

HOUSE OF REPRESENTATIVES - FLOOR VERSION

STATE OF OKLAHOMA

2nd Session of the 55th Legislature (2016)

ENGROSSED SENATE
BILL NO. 1040

By: Smalley of the Senate

and

McDaniel (Randy) of the
House

An Act relating to the Oklahoma Law Enforcement Retirement System; amending 47 O.S. 2011, Sections 2-307, as amended by Section 172, Chapter 304, O.S.L. 2012, 2-307.1, 2-307.2, 2-307.3, 2-307.4, 2-307.5 and 2-307.7 (47 O.S. Supp. 2015, Section 2-307), which relate to reinstatement, service credit and termination credit; clarifying certain forms of payment for specified purposes; and declaring an emergency.

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

SECTION 1. AMENDATORY 47 O.S. 2011, Section 2-307, as amended by Section 172, Chapter 304, O.S.L. 2012 (47 O.S. Supp. 2015, Section 2-307), is amended to read as follows:

Section 2-307. (a) In the event a member of the System obtains a leave of absence, of not to exceed ninety (90) days at any one time, because of injury or illness or for any personal reason other than the acceptance of other employment, the member's membership in

1 the System shall not terminate and the period of such leave shall be
2 counted toward retirement for length of service if, during such
3 leave of absence or at the end thereof, the member shall pay to the
4 Fund an amount equal to the contributions which would have been
5 deducted from the member's salary during such period if such leave
6 of absence had not been obtained, but if such contributions are not
7 paid during such leave or made up within thirty (30) days after the
8 end of such leave, or if such leave of absence extends for more than
9 ninety (90) days at any one time, the period of such leave shall not
10 be counted toward length of service for retirement nor in computing
11 the amount of any pension or any retirement pay or any other
12 benefits hereunder.

13 (b) In the event a member of the System obtains a leave of
14 absence for the purpose of accepting other employment, or if a
15 member resigns and during such resignation accepts other employment,
16 the member's membership in the System shall terminate as of the date
17 of the beginning of such leave. Provided, that if the membership of
18 a member of the System shall have been terminated either by such
19 leave of absence or by termination of employment, and such former
20 member is reemployed, the Board, upon application therefor made in
21 the same manner as an original application for membership in the
22 System, may reinstate such membership. Such reinstated member shall
23 be allowed full credit toward retirement for all service credit
24 accrued up to the time of termination of membership if, but only if:

1 1. Such application for reinstatement is made within three (3)
2 years from the date of such termination of such membership; ~~and~~

3 2. Such reinstated member remains a member of the System for a
4 period of five (5) consecutive years after reinstatement of
5 membership; ~~and~~

6 3. Such reinstated member reimburses the Fund, at the time
7 application for reinstatement is made, with the amount of any
8 portion of the membership contribution which has been refunded to
9 the member under the provisions of Section 2-308 of this title; and

10 4. A lump-sum payment for repayment of any amount received
11 because of a member's prior termination may be repaid by:

12 a. a cash lump-sum payment,

13 b. a trustee-to-trustee transfer of non-Roth funds from a
14 Section 403(b) annuity or custodial account, an
15 eligible deferred compensation plan described in Code
16 Section 457(b) which is maintained by an eligible
17 employer described in Code Section 457(e)(1)(A),
18 and/or a Code Section 401(a) qualified plan,

19 c. a direct rollover of tax-deferred funds from a Code
20 Section 403(b) annuity or custodial account, an
21 eligible deferred compensation plan described in Code
22 Section 457(b) which is maintained by an eligible
23 employer described in Code Section 457(e)(1)(A), a
24 Code Section 401(a) qualified plan, and/or a Code

1 Section 408(a) or 408(b) traditional or conduit
2 Individual Retirement Account or Annuity (IRA). Roth
3 ~~IRAs~~ accounts, Coverdell Education Savings Accounts
4 and after-tax contributions shall not be used to
5 purchase such service credit, or

6 d. any combination of the above methods of payment.

7 The provisions of this subsection shall not apply to absences
8 caused by such military service as may be considered as service for
9 retirement for length of service under the provisions of subsection
10 (c) of this section.

11 (c) In determining the eligibility of a member for retirement
12 based upon length of service, any service in the Armed Forces of the
13 United States or any component thereof between the 16th day of
14 September, 1940, and the 30th day of June, 1954, and any service in
15 the Armed Forces of the United States or any component thereof upon
16 call of the President of the United States or of the Governor of the
17 State of Oklahoma, together with such prior service, as would have
18 been otherwise considered as service for retirement for length of
19 service, shall be considered as service for length of service,
20 provided that the member returns and files application for
21 reinstatement as a member of the System within ninety (90) days
22 after the member's release, or opportunity for release, from such
23 Armed Forces or component thereof. The member's employing agency
24 that is making contributions to the System on behalf of the member

1 shall continue payment of contributions into the pension fund, to
2 the same force and effect as though the member was in the actual
3 employment of such agency at the same salary for a period not to
4 exceed five (5) years. If such member shall have been refunded any
5 portion of the membership contributions as provided in Section 2-308
6 of this title, the member shall be required to reimburse the Fund
7 with the same amount at the time of the member's application for
8 reinstatement in the System, before the reinstated member is given
9 credit for accrued prior service. Provided, that in no event shall
10 a member of the System who has entered such Armed Forces or
11 component thereof prior to retirement be or become eligible for
12 retirement for length of service unless the member shall thereafter
13 have been reinstated as a member of the System as provided for
14 herein, and thereafter remained a member for at least one (1) year
15 after such reinstatement.

16 (d) Time spent on involuntary furlough by members pursuant to
17 the rules of the Office of Management and Enterprise Services shall
18 be credited.

19 (e) Notwithstanding any provisions herein to the contrary:

20 1. Contributions, benefits and service credit with respect to
21 qualified military service shall be provided in accordance with
22 Section 414(u) of the Internal Revenue Code of 1986, as amended,
23 which is in accordance with the Uniformed Service Employment and
24 Reemployment Rights Act of 1994, as amended (USERRA). The

1 employer's contributions to the System for a member covered by
2 USERRA are due when such a member makes up his or her contributions
3 that were missed due to his or her qualified military service; and

4 2. Effective January 1, 2007, if any member dies while
5 performing qualified military service (as defined in Section 414(u)
6 of the Internal Revenue Code of 1986, as amended), the survivors of
7 the member are entitled to any additional benefits other than
8 benefit accruals relating to the period of qualified military
9 service provided under the System had the member resumed and then
10 terminated employment on account of death.

11 SECTION 2. AMENDATORY 47 O.S. 2011, Section 2-307.1, is
12 amended to read as follows:

13 Section 2-307.1. A. A member may receive service credit for
14 not to exceed five (5) years of participating service accumulated by
15 the member while an employee of a state agency if the member is not
16 receiving or eligible to receive retirement benefits or credit for
17 said service from the Oklahoma Public Employees Retirement System.
18 To receive credit for said service prior to January 1, 1991, the
19 employee and employer contributions for those years of service and
20 interest of not to exceed five percent (5%) as determined by the
21 Board shall be paid to the Board. Effective January 1, 1991, to
22 receive credit for said service, the member shall pay the amount
23 determined by the Board of Trustees pursuant to Section 19 of
24 Enrolled Senate Bill No. 810 of the 2nd Session of the 42nd Oklahoma

1 Legislature. Such service credit shall not be used in determining
2 the eligibility of the member for retirement based upon length of
3 service.

4 B. To receive credit for such service:

5 1. A member who became a member of the system prior to July 1,
6 1988, shall make application to the Board for such service prior to
7 January 1, 1989; and

8 2. A member who becomes a member of the system after June 30,
9 1988, shall make application to the Board for such service within
10 two (2) years of the date the member became a member of the system.

11 C. Such service credit may be paid by:

12 1. A cash lump-sum payment;

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

18 3. A direct rollover of tax-deferred funds from a Code Section
19 403(b) annuity or custodial account, an eligible deferred
20 compensation plan described in Code Section 457(b) which is
21 maintained by an eligible employer described in Code Section
22 457(3)(1)(A), a Code Section 401(a) qualified plan, and/or a Code
23 Section 408(a) or 408(b) traditional or conduit Individual
24 Retirement Account or Annuity (IRA). Roth ~~IRAs~~ accounts, Coverdell

1 Education Savings Accounts and after-tax contributions shall not be
2 used to purchase such service credit; or

3 4. Any combination of the above methods of payment.

4 SECTION 3. AMENDATORY 47 O.S. 2011, Section 2-307.2, is
5 amended to read as follows:

6 Section 2-307.2. A. The total service credit of a member who
7 retires, elects a Deferred Option Plan or terminates employment and
8 elects a vested benefit shall include not to exceed one hundred
9 thirty (130) days of unused sick leave accumulated while a member of
10 the System. Effective July 1, 2008, a member who retires, elects a
11 Deferred Option Plan or terminates employment and elects a vested
12 benefit shall include not to exceed two hundred forty (240) days of
13 unused sick leave accumulated while a member of the System. Such
14 credit shall be added in terms of whole months. Twenty (20) days of
15 unused sick leave shall equal one (1) month for purposes of service
16 credit. If unused sick leave entitles a member to an additional
17 year or fraction thereof of service credit, the member's employer
18 shall reimburse the System for the cost of funding the additional
19 reserve by paying the amount determined by the Board pursuant to
20 Section 25 of this act. Each employer shall provide the System with
21 adequate and timely information necessary to determine additional
22 benefits and its cost under this section. This section shall apply
23 to members retiring or vesting on or after July 1, 1985, and shall
24 not be retroactive. The amount of accrued sick leave available for

determination of a member's monthly benefit for purposes of the deferred option election shall be limited to the accrued sick leave available as of the effective date of the deferred option election, but not to exceed two hundred forty (240) days. The member's monthly benefit determined as of the effective date of the deferred option election shall not be adjusted for additional accrued sick leave earned by the member after the deferred option election.

B. Whenever any member is unable to perform the member's duties because of sickness or temporary disability caused or sustained while in the discharge of the member's duty as a member, is receiving a temporary total disability benefit under Section 1 et seq. of Title ~~85~~ 85A of the Oklahoma Statutes, and does not purchase service credit as described below, such member shall only receive prorated service credit based on the contributions made by the member and the member's employer while the member is receiving a temporary total disability benefit under Section 1 et seq. of Title ~~85~~ 85A of the Oklahoma Statutes. Whenever any member is unable to perform the member's duties because of sickness or temporary disability caused or sustained while in the discharge of the member's duty as a member and is receiving a temporary disability benefit under Section 1 et seq. of Title ~~85~~ 85A of the Oklahoma Statutes, such member shall have the option to purchase service credit for the time related to such leave of absence for such sickness or temporary disability.

1 1. The payment for such purchase must be completed no later
2 than three (3) years from the date the member commenced receipt of a
3 temporary total disability benefit.

4 2. The purchase price shall be:

5 a. the actual paid base salary that the member was
6 entitled to immediately prior to the member's sickness
7 or temporary disability minus any vacation or sick
8 leave payments received by the member during such
9 sickness or temporary disability, multiplied by,

10 b. the following percent:

11 (1) eighteen percent (18%) for members who are
12 suspended without pay, or

13 (2) eight percent (8%) for members who are not
14 suspended without pay.

15 If such member has not been suspended without pay, the employer
16 shall contribute, within three (3) months of the completion of the
17 member's purchase of service credit, ten percent (10%) of the actual
18 paid base salary that the member was entitled to immediately prior
19 to the member's sickness or temporary disability minus any vacation
20 or sick leave payments received by the member during such sickness
21 or temporary disability.

22 3. The member may purchase such service credit through:

23 a. a cash lump-sum payment,
24

- b. a trustee-to-trustee transfer of non-Roth funds from a Code Section 403(b) annuity or custodial account, an eligible deferred compensation plan described in Code Section 457(b) which is maintained by an eligible employer described in Code Section 457(e)(1)(A), and/or a Code Section 401(a) qualified plan,
- c. a direct rollover of tax-deferred funds from a Code Section 403(b) annuity or custodial account, an eligible deferred compensation plan described in Code Section 457(b) which is maintained by an eligible employer described in Code Section 457(e)(1)(A), a Code Section 401(a) qualified plan, and/or a Code Section 408(a) or 408(b) traditional or conduit Individual Retirement Account or Annuity (IRA). Roth ~~IRAs~~ accounts, Coverdell Education Savings Accounts and after-tax contributions shall not be used to purchase such service credit, or
- d. any combination of the above methods of payment.

SECTION 4. AMENDATORY 47 O.S. 2011, Section 2-307.3, is amended to read as follows:

Section 2-307.3. A. Prior to January 1, 1991, upon payment to the Oklahoma Law Enforcement Retirement System of the employee contribution the member would have been subject to had the member been a member of the System at the time, plus five percent (5%)

1 interest, any member of the System shall receive credit for not to
2 exceed five (5) years of prior law enforcement service rendered in
3 this state, if the member is not receiving or eligible to receive
4 retirement credit or benefits for such service in any other public
5 retirement system. Effective January 1, 1991, to receive credit for
6 not to exceed five (5) years of prior law enforcement service
7 rendered in this state, if the member is not receiving or eligible
8 to receive retirement credit or benefits for such service in any
9 other public retirement system, the member shall pay the amount
10 determined by the Board pursuant to Section 2-307.5 of this title.
11 Service credit received pursuant to this section shall be used in
12 determining the member's retirement benefit but shall not be used in
13 determining years of service for retirement or vesting purposes.

14 To receive credit for such service:

15 1. A member who became a member of the System prior to July 1,
16 1988, shall make application to the Board for such service prior to
17 January 1, 1989; and

18 2. A member who becomes a member of the System after June 30,
19 1988, shall make application to the Board for such service within
20 two (2) years of the date the member became a member of the System.

21 B. Upon payment to the Oklahoma Law Enforcement Retirement
22 System of a sum equal to the employee contribution the member would
23 have been subject to had the member been a member of the System at
24 the time, plus five percent (5%) interest prior to January 1, 1991,

1 or effective January 1, 1991, upon payment to the System of the
2 amount determined by the Board pursuant to Section 2-307.5 of this
3 title, any member of the System shall receive credit for not to
4 exceed five (5) years of prior law enforcement service rendered in
5 another state or with a federal law enforcement agency, either as a
6 commissioned law enforcement officer or in a scientific or technical
7 field, if the member is not receiving or eligible to receive
8 retirement credit or benefits for such service in any other public
9 retirement system. Service credit received pursuant to this section
10 shall be used in determining the member's retirement benefit but
11 shall not be used in determining years of service for retirement or
12 vesting purposes.

13 To receive credit for such service:

14 1. A member who became a member of the System prior to July 1,
15 1990, shall make application to the Board for such service prior to
16 January 1, 1991; and

17 2. A member who became a member of the System after June 30,
18 1990, shall make application to the Board for such services within
19 two (2) years of the date the member became a member of the System.

20 C. Such service credit may be paid by:

21 1. A cash lump-sum payment;

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

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

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

4. Any combination of the above methods of payment.

SECTION 5. AMENDATORY 47 O.S. 2011, Section 2-307.4, is amended to read as follows:

Section 2-307.4. A. Any member of the Oklahoma Law Enforcement Retirement System shall be entitled to prior service credit, not to exceed five (5) years, for those periods of military service on active duty prior to membership in the Oklahoma Law Enforcement Retirement System. Any active member of the Oklahoma Law Enforcement Retirement System whose initial membership in the System began on or after July 1, 2000, may receive up to five (5) years of prior military service credit as otherwise provided in this section, only upon payment of the amount determined by the Board in the manner as provided in Section 2-307.5 of this title. For members of

1 the System hired on or after July 1, 2003, if the military service
2 credit authorized by this subsection is used to compute the
3 retirement benefit of the member and the member retires from the
4 System, such military service credit shall not be used to compute
5 the retirement benefit in any other retirement system created
6 pursuant to the Oklahoma Statutes and the member may receive credit
7 for such service only in the retirement system from which the member
8 first retires.

9 B. For purposes of this section, "military service" means
10 service in the Armed Forces of the United States by honorably
11 discharged persons during the following time periods, as reflected
12 on such person's Defense Department Form 214, as follows:

13 1. During the following periods, including the beginning and
14 ending dates, and only for the periods served, from:

- 15 a. April 6, 1917, to November 11, 1918, commonly referred
16 to as World War I,
- 17 b. September 16, 1940, to December 7, 1941, as a member
18 of the 45th Division,
- 19 c. December 7, 1941, to December 31, 1946, commonly
20 referred to as World War II,
- 21 d. June 27, 1950, to January 31, 1955, commonly referred
22 to as the Korean Conflict or the Korean War,
- 23 e. February 28, 1961, to May 7, 1975, commonly referred
24 to as the Vietnam era, except that:

(1) for the period from February 28, 1961, to August 4, 1964, military service shall only include service in the Republic of Vietnam during that period, and

(2) for purposes of determining eligibility for education and training benefits, such period shall end on December 31, 1976, or

f. August 1, 1990, to December 31, 1991, commonly referred to as the Gulf War, the Persian Gulf War, or Operation Desert Storm, but excluding any person who served on active duty for training only, unless discharged from such active duty for a service-connected disability;

2. During a period of war or combat military operation other than a conflict, war or era listed in paragraph 1 of this subsection, beginning on the date of Congressional authorization, Congressional resolution, or Executive Order of the President of the United States, for the use of the Armed Forces of the United States in a war or combat military operation, if such war or combat military operation lasted for a period of ninety (90) days or more, for a person who served, and only for the period served, in the area of responsibility of the war or combat military operation, but excluding a person who served on active duty for training only, unless discharged from such active duty for a service-connected

1 disability, and provided that the burden of proof of military
2 service during this period shall be with the member, who must
3 present appropriate documentation establishing such service.

4 C. An eligible member under subsection B of this section shall
5 include only those persons who shall have served during the times or
6 in the areas prescribed in subsection B of this section, and only if
7 such person provides appropriate documentation in such time and
8 manner as required by the System to establish such military service
9 prescribed in this section, or for service pursuant to division (1)
10 of subparagraph e of paragraph 1 of subsection B of this section,
11 those persons who were awarded service medals, as authorized by the
12 United States Department of Defense as reflected in the veteran's
13 Defense Department Form 214, related to the Vietnam Conflict for
14 service prior to August 5, 1964.

15 D. Service credit received pursuant to this section shall be
16 used in determining the member's retirement benefit but shall not be
17 used in determining years of service for retirement or vesting
18 purposes.

19 E. Such service credit may be paid by:

20 1. A cash lump-sum payment;

21 2. 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

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

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

4. Any combination of the above methods of payment.

SECTION 6. AMENDATORY 47 O.S. 2011, Section 2-307.5, is amended to read as follows:

Section 2-307.5. A. The Board shall adopt rules for computation of the purchase price for transferred credited service. These rules shall base the purchase price for each year purchased on the actuarial cost of the incremental projected benefits to be purchased. The purchase price shall represent the present value of the incremental projected benefits discounted according to the member's age at the time of purchase. Incremental projected benefits shall be the difference between the projected benefit said member would receive without purchasing the transferred credited service and the projected benefit after purchase of the transferred

1 credited service computed as of the earliest age at which the member
2 would be able to retire. Said computation shall assume an unreduced
3 benefit and be computed using interest and mortality assumptions
4 consistent with the actuarial assumptions adopted by the Board for
5 purposes of preparing the annual actuarial evaluation.

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

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

15 A member making installment payments shall have the option of
16 making a lump-sum payment for the balance of the actuarial purchase
17 price with interest due through the date of payment by a cash lump-
18 sum payment; a trustee-to-trustee transfer of non-Roth funds from a
19 Code Section 403(b) annuity or custodial account, an eligible
20 deferred compensation plan described in Code Section 457(b) which is
21 maintained by an eligible employer described in Code Section
22 457(e) (1) (A), and/or a Code Section 401(a) qualified plan; a direct
23 rollover of tax-deferred funds from a Code Section 403(b) annuity or
24 custodial account, an eligible deferred compensation plan described

1 in Code Section 457(b) which is maintained by an eligible employer
2 described in Code Section 457(e) (1) (A), a Code Section 401(a)
3 qualified plan, and/or a Code Section 408(a) or 408(b) traditional
4 or conduit Individual Retirement Account or Annuity (IRA); or a
5 combination of the foregoing methods. Roth ~~IRAs~~ accounts, Coverdell
6 Education Savings Accounts and after-tax contributions shall not be
7 used to purchase transferred credited service. The Board shall
8 promulgate such rules as are necessary to implement the provisions
9 of this subsection.

10 SECTION 7. AMENDATORY 47 O.S. 2011, Section 2-307.7, is
11 amended to read as follows:

12 Section 2-307.7. A. A member of the Oklahoma Law Enforcement
13 Retirement System who has ten (10) or more years of full-time-
14 equivalent employment with a participating employer, and who is
15 terminated by a state agency or other state governmental entity
16 because the member's position is eliminated through a reduction-in-
17 force after July 1, 1998, and is within three (3) years of a normal
18 retirement date as defined in paragraph 7 of Section 2-300 of this
19 title may purchase termination credit of a period not to exceed the
20 lesser of three (3) years or the number of years or months or both
21 years and months required in order for the member to reach normal
22 retirement date in the same period of time and with the same service
23 credit which would have otherwise accrued if the termination had not
24 occurred.

1 B. In order to receive the termination credit authorized by
2 this section, the member shall be required to file an election with
3 the System indicating an intent to purchase the credit. The member
4 shall have a period of six (6) months from the date the member is
5 terminated as described in subsection A of this section within which
6 to file the election.

7 C. To purchase the termination credit, the member shall be
8 required to make payment to the System of an amount equal to both
9 the employer and employee contributions which would have been paid
10 to the System based upon the actual paid base salary as defined in
11 paragraph 8 of Section 2-300 of this title, which was received by
12 the member in the last full month that the member was employed by
13 the state agency or other state governmental entity multiplied by
14 the number of months required in order for the combination of the
15 participating service and member's age to equal the amount required
16 for the member to reach normal retirement date with an unreduced
17 benefit as if the member had not been terminated.

18 D. The member must make full payment to the System of all
19 required contribution amounts within sixty (60) days of filing the
20 election to purchase the credit. The member must vest his or her
21 benefits with a declared future retirement date as of the first
22 month the member is eligible for normal retirement. Failure to make
23 the full payment to the System of the required contribution amounts,
24 for any reason, within the time prescribed, shall result in

1 cancellation of the election provided pursuant to this section, and
2 return of the purchase amount tendered, without interest.

3 Notwithstanding anything herein to the contrary, termination credit
4 purchases may be made by:

5 1. A cash lump-sum payment;

6 2. A trustee-to-trustee transfer of non-Roth funds from a Code
7 Section 401(a) qualified plan;

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

17 4. Any combination of the above methods of payment.

18 E. Purchased termination credit may only be used as service
19 credit to qualify the member for normal retirement.

20 F. If the member chooses to retire at any time prior to the
21 member's normal retirement date or returns to employment with a
22 participating employer of the System at any time prior to
23 retirement, the purchase of termination credit pursuant to this
24

1 section shall be void and the System will return the purchase amount
2 tendered, without interest.

3 G. In the event of the death of the member prior to retirement,
4 the member's spouse, if otherwise eligible for benefits pursuant to
5 Section 2-306 of this title, may elect to receive benefits which
6 include the termination credit on the member's declared future
7 retirement date, or may elect to receive a return of the purchase
8 amount tendered, without interest.

9 SECTION 8. It being immediately necessary for the preservation
10 of the public peace, health and safety, an emergency is hereby
11 declared to exist, by reason whereof this act shall take effect and
12 be in full force from and after its passage and approval.

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14 COMMITTEE REPORT BY: COMMITTEE ON BUSINESS, LABOR AND RETIREMENT
15 LAWS, dated 03/22/2016 - DO PASS.
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