

SENATE FLOOR VERSION

February 17, 2014

COMMITTEE SUBSTITUTE
FOR

SENATE BILL NO. 212

By: Anderson of the Senate

and

McDaniel (Randy) of the
House

An Act relating to the Oklahoma Police Pension and Retirement System; amending 11 O.S. 2011, Section 50-107, which relates to custody and disbursement of pension funds; requiring the System to refund overpayment of contributions; amending 11 O.S. 2011, Section 50-111.1, which relates to termination of service prior to normal retirement date; clarifying the method for calculating certain retirement annuity; amending 11 O.S. 2011, Section 50-114.1, as last amended by Section 2, Chapter 241, O.S.L. 2013 (11 O.S. Supp. 2013, Section 50-114.1), which relates to limitation of benefits; clarifying certain limitation provisions; amending 11 O.S. 2011, Section 50-115.2, which relates to death benefits; removing requirement that the System request an opinion from the Internal Revenue Service for federal income tax treatment of certain benefits; and declaring an emergency.

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

SECTION 1. AMENDATORY 11 O.S. 2011, Section 50-107, is amended to read as follows:

Section 50-107. A. All monies provided for the Fund of the System by this article, or by appropriation by any municipality, or

1 by contribution from members, shall be paid over to and received by
2 the State Board for the use and benefit of the System to be
3 disbursed and handled as provided in this article.

4 B. Should any error in any records of the Oklahoma Police
5 Pension and Retirement System result in any payee receiving more or
6 less than the payee would have been entitled had the records been
7 correct, the State Board shall correct such error and shall pay any
8 underpayments or recover any overpayments. An error does not
9 include a member's failure to submit required documents, including
10 proof of military service, prior to the effective date of
11 retirement, which date includes the member's entry into the Oklahoma
12 Police Deferred Option Plan. If a member submits documents after
13 the effective date of retirement, no adjustment in retirement
14 benefits shall be made.

15 C. Should more than the amount of a participating municipality
16 or member contributions be paid to the System by a participating
17 municipality through a mistake of fact, the System shall refund the
18 amounts paid to the participating municipality within one year after
19 the date on which the mistaken contribution was made. The System
20 shall not pay the participating municipality earnings attributable
21 to such contribution but shall reduce the amount returned to the
22 participating municipality pursuant to this subsection by the amount
23 of losses attributable to such contribution.

1 SECTION 2. AMENDATORY 11 O.S. 2011, Section 50-111.1, is
2 amended to read as follows:

3 Section 50-111.1. A. A member who terminates service before
4 normal retirement date, other than by death or disability shall,
5 upon application filed with the State Board, be refunded from the
6 Fund an amount equal to the accumulated contributions the member has
7 made to the Fund, but excluding any interest or any amount
8 contributed by the municipality or state. If a member withdraws the
9 member's accumulated contributions, such member shall not have any
10 recourse against the System for any type of additional benefits
11 including, but not limited to, disability benefits. If a member has
12 completed ten (10) years of credited service at the date of
13 termination, the member may elect a vested benefit in lieu of
14 receiving the member's accumulated contributions.

15 If the member who has completed ten (10) or more years of
16 credited service elects the vested benefit, the member shall be
17 entitled to a monthly retirement annuity commencing on the date the
18 member reaches fifty (50) years of age or the date the member would
19 have had twenty (20) years of credited service had the member's
20 employment continued uninterrupted, whichever is later. The annual
21 amount of such retirement annuity shall be equal to two and one-half
22 percent (2 1/2%) of the annualized final average salary multiplied
23 by the number of years of credited service.

24

1 If a terminated member has elected a vested benefit and
2 subsequently returns to work as a police officer of a participating
3 municipality, their vested benefit will be set aside and prior
4 credited service will be reinstated.

5 B. If a member who terminates employment and elects a vested
6 benefit dies prior to being eligible to receive benefits, the
7 member's beneficiary shall be entitled to the member's normal
8 monthly accrued retirement benefits on the date the deceased member
9 would have been eligible to receive the benefit.

10 C. Whenever a member has terminated or hereafter terminates
11 covered employment and has withdrawn or hereafter withdraws the
12 member's accumulated contributions and has rejoined or hereafter
13 rejoins the System, the member, upon proper application and approval
14 by the Board, may pay to the System the sum of the accumulated
15 contributions the member has withdrawn or hereafter withdraws plus
16 ten percent (10%) annual interest from the date of withdrawal and
17 shall receive the same benefits as if the member had never withdrawn
18 the contributions. Effective July 1, 2003, a lump-sum payment for
19 repayment of any amounts received because of a member's prior
20 termination may be repaid by trustee-to-trustee transfers from a
21 Section 403(b) annuity, an eligible Section 457(b) plan, and/or a
22 Section 401(a) qualified plan. Those members who at the time of
23 termination of employment could not withdraw any of their
24 accumulated contributions shall receive credited service for the

1 time employed as an officer prior to any such termination upon
2 proper application and approval by the Board. To receive credit for
3 such service, all required contributions and interest shall be paid
4 within ninety (90) days of Board approval of the application. The
5 provisions of this subsection shall not apply to any member who is
6 receiving benefits from the System as of July 1, 1987.

7 D. If an active member dies and does not leave a beneficiary,
8 the accumulated contributions made to the System by the member shall
9 be paid to the estate of the member.

10 SECTION 3. AMENDATORY 11 O.S. 2011, Section 50-114.1, as
11 last amended by Section 2, Chapter 241, O.S.L. 2013 (11 O.S. Supp.
12 2013, Section 50-114.1), is amended to read as follows:

13 Section 50-114.1. A. For limitation years prior to July 1,
14 2007, the limitations of Section 415 of the Internal Revenue Code of
15 1986, as amended, shall be computed in accordance with the
16 applicable provisions of the System in effect at that time and, to
17 the extent applicable, Revenue Ruling 98-1 and Revenue Ruling 2001-
18 51, except as provided below. Notwithstanding any other provision
19 contained herein to the contrary, the benefits payable to a member
20 from the System provided by employer contributions (including
21 contributions picked up by the employer under Section 414(h) of the
22 Internal Revenue Code of 1986, as amended) shall be subject to the
23 limitations of Section 415 of the Internal Revenue Code of 1986, as
24 amended, in accordance with the provisions of this section. The

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

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

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

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

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

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

1 of benefit in any limitation year shall not exceed the
2 limits of this section applicable at the annuity
3 starting date, as increased in subsequent years
4 pursuant to Section 415(d) of the Internal Revenue
5 Code of 1986, as amended. For this purpose, an
6 automatic benefit increase feature is included in a
7 form of benefit if the form of benefit provides for
8 automatic, periodic increases to the benefits paid in
9 that form.

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

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

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

3 a. a nondecreasing annuity (other than a straight life
4 annuity) payable for a period of not less than the
5 life of the member (or, in the case of a qualified
6 preretirement survivor annuity, the life of the
7 surviving spouse), or

8 b. an annuity that decreases during the life of the
9 member merely because of:

10 (1) the death of the survivor annuitant (but only if
11 the reduction is not below fifty percent (50%) of
12 the benefit payable before the death of the
13 survivor annuitant), or

14 (2) the cessation or reduction of Social Security
15 supplements or qualified disability payments (as
16 defined in Section 411(a)(9) of the Internal
17 Revenue Code of 1986, as amended).

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

- 3 (1) the interest rate and the mortality table (or
4 other tabular factor), each as set forth in
5 subsection G of Section 50-105.4 of this title
6 for adjusting benefits in the same form; and
7 (2) a five percent (5%) interest rate assumption and
8 the applicable mortality table described in Rev.
9 Rul. 2001-62 (or its successor for these
10 purposes, if applicable) for that annuity
11 starting date.

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

- 16 (1) the annual amount of the straight life annuity
17 (if any) payable to the member under the System
18 commencing at the same annuity starting date as
19 the member's form of benefit, and
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 percent (5%) interest rate assumption and the

1 applicable mortality table described in Rev. Rul.
2 2001-62 (or its successor for these purposes, if
3 applicable) for that annuity starting date.

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

5 For limitation years beginning on or after July 1,
6 2008, the actuarially equivalent straight life annuity
7 is equal to the greater of:

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

12 (2) the annual amount of the straight life annuity
13 commencing at the same annuity starting date that
14 has the same actuarial present value as the
15 member's form of benefit, computed using a five
16 percent (5%) interest rate assumption and the
17 applicable mortality table within the meaning of
18 Section 417(e) (3) (B) of the Internal Revenue Code
19 of 1986, as amended, as described in Rev. Rul.
20 2007-67 (and subsequent guidance) for that
21 annuity starting date.

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

1 determined under this paragraph 6 if the form of the member's
2 benefit is other than a benefit form described in paragraph 5 of
3 this subsection. In this case, the actuarially equivalent straight
4 life annuity shall be determined as follows:

5 a. Annuity Starting Date on or after January 1, 2009. If
6 the annuity starting date of the member's form of
7 benefit is in the period beginning on January 1, 2009,
8 through June 30, 2009, or in a plan year beginning
9 after June 30, 2009, the actuarially equivalent
10 straight life annuity is equal to the greatest of (1),
11 (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) as set forth in the most recent
18 actuarial valuation referenced in subsection G of
19 Section 50-105.4 of this title prior to September
20 1, 2011, and effective September 1, 2011, in
21 paragraph 22 of Section 50-101 of this title, for
22 adjusting benefits in the same form,

23 (2) the annual amount of the straight life annuity
24 commencing at the same annuity starting date that

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

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

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

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

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

20 (1) 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 the
24 interest rate and the mortality table (or other

1 tabular factor) each as set forth in subsection G
2 of Section 50-105.4 of this title for adjusting
3 benefits in the same form,

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

12 (3) 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:

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

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

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

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

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

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 G

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 contains the annuity starting date for the

1 distribution and for which the applicable
2 interest rate remains constant, 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 d. Annuity Starting Date in Plan Years Beginning in 2004
8 or 2005:

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

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

23 (b) a five and one-half percent (5.5%) interest
24 rate assumption and the applicable mortality

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

4 (2) If the annuity starting date of the member's
5 benefit is on or after the first day of the first
6 plan year beginning in 2004 and before December
7 31, 2004, the application of this subparagraph
8 shall not cause the amount payable under the
9 member's form of benefit to be less than the
10 benefit calculated under the System, taking into
11 account the limitations of this section, except
12 that 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 greatest annual amount:

19 (a) the interest rate and mortality table (or
20 other tabular factor) each as set forth in
21 subsection G of Section 50-105.4 of this
22 title for adjusting benefits in the same
23 form,
24

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

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

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

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

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

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

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

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

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

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

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

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

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

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

19 (a) If the annuity starting date for the
20 member's benefit is prior to age sixty-two
21 (62) and occurs in the limitation year
22 beginning on January 1, 2008, and the System
23 does not have an immediately commencing
24 straight life annuity payable at both age

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

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

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

- 22 (2) System Has Immediately Commencing Straight Life
23 Annuity Payable at Both Age Sixty-two (62) and
24 the Age of Benefit Commencement. If the annuity

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

21 (3) Effective for limitation years commencing on or
22 after January 1, 2014, notwithstanding any other
23 provision of paragraph 1 of this subsection, the
24 age-adjusted dollar limit applicable to a member

1 shall not decrease on account of an increase in
2 age or the performance of additional services.

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

5 a. Limitation Years Beginning Before July 1, 2007. If
6 the annuity starting date for the member's benefit is
7 after age sixty-five (65) and occurs in a limitation
8 year beginning before July 1, 2007, the dollar
9 limitation for the member's annuity starting date is
10 the annual amount of a benefit payable in the form of
11 a straight life annuity commencing at the member's
12 annuity starting date that is the actuarial equivalent
13 of the dollar limitation under subsection B of this
14 section (adjusted under subsection C of this section
15 for years of participation less than ten (10), if
16 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 G of Section 50-105.4 of this title,
22 or
23 (2) a five-percent interest rate assumption and the
24 applicable mortality table as described in Rev.

1 Rul. 2001-62 (or its successor for these
2 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 Age Sixty-
6 five (65) and the Age of Benefit Commencement.

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

1 interest rate assumption and the applicable
2 mortality table for the annuity starting
3 date as described in Rev. Rul. 2001-62 (or
4 its successor for these purposes, if
5 applicable) (and expressing the member's age
6 based on completed calendar months as of the
7 annuity starting date).

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

1 equivalence computed using a five-percent
2 interest rate assumption and the applicable
3 mortality table within the meaning of
4 Section 417(e)(3)(B) of the Internal Revenue
5 Code of 1986, as amended, as described in
6 Rev. Rul. 2007-67 (and subsequent guidance)
7 (and expressing the member's age based on
8 completed calendar months as of the annuity
9 starting date).

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

1 (10), if required) multiplied by the ratio of the
2 annual amount of the adjusted immediately
3 commencing straight life annuity under the System
4 at the member's annuity starting date to the
5 annual amount of the adjusted immediately
6 commencing straight life annuity under the System
7 at age sixty-five (65), both determined without
8 applying the limitations of this section. For
9 this purpose, the adjusted immediately commencing
10 straight life annuity under the System at the
11 member's annuity starting date is the annual
12 amount of such annuity payable to the member,
13 computed disregarding the member's accruals after
14 age sixty-five (65) but including actuarial
15 adjustments even if those actuarial adjustments
16 are used to offset accruals; and the adjusted
17 immediately commencing straight life annuity
18 under the System at age sixty-five (65) is the
19 annual amount of such annuity that would be
20 payable under the System to a hypothetical member
21 who is age sixty-five (65) and has the same
22 accrued benefit as the member.

23 3. Notwithstanding the other requirements of this subsection,
24 no adjustment shall be made to the dollar limitation under

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

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

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

22 1. The retirement benefits payable for a limitation year under
23 any form of benefit with respect to such member under this System
24 and under all other defined benefit plans (without regard to whether

1 a plan has been terminated) ever maintained by a participating
2 municipality do not exceed Ten Thousand Dollars (\$10,000.00)
3 multiplied by a fraction:

- 4 a. the numerator of which is the member's number of
5 credited years (or part thereof, but not less than one
6 (1) year) of service (not to exceed ten (10) years)
7 with the participating municipality, and
8 b. the denominator of which is ten (10); and

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

18 F. In no event shall the maximum annual accrued retirement
19 benefit of a member allowable under this section be less than the
20 annual amount of such accrued retirement benefit, including early
21 pension and qualified joint and survivor annuity amounts, duly
22 accrued by the member as of the last day of the limitation year
23 beginning in 1982, or as of the last day of the limitation year
24 beginning in 1986, whichever is greater, disregarding any plan

1 changes or cost-of-living adjustments occurring after July 1, 1982,
2 as to the 1982 accrued amount, and May 5, 1986, as to the 1986
3 accrued amount.

4 G. If a member purchases service credit under the System, which
5 qualifies as "permissive service credit" pursuant to Section 415(n)
6 of the Internal Revenue Code of 1986, as amended, the limitations of
7 Section 415 of the Internal Revenue Code of 1986, as amended, may be
8 met by either:

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

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

14 H. If a member repays to the System any amounts refunded from
15 the System because of such member's prior termination or any other
16 amount which qualifies as a repayment under Section 415(k)(3) of the
17 Internal Revenue Code of 1986, as amended, such repayment shall not
18 be taken into account for purposes of Section 415 of the Internal
19 Revenue Code of 1986, as amended, pursuant to Section 415(k)(3) of
20 the Internal Revenue Code of 1986, as amended.

21 I. For limitation years beginning on or after January 1, 1995,
22 subsection C of this section, paragraph 1 of subsection D of this
23 section, and the proration provided under subparagraphs a and b of
24 paragraph 1 of subsection E of this section shall not apply to a

1 benefit paid under the System as the result of the member becoming
2 disabled by reason of personal injuries or sickness, or amounts
3 received by the beneficiaries, survivors or estate of the member as
4 the result of the death of the member.

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

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

11 SECTION 4. AMENDATORY 11 O.S. 2011, Section 50-115.2, is
12 amended to read as follows:

13 Section 50-115.2. Upon the death of an active or retired
14 member, the Oklahoma Police Pension and Retirement System shall pay
15 to the beneficiary of the member or if there is no beneficiary or if
16 the beneficiary predeceases the member, to the estate of the member,
17 the sum of Four Thousand Dollars (\$4,000.00) as a death benefit for
18 those active or retired members who died prior to July 1, 1999. For
19 those active or retired members who die on or after July 1, 1999,
20 the sum shall be Five Thousand Dollars (\$5,000.00). ~~The benefit~~
21 ~~payable pursuant to this section shall be deemed, for purposes of~~
22 ~~federal income taxation, as life insurance proceeds and not as a~~
23 ~~death benefit if the Internal Revenue Service approves this~~

24

1 ~~provision pursuant to a private letter ruling request which shall be~~
2 ~~submitted by the board of trustees of the System for that purpose.~~

3 SECTION 5. It being immediately necessary for the preservation
4 of the public peace, health and safety, an emergency is hereby
5 declared to exist, by reason whereof this act shall take effect and
6 be in full force from and after its passage and approval.

7 COMMITTEE REPORT BY: COMMITTEE ON PENSIONS
8 February 17, 2014 - DO PASS AS AMENDED
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