

1 STATE OF OKLAHOMA

2 2nd Session of the 54th Legislature (2014)

3 SENATE BILL 1710

By: Brown

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5  
6 AS INTRODUCED

7 An Act relating to insurance; updating definitions;  
8 amending 47 O.S. 2011, Section 2-305.4, as last  
9 amended by Section 2, Chapter 16, O.S.L. 2013 (47  
10 O.S. Supp. 2013, Section 2-305.4), which relates to  
qualified health insurance premiums; updating  
references to Internal Revenue Code; and declaring an  
emergency.

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

14 SECTION 1. AMENDATORY 47 O.S. 2011, Section 2-305.4, as  
15 last amended by Section 2, Chapter 16, O.S.L. 2013 (47 O.S. Supp.  
16 2013, Section 2-305.4), is amended to read as follows:

17 Section 2-305.4. A. For limitation years prior to July 1,  
18 2007, the limitations of Section 415 of the Internal Revenue Code of  
19 1986, as amended, shall be computed in accordance with the  
20 applicable provisions of the System in effect at that time and, to  
21 the extent applicable, Revenue Ruling 98-1 and Revenue Ruling 2001-  
22 51, except as provided herein. Notwithstanding any other provision  
23 contained herein to the contrary, the benefits payable to a member  
24 from the Oklahoma Law Enforcement Retirement System provided by

1 employer contributions (including contributions picked up by the  
2 employer under Section 414(h) of the Internal Revenue Code of 1986,  
3 as amended), shall be subject to the limitations of Section 415 of  
4 the Internal Revenue Code of 1986, as amended, in accordance with  
5 the provisions of this section. The limitations of this section  
6 shall apply in limitation years beginning on or after July 1, 2007,  
7 except as otherwise provided herein.

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

21 1. The member's annual benefit is a benefit that is payable  
22 annually in the form of a straight life annuity. Except as provided  
23 herein, where a benefit is payable in a form other than a straight  
24 life annuity, the benefit shall be adjusted to an actuarially

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

- 14 2. No actuarial adjustment to the benefit shall be made for:
- 15 a. survivor benefits payable to a surviving spouse under  
16 a qualified joint and survivor annuity to the extent  
17 such benefits would not be payable if the member's  
18 benefit were paid in another form,
  - 19 b. benefits that are not directly related to retirement  
20 benefits (such as a qualified disability benefit,  
21 preretirement incidental death benefits) and  
22 postretirement medical benefits, or
  - 23 c. the inclusion in the form of benefit of an automatic  
24 benefit increase feature, provided, the form of

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

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

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

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

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

11           b. an annuity that decreases during the life of the  
12 member merely because of:

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

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

21           c. Limitation Years Beginning Before July 1, 2007. For  
22 limitation years beginning before July 1, 2007, the  
23 actuarially equivalent straight life annuity is equal  
24 to the annual amount of the straight life annuity

1 commencing at the same annuity starting date that has  
2 the same actuarial present value as the member's form  
3 of benefit computed using whichever of the following  
4 produces the greater annual amount:

5 (1) the interest rate and the mortality table or  
6 other tabular factor, each as set forth in  
7 subsection H of Section 2-303.1 of this title for  
8 adjusting benefits in the same form, and

9 (2) a five percent (5%) interest rate assumption and  
10 the applicable mortality table described in  
11 Revenue Ruling 2001-62 (or its successor for  
12 these purposes, if applicable) for that annuity  
13 starting date.

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

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

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 percent (5%) interest rate assumption and the  
3 applicable mortality table described in Revenue  
4 Ruling 2001-62 (or its successor for these  
5 purposes, if applicable) for that annuity  
6 starting date.

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

8 For limitation years beginning on or after July 1,  
9 2008, the actuarially equivalent straight life annuity  
10 is equal to the greater of:

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

15 (2) the annual amount of the straight life annuity  
16 commencing at the same annuity starting date that  
17 has the same actuarial present value as the  
18 member's form of benefit, computed using a five  
19 percent (5%) interest rate assumption and the  
20 applicable mortality table within the meaning of  
21 Section 417(e) (3) (B) of the Internal Revenue Code  
22 of 1986, as amended, as described in Rev. Rul.  
23 2007-67 (and subsequent guidance) for that  
24 annuity starting date.

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

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

15           (1) the annual amount of the straight life annuity  
16 commencing at the same annuity starting date that  
17 has the same actuarial present value as the  
18 member's form of benefit, computed using the  
19 interest rate and the mortality table or other  
20 tabular factor, each as set forth in the most  
21 recent actuarial valuation referenced in  
22 subsection H of Section 2-303.1 of this title  
23 prior to September 1, 2011, and effective  
24

1                   September 1, 2011, in subsection L of this  
2                   section, for adjusting 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                   within the meaning of Section 417(e) (3) (B) of the  
10                   Internal Revenue Code of 1986, as amended, as  
11                   described in Rev. Rul. 2007-67 (and subsequent  
12                   guidance), and  
13                   (3) the annual amount of the straight life annuity  
14                   commencing at the same annuity starting date that  
15                   has the same actuarial present value as the  
16                   member's form of benefit, computed using:  
17                   (a) the adjusted first, second, and third  
18                   segment rates under Section 417(e) (3) (C) and  
19                   (D) of the Internal Revenue Code of 1986, as  
20                   amended, applied under rules similar to the  
21                   rules of Section 430(h) (2) (C) of the  
22                   Internal Revenue Code of 1986, as amended,  
23                   for the fourth calendar month preceding the  
24                   plan year in which falls the annuity

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

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

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

17 b. Annuity Starting Date in the Period Beginning on July  
18 1, 2008 through December 31, 2008. If the annuity  
19 starting date of the member's form of benefit is in  
20 the period beginning on July 1, 2008 through December  
21 31, 2008, the actuarially equivalent straight life  
22 annuity is equal to the greatest of (1), (2) and (3)  
23 of this subsection:  
24

1 (1) the annual amount of the straight life annuity  
2 commencing at the same annuity starting date that  
3 has the same actuarial present value as the  
4 member's form of benefit, computed using the  
5 interest rate and the mortality table or other  
6 tabular factor, each as set forth in subsection H  
7 of Section 2-303.1 of this title for adjusting  
8 benefits in the same form,

9 (2) the annual amount of the straight life annuity  
10 commencing at the same annuity starting date that  
11 has the same actuarial present value as the  
12 member's form of benefit, computed using a five  
13 and one-half percent (5.5%) interest rate  
14 assumption and the applicable mortality table  
15 described in Revenue Ruling 2001-62 (or its  
16 successor for these purposes, if applicable), and

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

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

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

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

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

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

1 (1) the annual amount of the straight life annuity  
2 commencing at the same annuity starting date that  
3 has the same actuarial present value as the  
4 member's form of benefit, computed using the  
5 interest rate and the mortality table (or other  
6 tabular factor) each as set forth in subsection H  
7 of Section 2-303.1 of this title for adjusting  
8 benefits in the same form,

9 (2) the annual amount of the straight life annuity  
10 commencing at the same annuity starting date that  
11 has the same actuarial present value as the  
12 member's form of benefit, computed using a five  
13 and one-half percent (5.5%) interest rate  
14 assumption and the applicable mortality table  
15 described in Revenue Ruling 2001-62 (or its  
16 successor for these purposes, if applicable), and

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

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

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

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

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

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

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

- 1 (a) 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  
4 title for adjusting benefits in the same  
5 form, and  
6 (b) a five and one-half percent (5.5%) interest  
7 rate assumption and the applicable mortality  
8 table described in Revenue Ruling 2001-62  
9 (or its successor for these purposes, if  
10 applicable).

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

1                   computed using whichever of the following  
2                   produces the greatest annual amount:

3                   (a)   the interest rate and mortality table or  
4                         other tabular factor, each as set forth in  
5                         subsection H of Section 2-203.1 of this  
6                         title for adjusting benefits in the same  
7                         form,

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

22                        ii.   the applicable mortality table  
23                        described in Revenue Ruling 2001-62 (or  
24

1 its successor for these purposes, if  
2 applicable), and

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

21 ii. the applicable mortality table  
22 described in Revenue Ruling 2001-62 (or  
23 its successor for these purposes, if  
24 applicable).

1 C. If a member has less than ten (10) years of participation in  
2 the System and all predecessor pension and retirement systems, the  
3 dollar limitation otherwise applicable under subsection B of this  
4 section shall be multiplied by a fraction, the numerator of which is  
5 the number of the years of participation or part thereof, in the  
6 System of the member, but never less than one (1), and the  
7 denominator of which is ten (10).

8 D. Adjustment of Dollar Limitation for Benefit Commencement  
9 Before Sixty-two (62) Years of Age or After Sixty-five (65) Years of  
10 Age: Effective for benefits commencing in limitation years ending  
11 after December 31, 2001, the dollar limitation under subsection B of  
12 this section shall be adjusted if the annuity starting date of the  
13 member's benefit is before sixty-two (62) years of age or after  
14 sixty-five (65) years of age. If the annuity starting date is  
15 before sixty-two (62) years of age, the dollar limitation under  
16 subsection B of this section shall be adjusted under paragraph 1 of  
17 this subsection, as modified by paragraph 3 of this subsection, but  
18 subject to paragraph 4 of this subsection. If the annuity starting  
19 date is after sixty-five (65) years of age, the dollar limitation  
20 under subsection B of this section shall be adjusted under paragraph  
21 2 of this subsection, as modified by paragraph 3 of this subsection.

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

24

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

15 (1) the interest rate and the mortality table or  
16 other tabular factor, each as set forth in  
17 subsection H of Section 2-303.1 of this title, or

18 (2) a five percent (5%) interest rate assumption and  
19 the applicable mortality table as described in  
20 Revenue Ruling 2001-62 (or its successor for  
21 these purposes, if applicable).

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

23 (1) System Does Not Have Immediately Commencing  
24 Straight Life Annuity Payable at Both Sixty-two

1 (62) Years of Age and the Age of Benefit  
2 Commencement.

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

1 successor for these purposes, if applicable)  
2 (and expressing the member's age based on  
3 completed calendar months as of the annuity  
4 starting date).

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

1 table within the meaning of Section  
2 417(e)(3)(B) of the Internal Revenue Code of  
3 1986, as amended, as described in Rev. Rul.  
4 2007-67 (and subsequent guidance) (and  
5 expressing the member's age based on  
6 completed calendar months as the annuity  
7 starting date).

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

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

8 (3) Effective for limitation years commencing on or  
9 after January 1, 2014, notwithstanding any other  
10 provision of paragraph 1 of this subsection, the  
11 age-adjusted dollar limit applicable to a member  
12 shall not decrease on account of an increase in  
13 age or the performance of additional services.

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

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

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

- 6 (1) the interest rate and the mortality table or  
7 other tabular factor, each as set forth in  
8 subsection H of Section 2-303.1 of this title, or  
9 (2) a five percent (5%) interest rate assumption and  
10 the applicable mortality table as described in  
11 Revenue Ruling 2001-62 (or its successor for  
12 these 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 Sixty-five  
16 (65) Years of Age and the Age of Benefit  
17 Commencement.

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

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

20 (b) If the annuity starting date for the  
21 member's benefit is after sixty-five (65)  
22 years of age 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 sixty-five (65) years of age and the  
3 age of benefit commencement, the dollar  
4 limitation for the member's annuity starting  
5 date is the annual amount of a benefit  
6 payable in the form of a straight life  
7 annuity commencing at the member's annuity  
8 starting date that is the actuarial  
9 equivalent of the dollar limitation under  
10 subsection B of this section (adjusted under  
11 subsection C of this section for years of  
12 participation less than ten (10), if  
13 required) with actuarial equivalence  
14 computed using a five percent (5%) interest  
15 rate assumption and the applicable mortality  
16 table within the meaning of Section  
17 417(e) (3) (B) of the Internal Revenue Code of  
18 1986, as amended, as described in Rev. Rul.  
19 2007-67 (and subsequent guidance) (and  
20 expressing the member's age based on  
21 completed calendar months as of the annuity  
22 starting date).

- 23 (2) System Has Immediately Commencing Straight Life  
24 Annuity Payable at Both Sixty-five (65) Years of

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

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

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

1 preretirement survivor annuity, as defined in Section 417(c) of the  
2 Internal Revenue Code of 1986, as amended, upon the member's death.

3 4. Notwithstanding any other provision to the contrary, for  
4 limitation years beginning on or after January 1, 1997, if payment  
5 begins before the member reached sixty-two (62) years of age, the  
6 reductions in the limitations in this subsection shall not apply to  
7 a member who is a "qualified participant" as defined in Section  
8 415(b) (2) (H) of the Internal Revenue Code of 1986, as amended.

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

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

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

23 b. the denominator of which is ten (10), and  
24

1        2. The participating employer (or a predecessor employer) has  
2 not at any time maintained a defined contribution plan in which the  
3 member participated (for this purpose, mandatory employee  
4 contributions under a defined benefit plan, individual medical  
5 accounts under Section 401(h) of the Internal Revenue Code of 1986,  
6 as amended, and accounts for postretirement medical benefits  
7 established under Section 419A(d) (1) of the Internal Revenue Code of  
8 1986, as amended, are not considered a separate defined contribution  
9 plan).

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

20        G. If a member purchases service credit under this title from  
21 the System, which qualifies as "permissive service credit" pursuant  
22 to Section 415(n) of the Internal Revenue Code of 1986, as amended,  
23 the limitations of Section 415 of the Internal Revenue Code of 1986,  
24 as amended, may be met by either:

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

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

6        H. If a member repays to the System any amounts received or  
7 refunded from the System because of the member's prior termination  
8 pursuant to paragraph 3 of subsection (b) of Section 2-307 of this  
9 title or any other amount which qualifies as a repayment under  
10 Section 415(k)(3) of the Internal Revenue Code of 1986, as amended,  
11 such repayment shall not be taken into account for purposes of  
12 Section 415 of the Internal Revenue Code of 1986, as amended,  
13 pursuant to Section 415(k)(3) of the Internal Revenue Code of 1986,  
14 as amended.

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

23

24

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

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

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

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

17

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