COMMITTEE AMENDMENT

HOUSE OF REPRESENTATIVES
State of Oklahoma

SPEAKER:

CHAIR:

I move to amend HB3721 ____________________
Of the printed Bill

Page ________ Section ________ Lines ____________
Of the Engrossed Bill

By deleting the content of the entire measure, and by inserting in lieu thereof the following language:

AMEND TITLE TO CONFORM TO AMENDMENTS

Amendment submitted by: Mike Kelley

Adopted: ______________________________

____
Reading Clerk

STATE OF OKLAHOMA

2nd Session of the 60th Legislature (2026)

PROPOSED POLICY
COMMITTEE SUBSTITUTE
FOR
HOUSE BILL NO. 3721 By: Kelley

PROPOSED POLICY COMMITTEE SUBSTITUTE

An Act relating to retirement; amending 62 O.S. 2021, Section 3103, as last amended by Section 2, Chapter 361, O.S.L. 2024 (62 O.S. Supp. 2025, Section 3103), which relates to the Oklahoma Pension Legislation Actuarial Analysis Act; modifying terms; amending 11 O.S. 2021, Sections 49-106.1, as last amended by Section 2, Chapter 151, O.S.L. 2023, and 50-111.3 (11 O.S. Supp. 2025, Section 49-106.1), which relate to deferred option plans; amending 47 O.S. 2021, Section 2-305.2, as amended by Section 1, Chapter 80, O.S.L. 2022 (47 O.S. Supp. 2025, Section 2-305.2), which relates to deferred option plans; modifying provisions related to deferred option plans; permitting certain individuals to make certain election; defining term; providing for calculation of certain benefit; providing effective dates; providing for contingent effective dates based on outcome of approval of the emergency clause; and declaring an emergency.

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

SECTION 1. AMENDATORY 62 O.S. 2021, Section 3103, as last amended by Section 2, Chapter 361, O.S.L. 2024 (62 O.S. Supp. 2025, Section 3103), is amended to read as follows:

Section 3103. As used in the Oklahoma Pension Legislation Actuarial Analysis Act:

1. "Amendment" means any amendment, including a substitute bill, made to a retirement bill by any committee of the House of Representatives or Senate, any conference committee of the House or Senate or by the House or Senate;

2. "RB number" means that number preceded by the letters "RB" assigned to a retirement bill by the respective staffs of the Oklahoma State Senate and the Oklahoma House of Representatives when the respective staff office prepares a retirement bill for a member of the Legislature;

3. "Legislative Actuary" means the firm or entity that enters into a contract with the Legislative Service Bureau pursuant to Section 452.15 of Title 74 of the Oklahoma Statutes to provide the actuarial services and other duties provided for in the Oklahoma Pension Legislation Actuarial Analysis Act;

4. "Nonfiscal amendment" means an amendment to a retirement bill having a fiscal impact, which amendment does not change any factor of an actuarial investigation specified in subsection A of Section 3109 of this title;

5. "Nonfiscal retirement bill" means a retirement bill:

a. which does not affect the cost or funding factors of a retirement system,

b. which affects such factors only in a manner which does not:

(1) grant a benefit increase under the retirement system affected by the bill,

(2) create an actuarial accrued liability for or increase the actuarial accrued liability of the retirement system affected by the bill, or

(3) increase the normal cost of the retirement system affected by the bill,

c. which authorizes the purchase by an active member of the retirement system, at the actuarial cost for the purchase as computed pursuant to the statute in effect on the effective date of the measure allowing such purchase, of years of service for purposes of reaching a normal retirement date in the applicable retirement system, but which cannot be used in order to compute the number of years of service for purposes of computing the retirement benefit for the member,

d. which provides for the computation of a service-connected disability retirement benefit for members of the Oklahoma Law Enforcement Retirement System pursuant to Section 2-305 of Title 47 of the Oklahoma Statutes if the members were unable to complete twenty (20) years of service as a result of the disability,

e. which requires membership in the defined benefit plan authorized by Section 901 et seq. of Title 74 of the Oklahoma Statutes for persons whose first elected or appointed service occurs on or after November 1, 2018, if such persons had any prior service in the Oklahoma Public Employees Retirement System prior to November 1, 2015,

f. which provides for a one-time increase in retirement benefits if the increase in retirement benefits is not a permanent increase in the gross annual retirement benefit payable to a member or beneficiary, occurs only once pursuant to a single statutory authorization and does not exceed:

(1) the lesser of two percent (2%) of the gross annual retirement benefit of the member or One Thousand Dollars ($1,000.00) and requires that the benefit may only be provided if the funded ratio of the affected retirement system would not be less than sixty percent (60%) but not greater than eighty percent (80%) after the benefit increase is paid,

(2) the lesser of two percent (2%) of the gross annual retirement benefit of the member or One Thousand Two Hundred Dollars ($1,200.00) and

requires that the benefit may only be provided if the funded ratio of the affected retirement system would be greater than eighty percent (80%) but not greater than one hundred percent (100%) after the benefit increase is paid,

(3) the lesser of two percent (2%) of the gross annual retirement benefit of the member or One Thousand Four Hundred Dollars ($1,400.00) and requires that the benefit may only be provided if the funded ratio of the affected retirement system would be greater than one hundred percent (100%) after the benefit increase is paid, or

(4) the greater of two percent (2%) of the gross annual retirement benefit of the volunteer firefighter or One Hundred Dollars ($100.00) for persons who retired from the Oklahoma Firefighters Pension and Retirement System as volunteer firefighters and who did not retire from the Oklahoma Firefighters Pension and Retirement System as a paid firefighter.

As used in this subparagraph, "funded ratio" means the figure derived by dividing the actuarial value of assets of the applicable retirement system by the actuarial accrued liability of the applicable retirement system,

g. which modifies the disability pension standard for police officers who are members of the Oklahoma Police Pension and Retirement System as provided by Section 50-115 of Title 11 of the Oklahoma Statutes,

h. which provides a cost-of-living benefit increase pursuant to the provisions of:

(1) Section 49-143.7 of Title 11 of the Oklahoma Statutes,

(2) Section 50-136.9 of Title 11 of the Oklahoma Statutes,

(3) Section 1104K of Title 20 of the Oklahoma Statutes,

(4) Section 2-305.12 of Title 47 of the Oklahoma Statutes,

(5) Section 17-116.22 of Title 70 of the Oklahoma Statutes,

(6) Section 930.11 of Title 74 of the Oklahoma Statutes,

i. which modifies the computation of the line-of-duty disability benefit pursuant to the provisions of this section and Sections 50-101 and 50-115 of Title 11 of the Oklahoma Statutes, ~~or~~

j. which authorizes membership in the Oklahoma Law Enforcement Retirement System for active commissioned or CLEET-certified agents of the Office of the Attorney General or the Military Department of the State of Oklahoma pursuant to Sections ~~3~~ 2-309.9 and ~~4~~ 2-309.10 of ~~this act~~ Title 47 of the Oklahoma Statutes, or

k. which authorizes certain individuals to make certain election related to the Oklahoma Firefighters Deferred Option Plan, the Oklahoma Police Deferred Option Plan, or the Oklahoma Law Enforcement Deferred Option Plan, pursuant to Sections 2, 3, and 4 of this act.

A nonfiscal retirement bill shall include any retirement bill that has as its sole purpose the appropriation or distribution or redistribution of monies in some manner to a retirement system for purposes of reducing the unfunded liability of such system or the earmarking of a portion of the revenue from a tax to a retirement system or increasing the percentage of the revenue earmarked from a tax to a retirement system;

6. "Reduction-in-cost amendment" means an amendment to a retirement bill having a fiscal impact which reduces the cost of the bill as such cost is determined by the actuarial investigation for the bill prepared pursuant to Section 3109 of this title;

7. "Retirement bill" means any bill or joint resolution introduced or any bill or joint resolution amended by a member of the Legislature which creates or amends any law directly affecting a retirement system. A retirement bill shall not mean a bill or resolution that impacts the revenue of any state tax in which a portion of the revenue generated from such tax is earmarked for the benefit of a retirement system;

8. "Retirement bill having a fiscal impact" means any retirement bill creating or establishing a retirement system and any other retirement bill other than a nonfiscal retirement bill; and

9. "Retirement system" means the Teachers' Retirement System of Oklahoma, the Oklahoma Public Employees Retirement System, the Uniform Retirement System for Justices and Judges, the Oklahoma Firefighters Pension and Retirement System, the Oklahoma Police Pension and Retirement System, the Oklahoma Law Enforcement Retirement System, or a retirement system established after January 1, 2006.

SECTION 2. AMENDATORY 11 O.S. 2021, Section 49-106.1, as last amended by Section 2, Chapter 151, O.S.L. 2023 (11 O.S. Supp. 2025, Section 49-106.1), is amended to read as follows:

Section 49-106.1. A. In lieu of terminating employment and accepting a service retirement pension pursuant to Sections 49-101 and 49-106 of this title, any member of the Oklahoma Firefighters Pension and Retirement System serving as an active firefighter in a fire department of a participating municipality who has not less than twenty (20) years of creditable service may elect to participate in the Oklahoma Firefighters Deferred Option Plan and defer the receipts of benefits in accordance with the provisions of this section.

B. For purposes of this section, creditable service shall include service credit reciprocally recognized pursuant to Sections 49-100.1 through 49-100.8 and Sections 49-101, 49-101.1 and 49-101.2 of this title but for eligibility purposes only.

C. The duration of participation in the Oklahoma Firefighters Deferred Option Plan for active firefighters shall not exceed five (5) years. Participation in the Oklahoma Firefighters Deferred Option Plan must begin the first day of a month and end on the last day of a month. At the conclusion of a member's participation in the Oklahoma Firefighters Deferred Option Plan, the member shall terminate employment with all participating municipalities as a firefighter, and shall start receiving the member's accrued monthly retirement benefit from the System. Such a member may be reemployed by a participating municipality but only in a position not covered under the System, and receive in-service distributions of such member's accrued monthly retirement benefit from the System.

D. When a member begins participation in the Oklahoma Firefighters Deferred Option Plan, the contribution of the member shall cease. The employer contributions shall continue to be paid in accordance with subsection B of Section 49-122 of this title. Employer contributions for members who elect the Oklahoma Firefighters Deferred Option Plan shall be credited equally to the Oklahoma Firefighters Pension and Retirement System and to the member's Oklahoma Firefighters Deferred Option Plan account. The monthly retirement benefits that would have been payable had the member elected to cease employment and receive a service retirement shall be paid into the member's Oklahoma Firefighters Deferred Option Plan account.

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

2. A member who participates in this plan shall earn interest at a rate of two percentage points below the rate of return of the investment portfolio of the System, but no less than the actuarial assumed interest rate as certified by the actuary in the yearly evaluation report of the actuary. The interest shall be credited to the individual account balance of the member on an annual basis.

3. Effective November 1, 2013, the Oklahoma Firefighters Deferred Option Plan account for a member whose first service with a participating municipality of the System occurs on or after November 1, 2013, and who participates for the first time in the Oklahoma Firefighters Deferred Option Plan on or after November 1, 2013, and has completed active participation in the Oklahoma Firefighters Deferred Option Plan, shall earn interest at a rate equal to the

actual rate of return of the investment portfolio of the System, less one (1) percentage point to offset administrative costs of the System as determined by the System.

F. A member in the plan shall receive, at the option of the member, a lump-sum payment from the account equal to the payments to the account or an annuity based upon the account of the member or may elect any other method of payment if approved by the Board of Trustees. If a member becomes so physically or mentally disabled while in, or in consequence of, the performance of his or her duty as to prevent the effective performance of his or her duties that the State Board approves an in-line-of-duty disability pension, the payment from the account shall be an in-line-of-duty disability payment. Notwithstanding any other provision contained herein to the contrary, commencement of distributions under the Oklahoma Firefighters Deferred Option Plan shall be no later than the time as set forth in subsection B of Section 49-106 of this title and a member whose first service with a participating municipality of the System occurs on or after November 1, 2013, and who participates for the first time in the Oklahoma Firefighters Deferred Option Plan on or after November 1, 2013, must receive a distribution of the entire remaining balance in the member’s Oklahoma Firefighters Deferred Option Plan account no later than April 1 of the calendar year following the later of:

1. The calendar year in which the member reaches seventy and one-half (70 1/2) years of age for a member who attains age seventy and one-half (70 1/2) before January 1, 2020, or effective for distributions required to be made after December 31, 2019, but before January 1, 2023, the calendar year in which the member reaches seventy-two (72) years of age for an individual who attains age seventy and one-half (70 1/2) after December 31, 2019, or effective for distributions required to be made after December 31, 2022, the calendar year in which the member reaches seventy-three (73) years of age for an individual who attains age seventy-two (72) after December 31, 2022, or “the applicable age”, as defined in Section 401(a)(9)(C)(v) of the Internal Revenue Code of 1986, as amended, if later; or

2. The actual retirement date of the member.

G. If a member dies while maintaining an account balance in the plan the System shall pay to the designated recipient or recipients of the member, or if there is no designated recipient or if the designated recipient predeceases the member, to the spouse of the member, or if there is no spouse or if the spouse predeceases the member, to the estate of the member a lump-sum payment equal to the account balance of the member. If such member was receiving, or eligible to receive, an in-line-of-duty disability pension at the time of his or her death, payment of the account balance shall be an in-line-of-duty disability payment. If a designated recipient is the surviving spouse of the member, the surviving spouse shall receive his or her portion of the account balance of the member pursuant to subsection F of this section. The surviving spouse, whether or not he or she is a designated recipient of the member, may elect to receive his or her portion of the account balance of the member in the same manner as was applicable to the member.

H. In lieu of participating in the Oklahoma Firefighters Deferred Option Plan pursuant to subsections A, B, C, D, E and F of this section, a member may elect to participate in the Oklahoma Firefighters Deferred Option Plan pursuant to this subsection as follows:

1. For purposes of this subsection and subsection I of this section, the following definitions shall apply:

a. “back drop date” means the member’s normal retirement date or the date five (5) years before the member elects to participate in the Oklahoma Firefighters Deferred Option Plan, whichever date is later,

b. “termination date” means the date the member elects to participate in the Oklahoma Firefighters Deferred Option Plan pursuant to this subsection, and the date the member terminates employment with all participating municipalities as an active firefighter,

c. "earlier attained credited service" means the credited service earned by a member as of the back drop date, and

d. "deferred benefit balance" means all monthly retirement benefits that would have been payable had the member elected to cease employment on the back drop date and receive a service retirement from the back drop date to the termination date, all the member's contributions and one-half (1/2) of the employer contributions from the back drop date to the termination date, with interest based on how the benefit would have accumulated on a compound annual basis as if the member had participated in the Oklahoma Firefighters Deferred Option Plan pursuant to subsections A, B, C, D, E and F of this section from the back drop date to the termination date; and

2. At the termination date, the monthly pension benefit shall be determined based on earlier attained credited service and on the final average salary as of the back drop date. The member's individual deferred option account shall be credited with an amount equal to the deferred benefit balance, the member shall terminate employment with all participating municipalities as a firefighter, and shall start receiving the member's accrued monthly retirement benefit from the System. Such a member may be reemployed by a

participating municipality but only in a position not covered under the System, and receive in-service distributions of such member's accrued monthly retirement benefit from the System. The provisions of subsections B, C, E, F and G of this section shall apply to this subsection. A member shall not participate in the Oklahoma Firefighters Deferred Option Plan pursuant to this subsection if the member has elected to participate in the Oklahoma Firefighters Deferred Option Plan pursuant to subsections A, B, C, D, E and F of this section.

I. ~~Certain surviving spouses and members~~ Members not participating in the Oklahoma Firefighters Deferred Option Plan pursuant to subsections A, B, C, D, E and F of this section, certain surviving spouses, and certain surviving children shall be eligible to participate in the Oklahoma Firefighters Deferred Option Plan pursuant to subsection H of this section and this subsection.

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

a. "back drop election date" means the date the surviving spouse or member elects, or all of a member's established children unanimously elect, to commence participation in the Oklahoma Firefighters Deferred Option Plan pursuant to subsection H of this section and this subsection,

b. “interest” means interest at a rate of two percentage points below the rate of return of the investment portfolio of the System, but no less than the actuarial assumed interest rate as certified by the actuary in the yearly evaluation report of the actuary,

c. “monthly adjustment amount” means the difference between the monthly pension prior to the back drop election and the adjusted monthly pension due to the back drop election,

d. “back drop pension adjustment amount” means the sum of all the monthly adjustment amounts adjusted for interest from the pension commencement date to the back drop election date, ~~and~~

e. “deferred benefit balance adjustment amount” means the interest on the deferred benefit balance from the pension commencement date to the back drop election date, and

f. “established child” means, in the case of a deceased member who does not have a surviving spouse, any surviving biological or adopted child of such member who is alive on the date of the election described in subparagraph b of paragraph 2 of this subsection and who is a beneficiary of such member, as defined in

Section 49-100.1 of this title, or who would be a beneficiary of such member under Section 49-100.1 of this title if the age requirements set forth therein did not apply.

2. If a member who has more than twenty (20) years of creditable service and is eligible to receive a service retirement pension dies on or after June 4, 2007, and prior to terminating employment~~,~~:

a. The member's surviving spouse shall be eligible to elect to receive a benefit determined as if the member had elected to participate in the Oklahoma Firefighters Deferred Option Plan in accordance with subsection H of this section on the day immediately preceding such member's death. Prior to July 1, 2010, the surviving spouse must make any such election within one (1) year from the date of the member's death. Effective July 1, 2010, the surviving spouse must make any such election within ninety (90) days from the date of the member's death. If on or after June 4, 2007, such election is made, the monthly pension such surviving spouse is entitled to receive shall be adjusted in accordance with the provisions of subsection H of this section to account for the member's participation in the Oklahoma Firefighters

Deferred Option Plan. The surviving spouse may only make this election if the member has not previously elected to participate in the Oklahoma Firefighters Deferred Option Plan. For purposes of this election, the surviving spouse must have been married to the firefighter for the thirty (30) continuous months preceding the firefighter's death; provided, the surviving spouse of a member who died while in, or as a consequence of, the performance of the member's duty for a participating municipality shall not be subject to the marriage limitation for this election; or

b. Effective July 1, 2026, a member's established children shall be eligible to elect to participate in the Oklahoma Firefighters Deferred Option Plan pursuant to subsection H of this section and this subsection so long as the member did not participate in the Oklahoma Firefighters Deferred Option Plan pursuant to subsections A, B, C, D, E and F of this section and provided that none of the established children are receiving, or by reason of an existing disability will be eligible to receive upon attaining eighteen (18) years of age, disabled survivor pension benefits pursuant to

Section 49-112 of this title. For the election to be effective, all established children must unanimously elect in writing within two (2) years from the member’s date of death to make such back drop election in accordance with any rules, resolutions, or procedures promulgated or adopted by the State Board. Once the election is timely made and the State Board has determined that all established children have been accounted for and made such election, each established child shall, as soon as practicable receive an equal share of the deferred benefit balance, taking into account any reductions or adjustments to the deferred benefit balance described in the paragraph below for an established child receiving a survivor pension benefit. The State Board may rely on any reasonable method to determine that all established children have been accounted for; provided, however, that the State Board may conclusively rely on an order of any court of competent jurisdiction in making such determination. No interest shall accrue or be paid on the deferred benefit balance with respect to any period after the member's date of death. Any payment made to a member's established child pursuant to this subparagraph shall be included in the total payments made with respect to a member pursuant to paragraph 4 of subsection A of Section 49-113 of this title. In the event an established child is a beneficiary entitled to receive survivor pension benefits for any period, such established child's pension benefit shall continue to be calculated pursuant to section 49-112 of this title without regard to whether the election is made; provided, however, that if a back drop election is made pursuant to this subsection, the difference between such established child's pension benefit calculated pursuant to Section 49-112 of this title and the pension benefit calculated pursuant to subsection H of this section shall reduce the deferred benefit balance. In calculating such reduction, the sum of such pension benefits will be reduced to a present value as of the member's date of death using the actuarial assumed interest rate as certified by the actuary in the yearly evaluation report of the actuary, and assuming that the pension benefit will continue until the youngest of all established children attains twenty-two (22) years of age and such other assumptions that the State Board may promulgate or adopt by rule, resolution, or procedure. The portion of the deferred benefit balance an established child receives shall not be reduced by the back drop pension adjustment amount applicable to such established child other than as a result of the reduction in the deferred benefit balance.

c. Nothing in this paragraph or subsection is meant to create any benefits not otherwise allowed by law.

3. If a member has more than twenty (20) years of creditable service and is eligible for a retirement for disability monthly pension pursuant to Section 49-109 of this title on or after June 4, 2007, such member shall be eligible to elect to receive a benefit determined as if the member had elected to participate in the Oklahoma Firefighters Deferred Option Plan, in accordance with subsection H of this section, on the day immediately preceding the date of the member's disability retirement, provided such election is made within two (2) years from the date of the member's disability retirement. The disability monthly pension such member

is receiving, or entitled to receive, shall be adjusted in accordance with the provisions of subsection H of this section to account for the member’s participation in the Oklahoma Firefighters Deferred Option Plan. The deferred benefit balance such member is entitled to receive shall be reduced by the back drop pension adjustment amount and increased by the deferred benefit balance adjustment amount. The member may only make a back drop election if the deferred benefit balance after the adjustment described in this paragraph is greater than Zero Dollars ($0.00). The member may only make this election if the member has not previously elected to participate in the Oklahoma Firefighters Deferred Option Plan.

4. If a member has more than twenty (20) years of creditable service and filed a grievance for wrongful termination occurring on or after June 4, 2007, or is not a member of a collective bargaining organization as a firefighter, is involuntarily terminated and is seeking to have his or her position as a firefighter reinstated through a legal process, but is not reinstated as an active member, such member shall be eligible to elect to receive a benefit determined as if the member had elected to participate in the Oklahoma Firefighters Deferred Option Plan in accordance with subsection H of this section on the day immediately preceding the date of the member’s termination. Such election must be made within two (2) years from the date of the member’s termination as an active member and, if the member’s case pertaining to the member’s

termination is on appeal to a court of competent jurisdiction, within such period set by the State Board in its sole discretion. The monthly pension such member is receiving, or entitled to receive, shall be adjusted in accordance with the provisions of subsection H of this section to account for the member's participation in the Oklahoma Firefighters Deferred Option Plan. The deferred benefit balance such member is entitled to receive shall be reduced by the back drop pension adjustment amount and increased by the deferred benefit balance adjustment amount. The member may only make a back drop election if the deferred benefit balance after the adjustment described in this paragraph is greater than Zero Dollars ($0.00). The member may only make this election if the member has not previously elected to participate in the Oklahoma Firefighters Deferred Option Plan.

5. Subparagraphs d and e of paragraph 1 and paragraphs 3 and 4 of this subsection are effective June 4, 2007, provided the Internal Revenue Service issues a favorable determination letter for the System which includes the provisions of such subparagraphs and paragraphs without modification or as modified to conform to any changes required by the Internal Revenue Service as part of its determination letter review process. In the event the Internal Revenue Service does not issue such a determination letter which includes the provisions of such subparagraphs or paragraphs without modification or as modified to conform to any changes required by

the Internal Revenue Service as part of its determination letter review process, then subparagraphs d and e of paragraph 1 and paragraphs 3 and 4 of this subsection shall be repealed effective June 4, 2007.

SECTION 3. 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.

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

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

D. When a member begins participation in the Oklahoma Police Deferred Option Plan, the contribution of the employee shall cease. The employer contributions shall continue to be paid in accordance with Section 50-109 of this title. Municipal contributions for employees who elect the Oklahoma Police Deferred Option Plan shall be credited equally to the Oklahoma Police Pension and Retirement System and to the Oklahoma Police Deferred Option Plan. The monthly retirement benefits that would have been payable had the member elected to cease employment and receive a service retirement shall be paid into the Oklahoma Police Deferred Option Plan account.

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

2. A member who participates in this plan shall earn interest at a rate of two percentage points below the rate of return of the investment portfolio of the System, but no less than the actuarial assumed interest rate as certified by the actuary in the yearly evaluation report of the actuary. The interest shall be credited to the individual account balance of the member on an annual basis.

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

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

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

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

Notwithstanding any other provision contained herein to the contrary, commencement of distributions under the Oklahoma Police Deferred Option Plan shall be no later than the time as set forth in subsection C of Section 50-114 of this title.

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

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

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

a. "back drop date" means the date selected by the member, which is up to five (5) years before the member elects to participate in the Oklahoma Police Deferred Option Plan, but not before the date at which the member completes twenty (20) years of credited service,

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

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

d. "deferred benefit balance" means all monthly retirement benefits that would have been payable had the member elected to cease employment on the back drop date and receive a service retirement from the back drop date to the termination date, all of the member's contributions and one-half (1/2) of the employer contributions from the back drop date to the termination date, with interest based on how the benefit would have accumulated as if the member had participated in the Oklahoma Police Deferred Option Plan pursuant to subsections A, B, C, D and E of this section from the back drop date to the termination date, and

e. "established child" means, in the case of a deceased member who does not have a surviving spouse, any surviving biological or adopted child of such member who is alive on the date of the election described in paragraph 4 of this subsection and who is a beneficiary of such member as defined Section 50-101 of this title, or who would be a beneficiary of such member under Section 50-101 of this title if the age requirements set forth therein did not apply;

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

3. If a member who has not less than twenty (20) years of creditable service and who is eligible to receive a service retirement pension dies prior to terminating employment, the surviving spouse shall be eligible to elect to receive a benefit determined as if the member had elected to participate in the Oklahoma Police Deferred Option Plan in accordance with this subsection on the day immediately preceding the death. The surviving spouse must have been married to the member for the thirty

(30) continuous months preceding the member's death; provided, the surviving spouse of a member who died while in, and as a consequence of, the performance of the member's duty for a participating municipality shall not be subject to the thirty-month marriage requirement for this election; and

4. Effective July 1, 2026, a member's established children shall be eligible to elect to participate in the Oklahoma Police Deferred Option Plan pursuant to this subsection so long as the member did not participate in the Oklahoma Police Deferred Option Plan pursuant to subsections A, B, C, D, E and F of this section and provided that none of the established children are receiving, or by reason of an existing disability will be eligible to receive upon attaining age 18, disabled survivor pension benefits pursuant to Section 50-115 of this title. For the election to be effective, all established children must unanimously elect in writing within two (2) years from the member's date of death to make such back drop election in accordance with any rules, resolutions, or procedures promulgated or adopted by the State Board. Once the election is timely made and the State Board has determined that all established children have been accounted for and made such election, each established child shall, as soon as practicable, receive an equal share of the deferred benefit balance, taking into account any reductions or adjustments to the deferred benefit balance described in the paragraph below for an established child receiving a survivor

pension benefit. The State Board may rely on any reasonable method to determine that all established children have been accounted for; provided, however, that the State Board may conclusively rely on an order of any court of competent jurisdiction in making such determination. No interest shall accrue or be paid on the deferred benefit balance with respect to any period after the member's date of death.

In the event an established child is a beneficiary entitled to receive survivor pension benefits for any period, such established child's pension benefit shall continue to be calculated pursuant to Section 50-117 of this title without regard to whether the election is made; provided, however, that if a back drop election is made pursuant to this subsection, the difference between such established child's pension benefit calculated pursuant to Section 50-117 of this title and the pension benefit calculated pursuant to this subsection shall reduce the deferred benefit balance. In calculating such reduction, the sum of such pension benefits will be reduced to a present value as of the member's date of death using the actuarial assumed interest rate as certified by the actuary in the yearly evaluation report of the actuary, and assuming that the pension benefit will continue until the youngest of all established children attains twenty-two (22) years of age and such other assumptions that the State Board may promulgate or adopt by rule, resolution, or procedure. The portion of the deferred benefit

<u>balance an established child receives shall not be reduced by the back drop pension adjustment amount applicable to such established child other than as a result of the reduction in the deferred benefit balance.</u>

<u>Nothing in this paragraph or subsection is meant to create any benefits not otherwise allowed by law</u>.

SECTION 4. AMENDATORY 47 O.S. 2021, Section 2-305.2, as amended by Section 1, Chapter 80, O.S.L. 2022 (47 O.S. Supp. 2025, Section 2-305.2), is amended to read as follows:

Section 2-305.2. A. In lieu of terminating employment and accepting a service retirement pension pursuant to Section 2-305 of this title, any member of the Oklahoma Law Enforcement Retirement System who has not less than twenty (20) years of participating service and who is eligible to receive a service retirement pension may make an irrevocable election to participate in the Oklahoma Law Enforcement Deferred Option Plan and defer the receipts of benefits in accordance with the provisions of this section.

B. For purposes of this section, participating service shall include service credit recognized pursuant to paragraphs (c) and (d) of Section 2-307, subsection B of Section 2-307.2, and Sections 2-309.1, 2-309.2, 2-309.3, 2-309.4, 2-309.5 and 2-309.6 of this title but for eligibility purposes only.

C. The duration of participation in the Oklahoma Law Enforcement Deferred Option Plan for a member shall not exceed five

(5) years. Participation in the Oklahoma Law Enforcement Deferred Option Plan must begin the first day of a month and end on the last day of the month. At the conclusion of a member's participation in the Oklahoma Law Enforcement Deferred Option Plan, the member shall terminate employment as a member of the Oklahoma Law Enforcement Retirement System, and shall start receiving the member's accrued monthly retirement benefit from the System. Such a member may continue to receive in-service distributions of such member's accrued monthly retirement benefit from the System if the member is reemployed by a state agency only if such reemployment is in a position not covered under the System.

D. When a member begins participation in the Oklahoma Law Enforcement Deferred Option Plan, the contribution of the member shall cease. The employer contributions shall continue to be paid in accordance with Section 2-304 of this title. Employer contributions for members who elect the Oklahoma Law Enforcement Deferred Option Plan shall be credited equally to the Oklahoma Law Enforcement Retirement System and to the member's Oklahoma Law Enforcement Deferred Option Plan account. The monthly retirement benefits that would have been payable had the member elected to cease employment and receive a service retirement shall be paid into the member's Oklahoma Law Enforcement Deferred Option Plan account.

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

2. A member who participates in this plan shall earn interest at a rate of two percentage points below the rate of return of the investment portfolio of the System, but no less than the assumed interest rate. The assumed interest rate shall be seven and five-tenths percent (7.5%) until the Board amends the assumed interest rate prospectively by resolution. The interest shall be credited to the individual account balance of the member on an annual basis.

F. A member in the Oklahoma Law Enforcement Deferred Option Plan shall receive, at the option of the member:

1. A lump-sum payment from the account equal to the option account balance of the member, payable to the member;

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

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

Notwithstanding any other provision contained herein to the contrary, commencement of distributions under the Oklahoma Law Enforcement Deferred Option Plan shall be no later than the time as set forth in paragraph 7 of Section 2-300 of this title.

If a member meets the definition of disability as defined in paragraph 11 of Section 2-300 of this title by direct reason of the performance of the member's duties, the payment from the account shall be an in-line-of-duty disability payment.

G. If the member dies during the period of participation in the Oklahoma Law Enforcement Deferred Option Plan, a lump-sum payment equal to the account balance of the member shall be paid to the designated beneficiary as defined in paragraph 17 of Section 2-300 of this title, or if there is no designated beneficiary or the designated beneficiary predeceases the member, to the estate of the member. If such member was receiving, or eligible to receive, an in-line-of-duty disability pension pursuant to subsection E or F of Section 2-305 of this title at the time of death, payment of the account balance shall be an in-line-of-duty disability payment.

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

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

a. "back drop date" means the date selected by the member which is up to five (5) years before the member elects to participate in the Oklahoma Law Enforcement Deferred Option Plan, but not before the date at which the member completes twenty (20) years of participating service,

b. "termination date" means the date the member elects to participate in the Oklahoma Law Enforcement Deferred Option Plan pursuant to this subsection and the date the member terminates employment and starts receiving the member's accrued monthly retirement benefit from the System. Such termination has at all times included reemployment of a member by a state agency, but only in a position not covered under the System,

c. "earlier attained participating service" means the participating service earned by a member as of the back drop date. Earlier attained participating service cannot be reduced to less than twenty (20) years of participating service, ~~and~~

d. "deferred benefit balance" means all retirement benefits that would have been paid from the back drop date to the termination date, and one-half (1/2) of the employer contributions from the back drop date to the termination date, with interest based on how the benefit would have accumulated on a compound annual basis as if the member had participated in the Oklahoma Law Enforcement Deferred Option Plan pursuant to subsections A, B, C, D and E of this section from the back drop date to the termination date; and

e. “established child” means, in the case of a deceased member who does not have a surviving spouse, any surviving biological or adopted child of such member who is alive on the date of the election described in paragraph 4 of this subsection and who is a beneficiary of such member as defined in Section 2-300 of this title, or who would be a beneficiary of such member under Section 2-300 of this title if the age requirements set forth therein did not apply;

2. At the termination date, a member's monthly pension benefit shall be determined based on the earlier attained participating service and on the final average salary as of the back drop date. The member's individual deferred option account shall be credited with an amount equal to the deferred benefit balance; the member shall terminate employment and shall start receiving the member's accrued monthly retirement benefit from the System. The member shall, upon application filed with the Board, be refunded from the fund an amount equal to the accumulated contributions the member made to the fund from the back drop date to the termination date, but excluding any interest. Such termination has at all times included reemployment of a member by a state agency, but only in a position not covered under the System. The provisions of subsections B, C, E, F and G of this section shall apply to this subsection; ~~and~~

3. A member may participate in the Oklahoma Law Enforcement Deferred Option Plan pursuant to this subsection even if the member has elected to participate in the Oklahoma Law Enforcement Deferred Option Plan pursuant to subsections A, B, C, D, E and F of this section. Such a member may select a back drop date which is up to five (5) years prior to the termination date, but not before the date at which the member completes twenty (20) years of participating service. Such a member's participation in the Oklahoma Law Enforcement Deferred Option Plan may not exceed five (5) years when combined with such a member's prior period of participation in the Oklahoma Law Enforcement Deferred Option Plan. The provisions of subsections B, C, E, F and G of this section shall apply to this subsection; and

4. Effective July 1, 2026, a member’s established children shall be eligible to elect to participate in the Oklahoma Law Enforcement Deferred Option Plan pursuant to this subsection so long as the member did not participate in the Oklahoma Law Enforcement Deferred Option Plan pursuant to subsections A, B, C, D, E and F of this section and provided that none of the established children are receiving survivor benefits pursuant to Section 2-306 of this title. For the election to be effective, all established children must unanimously elect in writing within two (2) years from the member’s date of death to make such back drop election in accordance with any rules, resolutions, or procedures promulgated or adopted by the

State Board. Once the election is timely made and the State Board has determined that all established children have been accounted for and made such election, each established child shall, as soon as practicable, receive an equal share of the deferred benefit balance, taking into account any reductions or adjustments to the deferred benefit balance described in the paragraph below for an established child receiving a survivor pension benefit. The State Board may rely on any reasonable method to determine that all established children have been accounted for; provided, however, that the State Board may conclusively rely on an order of any court of competent jurisdiction in making such determination. No interest shall accrue or be paid on the deferred benefit balance with respect to any period after the member’s date of death.

In the event an established child is a beneficiary entitled to receive survivor pension benefits for any period, such established child’s pension benefit shall continue to be calculated pursuant to Section 2-306 of this title without regard to whether the election is made; provided, however, that if a back drop election is made pursuant to this subsection, the difference between such established child’s pension benefit calculated pursuant to section 2-306 of this title and the pension benefit calculated pursuant to this subsection shall reduce the deferred benefit balance. In calculating such reduction, the sum of such pension benefits will be reduced to a present value as of the member’s date of death using the actuarial assumed interest rate as certified by the actuary in the yearly evaluation report of the actuary, and assuming that the pension benefit will continue until the youngest of all established children attains twenty-two (22) years of age and such other assumptions that the State Board may promulgate or adopt by rule, resolution, or procedure. The portion of the deferred benefit balance an established child receives shall not be reduced by the back drop pension adjustment amount applicable to such established child other than as a result of the reduction in the deferred benefit balance.

Nothing in this paragraph or subsection is meant to create any benefits not otherwise allowed by law.

SECTION 5. If the Emergency Clause is not approved pursuant to the requirements of the Oklahoma Constitution as part of this measure, the effective date of Section 1 of this act shall be October 1, 2026.

SECTION 6. If the Emergency Clause is not approved pursuant to the requirements of the Oklahoma Constitution as part of this measure, the effective date of Sections 2 through 4 of this act shall be November 1, 2026.

SECTION 7. Except as otherwise provided by Section 5 of this act, Section 1 of this act shall become effective immediately upon signature by the Governor or as otherwise provided by Section 58 of Article V of the Oklahoma Constitution.

SECTION 8. Except as otherwise provided by Section 6 of this act, Sections 2 through 4 of this act shall become effective July 1, 2026.

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

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