

STATE OF OKLAHOMA

2nd Session of the 56th Legislature (2018)

HOUSE BILL 2517

By: McDaniel

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 applicable, Revenue Ruling 98-1 and Revenue Ruling 2001-51, except as provided herein. Notwithstanding any other provision contained herein to the contrary, the benefits payable to a member from the

Oklahoma Law Enforcement Retirement System provided by employer contributions (including contributions picked up by the employer under Section 414(h) of the Internal Revenue Code of 1986, as amended), shall be subject to the limitations of Section 415 of the Internal Revenue Code of 1986, as amended, in accordance with the provisions of this section and subsequent guidance. The limitations of this section shall apply in limitation years beginning on or after July 1, 2007, except as otherwise provided herein.

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

1. The member's annual benefit is a benefit that is payable annually in the form of a straight life annuity. Except as provided herein, where a benefit is payable in a form other than a straight

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

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

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

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

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

23 4. Effective for distributions in plan years beginning after
24 December 31, 2003, the determination of actuarial equivalence of

1 forms of benefit other than a straight life annuity shall be made in
2 accordance with paragraph 5 or paragraph 6 of this subsection.

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

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

13 b. an annuity that decreases during the life of the
14 member merely because of:

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

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

23 c. Limitation Years Beginning Before July 1, 2007. For
24 limitation years beginning before July 1, 2007, the

1 actuarially equivalent straight life annuity is equal
2 to the annual amount of the straight life annuity
3 commencing at the same annuity starting date that has
4 the same actuarial present value as the member's form
5 of benefit computed using whichever of the following
6 produces the greater annual amount:

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

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

- 20 (1) the annual amount of the straight life annuity,
21 if any, payable to the member under the System
22 commencing at the same annuity starting date as
23 the member's form of benefit, and
24

(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 applicable mortality table within the meaning of Section 417(e) (3) (B) of the Internal Revenue Code

1 of 1986, as amended, as described in Rev. Rul.
2 2007-67 (and subsequent guidance) for that
3 annuity starting date.

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

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

18 (1) the annual amount of the straight life annuity
19 commencing at the same annuity starting date that
20 has the same actuarial present value as the
21 member's form of benefit, computed using the
22 interest rate and the mortality table or other
23 tabular factor, each as set forth in the most
24 recent actuarial valuation referenced in

1 subsection H of Section 2-303.1 of this title
2 prior to September 1, 2011, and effective
3 September 1, 2011, in subsection L of this
4 section, for adjusting benefits in the same form,
5 (2) 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 a five
9 and one-half percent (5.5%) interest rate
10 assumption and the applicable mortality table
11 within the meaning of Section 417(e)(3)(B) of the
12 Internal Revenue Code of 1986, as amended, as
13 described in Rev. Rul. 2007-67 (and subsequent
14 guidance), and

15 (3) 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:

19 (a) ~~the adjusted first, second, and third~~
20 ~~segment rates~~ applicable interest rate under
21 Section 417(e)(3)(C) ~~and (D)~~ of the Internal
22 Revenue Code of 1986, as amended, ~~applied~~
23 ~~under rules similar to the rules of Section~~
24 ~~430(h)(2)(C) of the Internal Revenue Code of~~

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

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

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

20 b. Annuity Starting Date in the Period Beginning on July
21 1, 2008 through December 31, 2008. If the annuity
22 starting date of the member's form of benefit is in
23 the period beginning on July 1, 2008, through December
24 31, 2008, the actuarially equivalent straight life

1 annuity is equal to the greatest of (1), (2) and (3)
2 of this subsection:

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

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

19 (3) the annual amount of the straight life annuity
20 commencing at the same annuity starting date that
21 has the same actuarial present value as the
22 member's form of benefit, computed using:
23 (a) the adjusted first, second, and third
24 segment rates 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, 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 described in Revenue Ruling 2001-62 (or its successor for these purposes, if applicable),

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

c. Annuity Starting Date in Plan Years Beginning in 2006 or 2007. If the annuity starting date of the member's form of benefit is in a Plan Year beginning in 2006 or 2007, the actuarially equivalent straight life annuity

1 is equal to the greatest of (1), (2) and (3) of this
2 subsection:

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

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

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

23 (a) the rate of interest on thirty-year Treasury
24 securities as specified by the Commissioner

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

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

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

15 d. Annuity Starting Date in Plan Years Beginning in 2004
16 or 2005.

17 (1) If the annuity starting date of the member's form
18 of benefit is in a plan year beginning in 2004 or
19 2005, 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 greater annual amount:

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

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

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

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

9 (b) i. the rate of interest on thirty-year
10 Treasury securities as specified by the
11 Commissioner for the lookback month for
12 the stability period specified herein.
13 The lookback month applicable to the
14 stability period is the fourth calendar
15 month preceding the first day of the
16 stability period, as specified herein.
17 The stability period is the successive
18 period of one (1) plan year which
19 contains the annuity starting date for
20 the distribution and for which the
21 applicable interest rate remains
22 constant, and
23 ii. the applicable mortality table
24 described in Revenue Ruling 2001-62 (or

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

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. For this purpose, the adjusted immediately 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.

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 56-2-8781 MAH 12/18/17
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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 quailed 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 contains 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