

HOUSE OF REPRESENTATIVES - FLOOR VERSION

STATE OF OKLAHOMA

2nd Session of the 56th Legislature (2018)

HOUSE BILL 2517

By: McDaniel of the House

and

Quinn of the Senate

AS INTRODUCED

An Act relating to the Oklahoma Law Enforcement Retirement System; amending 47 O.S. 2011, Section 2-305.4, as last amended by Section 2, Chapter 37, O.S.L. 2014 (47 O.S. Supp. 2017, Section 2-305.4), which relates to limitations on benefits and contributions pursuant to the Internal Revenue Code of 1986; modifying reference; modifying provisions related to computation of certain annuity amount; requiring payment of benefits from certain fund; and providing an effective date.

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

SECTION 1. AMENDATORY 47 O.S. 2011, Section 2-305.4, as last amended by Section 2, Chapter 37, O.S.L. 2014 (47 O.S. Supp. 2017, Section 2-305.4), is amended to read as follows:

Section 2-305.4 A. For limitation years prior to July 1, 2007, the limitations of Section 415 of the Internal Revenue Code of 1986, as amended, shall be computed in accordance with the applicable provisions of the System in effect at that time and, to the extent

1 applicable, Revenue Ruling 98-1 and Revenue Ruling 2001-51, except
2 as provided herein. Notwithstanding any other provision contained
3 herein to the contrary, the benefits payable to a member from the
4 Oklahoma Law Enforcement Retirement System provided by employer
5 contributions (including contributions picked up by the employer
6 under Section 414(h) of the Internal Revenue Code of 1986, as
7 amended), shall be subject to the limitations of Section 415 of the
8 Internal Revenue Code of 1986, as amended, in accordance with the
9 provisions of this section and subsequent guidance. The limitations
10 of this section shall apply in limitation years beginning on or
11 after July 1, 2007, except as otherwise provided herein.

12 B. Except as provided herein, effective for limitation years
13 ending after December 31, 2001, any accrued retirement benefit
14 payable to a member as an annual benefit as described herein shall
15 not exceed One Hundred Sixty Thousand Dollars (\$160,000.00),
16 automatically adjusted under Section 415(d) of the Internal Revenue
17 Code of 1986, as amended, for increases in the cost of living, as
18 prescribed by the Secretary of the Treasury or the Secretary's
19 delegate, effective January 1 of each calendar year and applicable
20 to the limitation year ending with or within such calendar year.
21 The automatic annual adjustment of the dollar limitation in this
22 subsection under Section 415(d) of the Internal Revenue Code of
23 1986, as amended, shall apply to a member who has had a severance
24 from employment.

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

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

- 19 a. survivor benefits payable to a surviving spouse under
20 a qualified joint and survivor annuity to the extent
21 such benefits would not be payable if the member's
22 benefit were paid in another form,
- 23 b. benefits that are not directly related to retirement
24 benefits (such as a qualified disability benefit,

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

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

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

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

10 a. a nondecreasing annuity (other than a straight life
11 annuity) payable for a period of not less than the
12 life of the member (or, in the case of a qualified
13 preretirement survivor annuity, the life of the
14 surviving spouse), or

15 b. an annuity that decreases during the life of the
16 member merely because of:

17 (1) the death of the survivor annuitant (but only if
18 the reduction is not below fifty percent (50%) of
19 the benefit payable before the death of the
20 survivor annuitant), or

21 (2) the cessation or reduction of Social Security
22 supplements or qualified disability payments (as
23 defined in Section 411(a)(9) of the Internal
24 Revenue Code of 1986, as amended).

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

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

18 d. Limitation Year Beginning On January 1, 2008. For the
19 limitation year beginning on January 1, 2008, the
20 actuarially equivalent straight life annuity is equal
21 to the greater of:

- 22 (1) the annual amount of the straight life annuity,
23 if any, payable to the member under the System
24

commencing at the same annuity starting date as the member's form of benefit, and

- (2) the annual amount of the straight life annuity commencing at the same annuity starting date that has the same actuarial present value as the member's form of benefit, computed using a five percent (5%) interest rate assumption and the applicable mortality table described in Revenue Ruling 2001-62 (or its successor for these purposes, if applicable) for that annuity starting date.

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

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

- (1) the annual amount of the straight life annuity, if any, payable to the member under the System commencing at the same annuity starting date as the member's form of benefit, and
- (2) the annual amount of the straight life annuity commencing at the same annuity starting date that has the same actuarial present value as the member's form of benefit, computed using a five percent (5%) interest rate assumption and the

1 applicable mortality table within the meaning of
2 Section 417(e)(3)(B) of the Internal Revenue Code
3 of 1986, as amended, as described in Rev. Rul.
4 2007-67 (and subsequent guidance) for that
5 annuity starting date.

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

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

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

tabular factor, each as set forth in the most recent actuarial valuation referenced in subsection H of Section 2-303.1 of this title prior to September 1, 2011, and effective September 1, 2011, in subsection L of this section, for adjusting benefits in the same form,

(2) the annual amount of the straight life annuity commencing at the same annuity starting date that has the same actuarial present value as the member's form of benefit, computed using a five and one-half percent (5.5%) interest rate assumption and the applicable mortality table within the meaning of Section 417(e)(3)(B) of the Internal Revenue Code of 1986, as amended, as described in Rev. Rul. 2007-67 (and subsequent guidance), and

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

(a) ~~the adjusted first, second, and third segment rates~~ applicable interest rate under Section 417(e)(3)(C) ~~and (D)~~ of the Internal Revenue Code of 1986, as amended, ~~applied~~

~~under rules similar to the rules of Section 430(h)(2)(C) of the Internal Revenue Code of 1986, as amended, (and subsequent guidance),~~
for the fourth calendar month preceding the plan year in which falls the annuity starting date for the distribution and the stability period is the successive period of one (1) plan year which contains the annuity starting date for the distribution and for which the applicable interest rate remains constant, or as otherwise provided in the applicable guidance if the first day of the first plan year beginning after December 31, 2007, does not coincide with the first day of the applicable stability period, and

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

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

- b. Annuity Starting Date in the Period Beginning on July 1, 2008 through December 31, 2008. If the annuity starting date of the member's form of benefit is in

1 the period beginning on July 1, 2008, through December
2 31, 2008, the actuarially equivalent straight life
3 annuity is equal to the greatest of (1), (2) and (3)
4 of this subsection:

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

13 (2) 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 a five
17 and one-half percent (5.5%) interest rate
18 assumption and the applicable mortality table
19 described in Revenue Ruling 2001-62 (or its
20 successor for these purposes, if applicable), and

21 (3) the annual amount of the straight life annuity
22 commencing at the same annuity starting date that
23 has the same actuarial present value as the
24 member's form of benefit, computed using:

1 (a) the adjusted first, second, and third
2 segment rates under Section 417(e)(3)(C) and
3 (D) of the Internal Revenue Code of 1986, as
4 amended, applied under rules similar to the
5 rules of Section 430(h)(2)(C) of the
6 Internal Revenue Code of 1986, as amended,
7 for the fourth calendar month preceding the
8 plan year in which falls the annuity
9 starting date for the distribution and the
10 stability period is the successive period of
11 one (1) plan year which contains the annuity
12 starting date for the distribution and for
13 which the applicable interest rate remains
14 constant, or as otherwise provided in the
15 applicable guidance if the first day of the
16 first plan year beginning after December 31,
17 2007, does not coincide with the first day
18 of the applicable stability period, and

19 (b) the applicable mortality table described in
20 Revenue Ruling 2001-62 (or its successor for
21 these purposes, if applicable),

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

23 c. Annuity Starting Date in Plan Years Beginning in 2006
24 or 2007. If the annuity starting date of the member's

1 form of benefit is in a Plan Year beginning in 2006 or
2 2007, the actuarially equivalent straight life annuity
3 is equal to the greatest of (1), (2) and (3) of this
4 subsection:

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

13 (2) 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 a five
17 and one-half percent (5.5%) interest rate
18 assumption and the applicable mortality table
19 described in Revenue Ruling 2001-62 (or its
20 successor for these purposes, if applicable), and

21 (3) the annual amount of the straight life annuity
22 commencing at the same annuity starting date that
23 has the same actuarial present value as the
24 member's form of benefit, computed using:

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

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

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

17 d. Annuity Starting Date in Plan Years Beginning in 2004
18 or 2005.

19 (1) If the annuity starting date of the member's form
20 of benefit is in a plan year beginning in 2004 or
21 2005, the actuarially equivalent straight life
22 annuity is equal to the annual amount of the
23 straight life annuity commencing at the same
24 annuity starting date that has the same actuarial

1 present value as the member's form of benefit,
2 computed using whichever of the following
3 produces the greater annual amount:

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

9 (b) a five and one-half percent (5.5%) interest
10 rate assumption and the applicable mortality
11 table described in Revenue Ruling 2001-62
12 (or its successor for these purposes, if
13 applicable).

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

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

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

10 (b) i. the rate of interest on thirty-year
11 Treasury securities as specified by the
12 Commissioner for the lookback month for
13 the stability period specified herein.
14 The lookback month applicable to the
15 stability period is the fourth calendar
16 month preceding the first day of the
17 stability period, as specified herein.
18 The stability period is the successive
19 period of one (1) plan year which
20 contains the annuity starting date for
21 the distribution and for which the
22 applicable interest rate remains
23 constant, and
24

1 ii. the applicable mortality table
2 described in Revenue Ruling 2001-62 (or
3 its successor for these purposes, if
4 applicable), and

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

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

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

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

10 D. Adjustment of Dollar Limitation for Benefit Commencement
11 Before Sixty-two (62) Years of Age or After Sixty-five (65) Years of
12 Age: Effective for benefits commencing in limitation years ending
13 after December 31, 2001, the dollar limitation under subsection B of
14 this section shall be adjusted if the annuity starting date of the
15 member's benefit is before sixty-two (62) years of age or after
16 sixty-five (65) years of age. If the annuity starting date is
17 before sixty-two (62) years of age, the dollar limitation under
18 subsection B of this section shall be adjusted under paragraph 1 of
19 this subsection, as modified by paragraph 3 of this subsection, but
20 subject to paragraph 4 of this subsection. If the annuity starting
21 date is after sixty-five (65) years of age, the dollar limitation
22 under subsection B of this section shall be adjusted under paragraph
23 2 of this subsection, as modified by paragraph 3 of this subsection.

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

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

- 17 (1) the interest rate and the mortality table or
18 other tabular factor, each as set forth in
19 subsection H of Section 2-303.1 of this title, or
20 (2) a five percent (5%) interest rate assumption and
21 the applicable mortality table as described in
22 Revenue Ruling 2001-62 (or its successor for
23 these purposes, if applicable).

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

1 (1) System Does Not Have Immediately Commencing
2 Straight Life Annuity Payable at Both Sixty-two
3 (62) Years of Age and the Age of Benefit
4 Commencement.

5 (a) If the annuity starting date for the
6 member's benefit is prior to sixty-two (62)
7 years of age and occurs in the limitation
8 year beginning on or after January 1, 2008,
9 and 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 for the annuity starting date as
2 described in Revenue Ruling 2001-62 (or its
3 successor for these purposes, if applicable)
4 (and expressing the member's age based on
5 completed calendar months as of the annuity
6 starting date).

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

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

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

1 section for years of participation less than ten
2 (10), if required) multiplied by the ratio of the
3 annual amount of the immediately commencing
4 straight life annuity under the System at the
5 member's annuity starting date to the annual
6 amount of the immediately commencing straight
7 life annuity under the System at sixty-two (62)
8 years of age, both determined without applying
9 the limitations of this section.

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

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

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

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

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

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

commencing straight life annuity payable at both sixty-five (65) years of age and the age of benefit commencement, the dollar limitation at the member's annuity starting date is the annual amount of a benefit payable in the form of a straight life annuity commencing at the member's annuity starting date that is the actuarial equivalent of the dollar limitation under subsection B of this section (adjusted under subsection C of this section for years of participation less than ten (10), if required) with actuarial equivalence computed using a five percent (5%) interest rate assumption and the applicable mortality table for the annuity starting date as described in Revenue Ruling 2001-62 (or its successor for these purposes, if applicable) (and expressing the member's age based on completed calendar months as of the annuity starting date).

(b) If the annuity starting date for the member's benefit is after sixty-five (65) years of age and occurs in a limitation year

beginning on or after January 1, 2009, and the System does not have an immediately commencing straight life annuity payable at both sixty-five (65) years of age and the age of benefit commencement, the dollar limitation for the member's annuity starting date is the annual amount of a benefit payable in the form of a straight life annuity commencing at the member's annuity starting date that is the actuarial equivalent of the dollar limitation under subsection B of this section (adjusted under subsection C of this section for years of participation less than ten (10), if required) with actuarial equivalence computed using a five percent (5%) interest rate assumption and the applicable mortality table within the meaning of Section 417(e)(3)(B) of the Internal Revenue Code of 1986, as amended, as described in Rev. Rul. 2007-67 (and subsequent guidance) (and expressing the member's age based on completed calendar months as of the annuity starting date).

(2) System Has Immediately Commencing Straight Life Annuity Payable at Both Sixty-five (65) Years of Age and Age of Benefit Commencement. If the annuity starting date for the member's benefit is after sixty-five (65) years of age and occurs in a limitation year beginning on or after July 1, 2007, and the System has an immediately commencing straight life annuity payable at both sixty-five (65) years of age and the age of benefit commencement, the dollar limitation at the member's annuity starting date is the lesser of the limitation determined under division (1) of subparagraph b of this paragraph and the dollar limitation under subsection B of this section (adjusted under subsection C of this section for years of participation less than ten (10), if required) multiplied by the ratio of the annual amount of the adjusted immediately commencing straight life annuity under the System at the member's annuity starting date to the annual amount of the adjusted immediately commencing straight life annuity under the System at sixty-five (65) years of age, both determined without applying the limitations of this section.

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

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

1 no forfeiture shall be treated as occurring upon the member's death
2 if the System does not charge members for providing a qualified
3 preretirement survivor annuity, as defined in Section 417(c) of the
4 Internal Revenue Code of 1986, as amended, upon the member's death.

5 4. Notwithstanding any other provision to the contrary, for
6 limitation years beginning on or after January 1, 1997, if payment
7 begins before the member reached sixty-two (62) years of age, the
8 reductions in the limitations in this subsection shall not apply to
9 a member who is a "qualified participant" as defined in Section
10 415(b) (2) (H) of the Internal Revenue Code of 1986, as amended.

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

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

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

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

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

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

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

1 the limitations of Section 415 of the Internal Revenue Code of 1986,
2 as amended, may be met by either:

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

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

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

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

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 M. All benefits payable from the Oklahoma Law Enforcement
14 Retirement System including payments from the deferred option plans
15 under Section 2-305.2 of this title shall be paid from the general
16 assets of the Fund pursuant to subsection B of Section 2-303.4 of
17 this title.

18 SECTION 2. This act shall become effective November 1, 2018.

19
20 COMMITTEE REPORT BY: COMMITTEE ON BANKING AND BUSINESS, dated
21 02/14/2018 - DO PASS, As Coauthored.
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23
24

THOMAS E. CUMMINS CONSULTING ACTUARY, INC.

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December 28, 2017

Representative Randy McDaniel
Room 438

Re: RBH No. 8781

RBH No. 8781 contains changes in the statute necessary for Oklahoma Law Enforcement Retirement System to remain an IRS qualified plan. It does not contain any changes to the retirement benefits.

RBH No. 8781 is a non fiscal bill as defined by the Oklahoma Pension Legislation Analysis Act because the bill does not contain a benefit increase.

I am a member of the American Academy of Actuaries and meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion herein.

Thomas E. Cummins

Thomas E. Cummins, MAAA