

## STATE OF OKLAHOMA

2nd Session of the 55th Legislature (2016)

SENATE BILL 1022

By: Barrington

AS INTRODUCED

An Act relating to pensions; amending 11 O.S. 2011, Sections 49-117.1, as last amended by Section 6, Chapter 281, O.S.L. 2014, and 49-117.3 (11 O.S. Supp. 2015, Section 49-117.1), which relates to termination of services before normal retirement date; clarifying certain forms of payments; providing an effective date; and declaring an emergency.

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

SECTION 1. AMENDATORY 11 O.S. 2011, Section 49-117.1, as last amended by Section 6, Chapter 281, O.S.L. 2014 (11 O.S. Supp. 2015, Section 49-117.1), is amended to read as follows:

Section 49-117.1. A. A member who terminates service before normal retirement date, other than by death or disability shall, upon application filed with the State Board, be refunded from the Fund an amount equal to the accumulated contributions the member has made to the Fund, but excluding any interest or any amount contributed by the municipality or state.

B. If a member, whose first employment with a participating employer of the System occurs prior to November 1, 2013, has

1 completed ten (10) years of credited service at the date of  
2 termination, the member may elect a vested benefit in lieu of  
3 receiving the member's accumulated contributions.

4 C. If a member whose first employment with a participating  
5 employer of the System occurs on or after November 1, 2013, has  
6 completed eleven (11) years of credited service at the date of  
7 termination, the member may elect a vested benefit in lieu of  
8 receiving the member's accumulated contributions.

9 D. If the member who has completed ten (10) or more years of  
10 credited service as prescribed by subsection B of this section  
11 elects the vested benefit, the member shall be entitled to a monthly  
12 retirement annuity commencing on the date the member reaches fifty  
13 (50) years of age or the date the member would have had twenty (20)  
14 years of credited service had the member's employment continued  
15 uninterrupted, whichever is later. The annual amount of such  
16 retirement annuity shall be equal to two and one-half percent (2  
17 1/2%) of the annualized final average salary multiplied by the  
18 number of years of credited service not to exceed thirty (30) years.  
19 The death benefits provided for in Section 49-113.2 of this title  
20 shall not apply to any member retiring under the provisions of this  
21 section.

22 E. If the member who has completed eleven (11) or more years of  
23 credited service as prescribed by subsection C of this section  
24 elects the vested benefit, the member shall be entitled to a monthly

1 retirement annuity commencing on the date the member reaches fifty  
2 (50) years of age or the date the member would have had twenty-two  
3 (22) years of credited service had the member's employment continued  
4 uninterrupted, whichever is later. The annual amount of such  
5 retirement annuity shall be equal to two and one-half percent (2  
6 1/2%) of the annualized final average salary multiplied by the  
7 number of years of credited service not to exceed thirty (30) years.  
8 The death benefits provided for in Section 49-113.2 of this title  
9 shall not apply to any member retiring under the provisions of this  
10 section.

11 F. If a member who terminates employment and elects a vested  
12 benefit dies prior to being eligible to receive benefits, the  
13 member's beneficiary shall be entitled to the member's normal  
14 monthly retirement benefit on the date the deceased member would  
15 have been eligible to receive the benefit.

16 G. If a member terminates employment and withdraws the member's  
17 accumulated contributions and then subsequently rejoins the System,  
18 he may pay to the System the sum of the accumulated contributions he  
19 has withdrawn plus five percent (5%) annual interest from the date  
20 of withdrawal and shall receive the same benefits as if he had never  
21 withdrawn his contributions; however, effective January 1, 1991, the  
22 rate of interest provided herein shall be ten percent (10%) per  
23 annum.  
24

1 H. ~~Effective January 1, 2002, lump-sum~~ Lump-sum payments for  
2 repayment of any amounts received because of a member's prior  
3 termination with interest may be repaid by a trustee-to-trustee  
4 transfer of non-Roth funds from a Code Section 403(b) annuity, a  
5 governmental Code Section 457 plan, and/or a Code Section 401(a)  
6 qualified plan.

7 I. A firefighter shall not be permitted to withdraw from the  
8 System while employed as a firefighter in a participating  
9 municipality.

10 SECTION 2. AMENDATORY 11 O.S. 2011, Section 49-117.3, is  
11 amended to read as follows:

12 Section 49-117.3. A. The State Board shall adopt rules for  
13 computation of the purchase price for transferred credited service.  
14 These rules shall base the purchase price for each year purchased on  
15 the actuarial cost of the incremental projected benefits to be  
16 purchased. The purchase price shall represent the present value of  
17 the incremental projected benefits discounted according to the  
18 member's age at the time of purchase. Incremental projected  
19 benefits shall be the difference between the projected benefit said  
20 member would receive without purchasing the transferred credited  
21 service and the projected benefit after purchase of the transferred  
22 credited service computed as of the earliest age at which the member  
23 would be able to retire. Said computation shall assume an unreduced  
24 benefit and be computed using interest and mortality assumptions

1 consistent with the actuarial assumptions adopted by the Board of  
2 Trustees for purposes of preparing the annual actuarial evaluation.

3 B. In the event that the member is unable to pay the purchase  
4 price provided for in this section by the due date, the State Board  
5 shall permit the members to amortize the purchase price over a  
6 period not to exceed sixty (60) months. Said payments shall be made  
7 by payroll deductions unless the State Board permits an alternate  
8 payment source. The amortization shall include interest in an  
9 amount not to exceed the actuarially assumed interest rate adopted  
10 by the State Board for investment earnings each year. Any member  
11 who ceases to make payment, terminates, retires or dies before  
12 completing the payments provided for in this section shall receive  
13 prorated service credit for only those payments made, unless the  
14 unpaid balance is paid by said member, his or her estate or  
15 successor in interest within six (6) months after said member's  
16 death, termination of employment or retirement, provided no  
17 retirement benefits shall be payable until the unpaid balance is  
18 paid, unless said member or beneficiary affirmatively waives the  
19 additional six-month period in which to pay the unpaid balance. The  
20 State Board shall promulgate such rules as are necessary to  
21 implement the provisions of this subsection.

22 C. Members who pay the purchase price by the due date may make  
23 payment by:  
24

1 1. A trustee-to-trustee transfer of non-Roth funds from a Code  
2 Section 403(b) annuity or custodial account, an eligible deferred  
3 compensation plan described in Code Section 457(b) which is  
4 maintained by an eligible employer described in Code Section  
5 457(e) (1) (A), and/or a Code Section 401(a) qualified plan; or

6 2. A direct rollover of tax-deferred funds from a Code Section  
7 403(b) annuity or custodial account, an eligible deferred  
8 compensation plan described in Code Section 457(b) which is  
9 maintained by an eligible employer described in Code Section  
10 457(e) (1) (A), a Code Section 401(a) qualified plan, and/or a Code  
11 Section 408(a) or 408(b) traditional or conduit Individual  
12 Retirement Account or Annuity (IRA). Roth ~~IRAs~~ accounts and  
13 Coverdell Education Savings Accounts shall not be used to purchase  
14 transferred credited service.

15 The State Board shall promulgate such rules as are necessary to  
16 implement the provisions of this subsection.

17 D. Members amortizing the purchase price and making payments by  
18 payroll deduction, shall have the option of making a cash lump-sum  
19 payment for the balance of the actuarial purchase price with  
20 interest due through the date of payment by:

21 1. A trustee-to-trustee transfer of non-Roth funds from a Code  
22 Section 403(b) annuity or custodial account, an eligible deferred  
23 compensation plan described in Code Section 457(b) which is  
24

1 maintained by an eligible employer described in Code Section  
2 457(e) (1) (A), and/or a Code Section 401(a) qualified plan; or

3 2. A direct rollover of tax-deferred funds from a Code Section  
4 403(b) annuity or custodial account, an eligible deferred  
5 compensation plan described in Code Section 457(b) which is  
6 maintained by an eligible employer described in Code Section  
7 457(e) (1) (A), a Code Section 401(a) qualified plan, and/or a Code  
8 Section 408(a) or 408(b) traditional or conduit Individual  
9 Retirement Account or Annuity (IRA). Roth ~~IRAs~~ accounts and  
10 Coverdell Education Savings Accounts shall not be used to purchase  
11 transferred credited service.

12 The State Board shall promulgate such rules as are necessary to  
13 implement the provisions of this subsection.

14 SECTION 3. This act shall become effective July 1, 2016.

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

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