

STATE OF OKLAHOMA

2nd Session of the 58th Legislature (2022)

HOUSE BILL 3760

By: Johns and Frix

AS INTRODUCED

An Act relating to the Oklahoma Police Pension and Retirement System; amending 11 O.S. 2021, Section 50-111.3, which relates to the Oklahoma Police Deferred Option Plan; modifying provisions related to assumed rate of return; and declaring an emergency.

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

SECTION 1. AMENDATORY 11 O.S. 2021, Section 50-111.3, is amended to read as follows:

Section 50-111.3 A. In lieu of terminating employment and accepting a service retirement pension pursuant to Section 50-114 of this title, any member of the Oklahoma Police Pension and Retirement System who has not less than twenty (20) years of creditable service and who is eligible to receive a service retirement pension may make an irrevocable election to participate in the Oklahoma Police Deferred Option Plan and defer the receipts of benefits in accordance with the provisions of this section.

1 B. For purposes of this section, creditable service shall
2 include service credit reciprocally recognized pursuant to Section
3 50-101 et seq. of this title but for eligibility purposes only.

4 C. The duration of participation in the Oklahoma Police
5 Deferred Option Plan for a member shall not exceed five (5) years.
6 Participation in the Oklahoma Police Deferred Option Plan must begin
7 the first day of a month and end on the last day of a month. At the
8 conclusion of a member's participation in the Oklahoma Police
9 Deferred Option Plan, the member shall terminate employment with all
10 participating municipalities as an officer, and shall start
11 receiving the member's accrued monthly retirement benefit from the
12 System. Such a member may receive in-service distributions of such
13 member's accrued monthly retirement benefit from the System if such
14 member is reemployed by a participating municipality only if such
15 reemployment is as a police chief or in a position not covered under
16 the System.

17 D. When a member begins participation in the Oklahoma Police
18 Deferred Option Plan, the contribution of the employee shall cease.
19 The employer contributions shall continue to be paid in accordance
20 with Section 50-109 of this title. Municipal contributions for
21 employees who elect the Oklahoma Police Deferred Option Plan shall
22 be credited equally to the Oklahoma Police Pension and Retirement
23 System and to the Oklahoma Police Deferred Option Plan. The monthly
24 retirement benefits that would have been payable had the member

1 elected to cease employment and receive a service retirement shall
2 be paid into the Oklahoma Police Deferred Option Plan account.

3 E. 1. A member who participates in this plan shall be eligible
4 to receive cost of living increases.

5 2. A member who participates in this plan shall earn interest
6 at a rate of two percentage points below the rate of return of the
7 investment portfolio of the System, but no less than the ~~actuarial~~
8 ~~assumed interest rate as certified by the actuary of interest as~~
9 presented in Table 16, Present Value of Accumulated System Benefits,
10 in the ~~yearly evaluation~~ July 1, 2021, actuarial valuation report of
11 the actuary for the System which reflects the benefit provisions in
12 effect on June 30, 2021. The interest shall be credited to the
13 individual account balance of the member on an annual basis.

14 F. A participant in the Oklahoma Police Deferred Option Plan
15 shall receive, at the option of the participant:

16 1. A lump sum payment from the account equal to the option
17 account balance of the participant, payable to the participant;

18 2. A lump sum payment from the account equal to the option
19 account balance of the participant, payable to the annuity provider
20 which shall be selected by the participant as a result of the
21 research and investigation of the participant; or

22 3. Any other method of payment if approved by the State Board.

23 Notwithstanding any other provision contained herein to the
24 contrary, commencement of distributions under the Oklahoma Police

1 Deferred Option Plan shall be no later than the time as set forth in
2 subsection C of Section 50-114 of this title.

3 G. If the participant dies during the period of participation
4 in the Oklahoma Police Deferred Option Plan, a lump sum payment
5 equal to the account balance of the participant shall be paid to the
6 recipients, which may include a trust, properly designated in
7 writing by the participant or, if none, to the surviving spouse who
8 was married to the participant for the thirty (30) continuous months
9 immediately preceding the death of the participant; provided, a
10 surviving spouse of a participant who died in, and as a consequence
11 of, the performance of the participant's duty for a participating
12 municipality shall not be subject to the thirty-month marriage
13 requirement for survivor benefits or, if no surviving spouse, to the
14 estate of the participant.

15 H. In lieu of participating in the Oklahoma Police Deferred
16 Option Plan pursuant to subsections A, B, C, D, E and F of this
17 section, a member may make an irrevocable election to participate in
18 the Oklahoma Police Deferred Option Plan pursuant to this subsection
19 as follows:

20 1. For purposes of this subsection, the following definitions
21 shall apply:

- 22 a. "back drop date" means the date selected by the
23 member, which is up to five (5) years before the
24 member elects to participate in the Oklahoma Police

1 Deferred Option Plan, but not before the date at which
2 the member completes twenty (20) years of credited
3 service,

4 b. "termination date" means the date the member elects to
5 participate in the Oklahoma Police Deferred Option
6 Plan pursuant to this subsection, and the date the
7 member terminates employment with all participating
8 municipalities as an active police officer, such
9 termination has at all times included reemployment of
10 a member by a participating municipality only if such
11 reemployment is as a police chief or in a position not
12 covered under the System,

13 c. "earlier attained credited service" means the credited
14 service earned by a member as of the back drop date,
15 and earlier attained credited service cannot be
16 reduced to less than twenty (20) years of credited
17 service, and

18 d. "deferred benefit balance" means all monthly
19 retirement benefits that would have been payable had
20 the member elected to cease employment on the back
21 drop date and receive a service retirement from the
22 back drop date to the termination date, all of the
23 member's contributions and one-half (1/2) of the
24 employer contributions from the back drop date to the

1 termination date, with interest based on how the
2 benefit would have accumulated as if the member had
3 participated in the Oklahoma Police Deferred Option
4 Plan pursuant to subsections A, B, C, D and E of this
5 section from the back drop date to the termination
6 date;

7 2. At the termination date, the monthly pension benefit shall
8 be determined based on earlier attained credited service and on the
9 final average salary as of the back drop date. The member's
10 individual deferred option account shall be credited with an amount
11 equal to the deferred benefit balance; the member shall terminate
12 employment with all participating municipalities as a police officer
13 and shall start receiving the member's accrued monthly retirement
14 benefit from the System. The provisions of subsections B, C, E, F
15 and G of this section shall apply to this subsection. A member
16 shall not participate in the Oklahoma Police Deferred Option Plan
17 pursuant to this subsection if the member has elected to participate
18 in the Oklahoma Police Deferred Option Plan pursuant to subsections
19 A, B, C, D, E and F of this section; and

20 3. If a member who has not less than twenty (20) years of
21 creditable service and who is eligible to receive a service
22 retirement pension dies prior to terminating employment, the
23 surviving spouse shall be eligible to elect to receive a benefit
24 determined as if the member had elected to participate in the

1 Oklahoma Police Deferred Option Plan in accordance with this
2 subsection on the day immediately preceding the death. The
3 surviving spouse must have been married to the member for the thirty
4 (30) continuous months preceding the member's death; provided, the
5 surviving spouse of a member who died while in, and as a consequence
6 of, the performance of the member's duty for a participating
7 municipality shall not be subject to the thirty-month marriage
8 requirement for this election.

9 SECTION 2. It being immediately necessary for the preservation
10 of the public peace, health or 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 58-2-10261 CMA 01/20/22
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January 20, 2022

Representative Frix
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Re: RBH No. 10261

RBH No. 10261 would set the minimum interest rate credited to a participant's OPPRS DROP account equal to 7.5%. The current minimum is based on the system's actuary's interest assumption which is currently 7.5% but in the future maybe decreased or increased based on the performance and future expected of the system trust fund.

This bill is a non fiscal bill under OPLAAA currently. This bill could have a fiscal impact in the future depending on investment results in the future.

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