as
22 described in Rev. Rul. 2007-67 (and subsequent
23 guidance), and
24

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

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

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

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

5 b. Annuity Starting Date in the Period Beginning on July
6 1, 2008 through December 31, 2008. If the annuity
7 starting date of the member's form of benefit is in
8 the period beginning on July 1, 2008, through December
9 31, 2008, the actuarially equivalent straight life
10 annuity is equal to the greatest of (1), (2) and (3)
11 below:

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

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

1 assumption and the applicable mortality table
2 described in Rev. Rul. 2001-62 (or its successor
3 for these purposes, if applicable), 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,
24

1 2007, does not coincide with the first day
2 of the applicable stability period, and

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

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

7 c. Annuity Starting Date in Plan Years Beginning in 2006
8 or 2007. If the annuity starting date of the member's
9 form of benefit is in a Plan Year beginning in 2006 or
10 2007, the actuarially equivalent straight life annuity
11 is equal to the greatest of (1), (2) and (3) below:

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

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

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

20 (b) the applicable mortality table described in
21 Rev. Rul. 2001-62 (or its successor for
22 these purposes, if applicable),
23 divided by one and five one-hundredths (1.05).

24

1 d. Annuity Starting Date in Plan Years Beginning in 2004
2 or 2005:

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

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

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

22 (2) If the annuity starting date of the member's
23 benefit is on or after the first day of the first
24 plan year beginning in 2004 and before December

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

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

18 (b) (i) the rate of interest on thirty-year
19 Treasury securities as specified by the
20 Commissioner for the lookback month for
21 the stability period specified below.
22 The lookback month applicable to the
23 stability period is the fourth calendar
24 month preceding the first day of the

1 stability period, as specified below.

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

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

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

1 constant (as in effect on the last day
2 of the last plan year beginning before
3 January 1, 2004, under provisions of
4 the System then adopted and in effect),
5 and

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

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

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

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

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

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

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

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 two (62) and the Age of Benefit Commencement.

11 (a) If the annuity starting date for the
12 member's benefit is prior to age sixty-two
13 (62) 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-two (62) and the age of benefit
18 commencement, the dollar limitation for 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
24 limitation under subsection B of this

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

12 (b) If the annuity starting date for the
13 member's benefit is prior to age sixty-two
14 (62) and occurs in a limitation year
15 beginning on or after January 1, 2009, and
16 the System does not have an immediately
17 commencing straight life annuity payable at
18 both age sixty-two (62) and the age of
19 benefit commencement, the dollar limitation
20 for the member's annuity starting date is
21 the annual amount of a benefit payable in
22 the form of a straight life annuity
23 commencing at the member's annuity starting
24 date that is the actuarial equivalent of the

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

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

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

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

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

1 for years of participation less than ten (10), if
2 required) with actuarial equivalence computed using
3 whichever of the following produces the smaller annual
4 amount:

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

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

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

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

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

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

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

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

- 20 (2) System Has Immediately Commencing Straight Life
21 Annuity Payable at Both Age Sixty-five (65) and
22 Age of Commencement. If the annuity starting
23 date for the member's benefit is after age sixty-
24 five (65) and occurs in a limitation year

1 beginning on or after July 1, 2007, and the
2 System has an immediately commencing straight
3 life annuity payable at both age sixty-five (65)
4 and the age of benefit commencement, the dollar
5 limitation at the member's annuity starting date
6 is the lesser of the limitation determined under
7 division (1) of subparagraph b of this paragraph
8 and the dollar limitation under subsection B of
9 this 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 adjusted immediately
13 commencing straight life annuity under the System
14 at the member's annuity starting date to the
15 annual amount of the adjusted immediately
16 commencing straight life annuity under the System
17 at age sixty-five (65), both determined without
18 applying the limitations of this section. For
19 this purpose, the adjusted immediately commencing
20 straight life annuity under the System at the
21 member's annuity starting date is the annual
22 amount of such annuity payable to the member,
23 computed disregarding the member's accruals after
24 age sixty-five (65) but including actuarial

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

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

22 4. Notwithstanding any other provision to the contrary, for
23 limitation years beginning on or after January 1, 1997, if payment
24 begins before the member reaches age sixty-two (62), the reductions

1 in the limitations in this subsection shall not apply to a member
2 who is a "qualified participant" as defined in Section 415(b)(2)(H)
3 of the Internal Revenue Code of 1986, as amended.

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

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

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

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

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

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.

24

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 3. 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
24

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.

24

1 SECTION 4. 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 COMMITTEE REPORT BY: COMMITTEE ON PENSIONS
6 March 25, 2013 - DO PASS AS AMENDED
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