

STATE OF OKLAHOMA

1st Session of the 59th Legislature (2023)

SENATE BILL 634

By: Montgomery

AS INTRODUCED

An Act relating to the Teachers' Retirement System of Oklahoma; amending 70 O.S. 2021, Section 17-105.2, which relates to partial lump sum payments; authorizing certain retirement benefit payment for specific members; providing calculation for benefit amount; updating statutory reference and language; and providing an effective date.

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

SECTION 1. AMENDATORY 70 O.S. 2021, Section 17-105.2, is amended to read as follows:

Section 17-105.2. A. 1. A member of the Teachers' Retirement System of Oklahoma who is eligible to retire with at least thirty (30) years of creditable service may elect to receive a partial lump-sum payment on the date of retirement and a reduced annuity.

2. On and after the effective date of this act, a member who is eligible to retire with at least twenty (20) years of creditable service may elect to receive a partial lump-sum payment on the date of retirement and a reduced annuity.

B. 1. The partial lump-sum payment shall be an amount equal to the unreduced retirement benefit, which shall be referred to as the

1 "Maximum Retirement Allowance" for purposes of this section, which
2 would have been paid over a period of twelve (12), twenty-four (24),
3 or thirty-six (36) months, had the lump-sum option not been elected.

4 2. The partial lump-sum payment made pursuant to paragraph 2 of
5 subsection A of this section shall be an amount equal to one-half
6 (1/2) of the unreduced retirement benefit, which would have been
7 paid over a period of twelve (12), twenty-four (24), or thirty-six
8 (36) months, had the lump-sum option not been elected.

9 C. Once the payout amount is elected, a reduced Maximum
10 Retirement Allowance is then calculated using factors adopted by the
11 Board of Trustees based upon the System's actuarial expected rate of
12 return and the member's age at retirement and the payout option
13 (twelve (12), twenty-four (24), or thirty-six (36) months) elected.
14 This reduced Maximum Retirement Allowance shall also be reduced in
15 accordance with any retirement options the member has elected
16 pursuant to Section 17-105 of ~~Title 70 of the Oklahoma Statutes~~ this
17 title.

18 ~~B.~~ D. The partial lump-sum payment, pursuant to this section,
19 shall be paid in a check separate from the regular monthly
20 retirement benefit. The total amount of the partial lump-sum
21 payment shall be deducted from the member's account balance
22 consisting of the employee contributions plus interest for purposes
23 of determining unused contributions remaining in the account. The
24 member may elect to rollover the taxable portion of the partial

1 lump-sum payment to an eligible retirement plan or individual
2 retirement account (IRA). The nontaxable portion of the partial
3 lump-sum payment can be rolled over to an IRA or another qualified
4 retirement plan as allowed by the Internal Revenue Code and
5 regulations. This partial lump-sum payment shall be subject to
6 federal income tax in accordance with the Internal Revenue Code
7 Section 72 and other such Internal Revenue Code sections and
8 regulations as may be applicable. This partial lump-sum benefit is
9 subject to the same restrictions for assignment and attachment as
10 all other retirement benefits. The appropriate portion of the
11 partial lump-sum distribution will be reported to the Internal
12 Revenue Service (IRS) as taxable income and appropriate tax
13 withholdings will be withheld unless the member elects to make a
14 direct rollover of the taxable portion of the funds. Should the
15 member have after-tax contributions, a portion of such after-tax
16 contributions will be allocated to the partial lump-sum payment and
17 to the remaining annuity on a ~~prorata~~ pro rata basis.

18 ~~C.~~ E. The partial lump-sum option under this section may be
19 elected only once by a member and may not be elected by a retiree.

20 ~~D.~~ F. The board of trustees shall promulgate any rules
21 necessary for the implementation of this section.

22 SECTION 2. This act shall become effective November 1, 2023.
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24 59-1-386

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