

1 **SENATE FLOOR VERSION**

2 February 18, 2013

3 COMMITTEE SUBSTITUTE  
4 FOR

5 SENATE BILL NO. 1096

By: Brown of the Senate

and

Moore of the House

6  
7  
8  
9 [ insurance - updating references to Internal Revenue  
10 Code ]

11  
12 BE IT ENACTED BY THE PEOPLE OF THE STATE OF OKLAHOMA:

13 SECTION 1. AMENDATORY 47 O.S. 2011, Section 2-305.1C, is  
14 amended to read as follows:

15 Section 2-305.1C. A. A member who is an eligible retired  
16 public safety officer and who wishes to have direct payments made  
17 toward the member's qualified health insurance premiums from the  
18 member's monthly disability benefit or monthly retirement payment  
19 must make a written election in accordance with Section 402(1) of  
20 the Internal Revenue Code of 1986, as amended, on the form provided  
21 by the Oklahoma Law Enforcement Retirement System, as follows:

22 1. The election must be made after the member separates from  
23 service as a public safety officer with the member's participating  
24 employer;

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

4        3. Direct payments for an eligible retired public safety  
5 officer's qualified health insurance premiums can only be made from  
6 the member's monthly disability benefit or monthly retirement  
7 payment from the System and cannot be made from the Oklahoma Law  
8 Enforcement Deferred Option Plan; and

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

12        B. As used in this section:

13        1. "Eligible retired public safety officer" is a member who, by  
14 reason of disability or attainment of normal retirement date or age,  
15 is separated from service as a public safety officer with the  
16 member's participating employer;

17        2. "Public safety officer" means a member serving a public  
18 agency in an official capacity, with or without compensation, as a  
19 law enforcement officer, firefighter, chaplain, or a member of a  
20 rescue squad or ambulance crew; and

21        3. "Qualified health insurance premiums" means premiums for  
22 coverage for the eligible retired public safety officer, the  
23 eligible retired public safety officer's spouse, and dependents, as  
24 defined in Section 152 of the Internal Revenue Code of 1986, as

1 amended, by an accident or health insurance plan or a qualified  
2 long-term care insurance contract, as defined in Section 7702B(b) of  
3 the Internal Revenue Code of 1986, as amended. The health plan does  
4 not have to be sponsored by the eligible retired public safety  
5 officer's former participating employer.

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

8 SECTION 2. AMENDATORY 47 O.S. 2011, Section 2-305.4, as  
9 last amended by Section 11, Chapter 364, O.S.L. 2012 (47 O.S. Supp.  
10 2012, Section 2-305.4), is amended to read as follows:

11 Section 2-305.4. A. For limitation years prior to July 1,  
12 2007, the limitations of Section 415 of the Internal Revenue Code of  
13 1986, as amended, shall be computed in accordance with the  
14 applicable provisions of the System in effect at that time and, to  
15 the extent applicable, Revenue Ruling 98-1 and Revenue Ruling 2001-  
16 51, except as provided below herein. Notwithstanding any other  
17 provision contained herein to the contrary, the benefits payable to  
18 a member from the Oklahoma Law Enforcement Retirement System  
19 provided by employer contributions (including contributions picked  
20 up by the employer under Section 414(h) of the Internal Revenue Code  
21 of 1986, as amended), shall be subject to the limitations of Section  
22 415 of the Internal Revenue Code of 1986, as amended, in accordance  
23 with the provisions of this section. The limitations of this

24

1 section shall apply in limitation years beginning on or after July  
2 1, 2007, except as otherwise provided below herein.

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

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

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

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

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

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

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

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

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

- 1 a. a nondecreasing annuity (other than a straight life  
2 annuity) payable for a period of not less than the  
3 life of the member (or, in the case of a qualified  
4 preretirement survivor annuity, the life of the  
5 surviving spouse), or
- 6 b. an annuity that decreases during the life of the  
7 member merely because of:
- 8 (1) the death of the survivor annuitant (but only if  
9 the reduction is not below fifty percent (50%) of  
10 the benefit payable before the death of the  
11 survivor annuitant), or
- 12 (2) the cessation or reduction of Social Security  
13 supplements or qualified disability payments (as  
14 defined in Section 411(a)(9) of the Internal  
15 Revenue Code of 1986, as amended).
- 16 c. Limitation Years Beginning Before July 1, 2007. For  
17 limitation years beginning before July 1, 2007, the  
18 actuarially equivalent straight life annuity is equal  
19 to the annual amount of the straight life annuity  
20 commencing at the same annuity starting date that has  
21 the same actuarial present value as the member's form  
22 of benefit computed using whichever of the following  
23 produces the greater annual amount:
- 24

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

10 d. Limitation Year Beginning On January 1, 2008. For the  
11 limitation year beginning on January 1, 2008, the  
12 actuarially equivalent straight life annuity is equal  
13 to the greater of:

- 14 (1) the annual amount of the straight life annuity,  
15 if any, payable to the member under the System  
16 commencing at the same annuity starting date as  
17 the member's form of benefit, and  
18 (2) the annual amount of the straight life annuity  
19 commencing at the same annuity starting date that  
20 has the same actuarial present value as the  
21 member's form of benefit, computed using a five  
22 percent (5%) interest rate assumption and the  
23 applicable mortality table described in Revenue  
24 Ruling 2001-62 (or its successor for these

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

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

4                   For limitation years beginning on or after July 1,  
5                   2008, the actuarially equivalent straight life annuity  
6                   is equal 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 within the meaning of  
17                  Section 417(e) (3) (B) of the Internal Revenue Code  
18                  of 1986, as amended, as described in Rev. Rul.  
19                  2007-67 (and subsequent guidance) for that  
20                  annuity starting date.

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

1 is other than a benefit form described in paragraph 5 of this  
2 subsection. In this case, the actuarially equivalent straight life  
3 annuity shall be determined as follows:

4 a. Annuity Starting Date on or after January 1, 2009. If  
5 the annuity starting date of the member's form of  
6 benefit is in the period beginning on January 1, 2009  
7 through June 30, 2009, or in a plan year beginning  
8 after June 30, 2009, the actuarially equivalent  
9 straight life annuity is equal to the greatest of (1),  
10 (2) and (3):

11 (1) 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 the  
15 interest rate and the mortality table or other  
16 tabular factor, each as set forth in the most  
17 recent actuarial valuation referenced in  
18 subsection H of Section 2-303.1 of this title  
19 prior to September 1, 2011, and effective  
20 September 1, 2011, in subsection L of this  
21 section, for adjusting benefits in the same form,

22 (2) the annual amount of the straight life annuity  
23 commencing at the same annuity starting date that  
24 has the same actuarial present value as the

1 member's form of benefit, computed using a five  
2 and one-half percent (5.5%) interest rate  
3 assumption and the applicable mortality table  
4 within the meaning of Section 417(e)(3)(B) of the  
5 Internal Revenue Code of 1986, as amended, as  
6 described in Rev. Rul. 2007-67 (and subsequent  
7 guidance), and

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

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

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

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

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

12 b. Annuity Starting Date in the Period Beginning on July  
13 1, 2008 through December 31, 2008. If the annuity  
14 starting date of the member's form of benefit is in  
15 the period beginning on July 1, 2008 through December  
16 31, 2008, the actuarially equivalent straight life  
17 annuity is equal to the greatest of (1), (2) and (3)  
18 below of this subsection:

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

1 of Section 2-303.1 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 Revenue Ruling 2001-62 (or its  
10 successor 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 adjusted first, second, and third  
16 segment rates under Section 417(e) (3) (C) and  
17 (D) of the Internal Revenue Code of 1986, as  
18 amended, applied under rules similar to the  
19 rules of Section 430(h) (2) (C) of the  
20 Internal Revenue Code of 1986, as amended,  
21 for the fourth calendar month preceding the  
22 plan year in which falls the annuity  
23 starting date for the distribution and the  
24 stability period is the successive period of

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

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

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

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

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

1 of Section 2-303.1 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 Revenue Ruling 2001-62 (or its  
10 successor 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 herein. The lookback  
19 month applicable to the stability period is  
20 the fourth calendar month preceding the  
21 first day of the stability period, as  
22 specified below herein. The stability  
23 period is the successive period of one (1)  
24 plan year which contains the annuity

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

4 (b) the applicable mortality table described in  
5 Revenue Ruling 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 or  
20 other tabular factor, each as set forth in  
21 subsection H of Section 2-303.1 of this  
22 title for adjusting benefits in the same  
23 form, and

24

1 (b) a five and one-half percent (5.5%) interest  
2 rate assumption and the applicable mortality  
3 table described in Revenue Ruling 2001-62  
4 (or its 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 H of Section 2-203.1 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 herein. The lookback month applicable  
8 to the stability period is the fourth  
9 calendar month preceding the first day  
10 of the stability period, as specified  
11 below herein. The stability period is  
12 the successive period of one (1) plan  
13 year which contains the annuity  
14 starting date for the distribution and  
15 for which the applicable interest rate  
16 remains constant, and

17 ii. the applicable mortality table  
18 described in Revenue Ruling 2001-62 (or  
19 its 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 the stability period specified below

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

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

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

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

3 D. Adjustment of Dollar Limitation for Benefit Commencement

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

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

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

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

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

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

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

- 21 (a) If the annuity starting date for the  
22 member's benefit is prior to sixty-two (62)  
23 years of age and occurs in the limitation  
24 year beginning on or after January 1, 2008,

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

23 (b) If the annuity starting date for the  
24 member's benefit is prior to sixty-two (62)

1 years of age and occurs in a limitation year  
2 beginning on or after January 1, 2009, and  
3 the System does not have an immediately  
4 commencing straight life annuity payable at  
5 both sixty-two (62) years of age and the age  
6 of benefit commencement, the dollar  
7 limitation for the member's annuity starting  
8 date is the annual amount of a benefit  
9 payable in the form of a straight life  
10 annuity commencing at the member's annuity  
11 starting date that is the actuarial  
12 equivalent of the dollar limitation under  
13 subsection B of this section (adjusted under  
14 subsection C of this section for years of  
15 participation less than ten (10), if  
16 required) with actuarial equivalence  
17 computed using a five percent (5%) interest  
18 rate assumption and the applicable mortality  
19 table within the meaning of Section  
20 417(e) (3) (B) of the Internal Revenue Code of  
21 1986, as amended, as described in Rev. Rul.  
22 2007-67 (and subsequent guidance) (and  
23 expressing the member's age based on  
24

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

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

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

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

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

- 19               (1)  the interest rate and the mortality table or  
20               other tabular factor, each as set forth in  
21               subsection H of Section 2-303.1 of this title, or  
22               (2)  a five percent (5%) interest rate assumption and  
23               the applicable mortality table as described in  
24

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

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

4 (1) System Does Not Have Immediately Commencing  
5 Straight Life Annuity Payable at Both Sixty-five  
6 (65) Years of Age and the Age of Benefit  
7 Commencement.

8 (a) If the annuity starting date for the  
9 member's benefit is after sixty-five (65)  
10 years of age and occurs in the limitation  
11 year beginning on January 1, 2008, and the  
12 System does not have an immediately  
13 commencing straight life annuity payable at  
14 both sixty-five (65) years of age and the  
15 age of benefit commencement, the dollar  
16 limitation at the member's annuity starting  
17 date is the annual amount of a benefit  
18 payable in the form of a straight life  
19 annuity commencing at the member's annuity  
20 starting date that is the actuarial  
21 equivalent of the dollar limitation under  
22 subsection B of this section (adjusted under  
23 subsection C of this section for years of  
24 participation less than ten (10), if

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

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

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

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

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

1           System to a hypothetical member who is sixty-five  
2           (65) years of age and has the same accrued  
3           benefit as the member.

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

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

23           E. Minimum Benefit Permitted: Notwithstanding anything else in  
24 this section to the contrary, the benefit otherwise accrued or

1 payable to a member under this System shall be deemed not to exceed  
2 the maximum permissible benefit if:

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

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

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

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

23 F. In no event shall the maximum annual accrued retirement  
24 benefit of a member allowable under this section be less than the

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

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

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

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

20 H. ~~Effective for years beginning after December 31, 1997, if~~ If  
21 a member repays to the System any amounts received or refunded from  
22 the System because of the member's prior termination pursuant to  
23 paragraph 3 of subsection (b) of Section 2-307 of this title or any  
24 other amount which qualifies as a repayment under Section 415(k) (3)

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

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

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

16 K. The Board is hereby authorized to revoke the special  
17 election previously made under Section 415(b) (10) of the Internal  
18 Revenue Code of 1986, as amended.

19 L. Effective September 1, 2011, the interest rate and mortality  
20 assumptions for the System used to determine the actuarial  
21 equivalence of a member's form of benefit shall be set by the State  
22 Board in a manner that precludes employer discretion, shall be based  
23 upon recommendations from independent professional advisors, and  
24 shall be published annually in the actuarial valuation.

1 COMMITTEE REPORT BY: COMMITTEE ON PENSIONS  
February 18, 2013 - DO PASS AS AMENDED

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