

An Act

ENROLLED SENATE
BILL NO. 1022

By: Barrington of the Senate

and

Wallace and McDaniel
(Randy) of the House

An Act relating to pensions; amending 11 O.S. 2011, Sections 49-117.1, as last amended by Section 6, Chapter 281, O.S.L. 2014, and 49-117.3 (11 O.S. Supp. 2015, Section 49-117.1), which relate to termination of services before normal retirement date; clarifying certain forms of payments; providing an effective date; and declaring an emergency.

SUBJECT: Pension payments

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

SECTION 1. AMENDATORY 11 O.S. 2011, Section 49-117.1, as last amended by Section 6, Chapter 281, O.S.L. 2014 (11 O.S. Supp. 2015, Section 49-117.1), is amended to read as follows:

Section 49-117.1. A. A member who terminates service before normal retirement date, other than by death or disability shall, upon application filed with the State Board, be refunded from the Fund an amount equal to the accumulated contributions the member has made to the Fund, but excluding any interest or any amount contributed by the municipality or state.

B. If a member, whose first employment with a participating employer of the System occurs prior to November 1, 2013, has completed ten (10) years of credited service at the date of

termination, the member may elect a vested benefit in lieu of receiving the member's accumulated contributions.

C. If a member whose first employment with a participating employer of the System occurs on or after November 1, 2013, has completed eleven (11) years of credited service at the date of termination, the member may elect a vested benefit in lieu of receiving the member's accumulated contributions.

D. If the member who has completed ten (10) or more years of credited service as prescribed by subsection B of this section elects the vested benefit, the member shall be entitled to a monthly retirement annuity commencing on the date the member reaches fifty (50) years of age or the date the member would have had twenty (20) years of credited service had the member's employment continued uninterrupted, whichever is later. The annual amount of such retirement annuity shall be equal to two and one-half percent (2 1/2%) of the annualized final average salary multiplied by the number of years of credited service not to exceed thirty (30) years. The death benefits provided for in Section 49-113.2 of this title shall not apply to any member retiring under the provisions of this section.

E. If the member who has completed eleven (11) or more years of credited service as prescribed by subsection C of this section elects the vested benefit, the member shall be entitled to a monthly retirement annuity commencing on the date the member reaches fifty (50) years of age or the date the member would have had twenty-two (22) years of credited service had the member's employment continued uninterrupted, whichever is later. The annual amount of such retirement annuity shall be equal to two and one-half percent (2 1/2%) of the annualized final average salary multiplied by the number of years of credited service not to exceed thirty (30) years. The death benefits provided for in Section 49-113.2 of this title shall not apply to any member retiring under the provisions of this section.

F. If a member who terminates employment and elects a vested benefit dies prior to being eligible to receive benefits, the member's beneficiary shall be entitled to the member's normal monthly retirement benefit on the date the deceased member would have been eligible to receive the benefit.

G. If a member terminates employment and withdraws the member's accumulated contributions and then subsequently rejoins the System, he may pay to the System the sum of the accumulated contributions he has withdrawn plus five percent (5%) annual interest from the date of withdrawal and shall receive the same benefits as if he had never withdrawn his contributions; however, effective January 1, 1991, the rate of interest provided herein shall be ten percent (10%) per annum.

H. ~~Effective January 1, 2002, lump sum~~ Lump-sum payments for repayment of any amounts received because of a member's prior termination with interest may be repaid by a trustee-to-trustee transfer of non-Roth funds from a Code Section 403(b) annuity, a governmental Code Section 457 plan, and/or a Code Section 401(a) qualified plan.

I. A firefighter shall not be permitted to withdraw from the System while employed as a firefighter in a participating municipality.

SECTION 2. AMENDATORY 11 O.S. 2011, Section 49-117.3, is amended to read as follows:

Section 49-117.3. A. The State Board shall adopt rules for computation of the purchase price for transferred credited service. These rules shall base the purchase price for each year purchased on the actuarial cost of the incremental projected benefits to be purchased. The purchase price shall represent the present value of the incremental projected benefits discounted according to the member's age at the time of purchase. Incremental projected benefits shall be the difference between the projected benefit said member would receive without purchasing the transferred credited service and the projected benefit after purchase of the transferred credited service computed as of the earliest age at which the member would be able to retire. Said computation shall assume an unreduced benefit and be computed using interest and mortality assumptions consistent with the actuarial assumptions adopted by the Board of Trustees for purposes of preparing the annual actuarial evaluation.

B. In the event that the member is unable to pay the purchase price provided for in this section by the due date, the State Board

shall permit the members to amortize the purchase price over a period not to exceed sixty (60) months. Said payments shall be made by payroll deductions unless the State Board permits an alternate payment source. The amortization shall include interest in an amount not to exceed the actuarially assumed interest rate adopted by the State Board for investment earnings each year. Any member who ceases to make payment, terminates, retires or dies before completing the payments provided for in this section shall receive prorated service credit for only those payments made, unless the unpaid balance is paid by said member, his or her estate or successor in interest within six (6) months after said member's death, termination of employment or retirement, provided no retirement benefits shall be payable until the unpaid balance is paid, unless said member or beneficiary affirmatively waives the additional six-month period in which to pay the unpaid balance. The State Board shall promulgate such rules as are necessary to implement the provisions of this subsection.

C. Members who pay the purchase price by the due date may make payment by:

1. A trustee-to-trustee transfer of non-Roth funds from a Code Section 403(b) annuity or custodial account, an eligible deferred compensation plan described in Code Section 457(b) which is maintained by an eligible employer described in Code Section 457(e)(1)(A), and/or a Code Section 401(a) qualified plan; or

2. A direct rollover of tax-deferred funds from a Code Section 403(b) annuity or custodial account, an eligible deferred compensation plan described in Code Section 457(b) which is maintained by an eligible employer described in Code Section 457(e)(1)(A), a Code Section 401(a) qualified plan, and/or a Code Section 408(a) or 408(b) traditional or conduit Individual Retirement Account or Annuity (IRA). Roth ~~IRAs~~ accounts and Coverdell Education Savings Accounts shall not be used to purchase transferred credited service.

The State Board shall promulgate such rules as are necessary to implement the provisions of this subsection.

D. Members amortizing the purchase price and making payments by payroll deduction, shall have the option of making a cash lump-sum

payment for the balance of the actuarial purchase price with interest due through the date of payment by:

1. A trustee-to-trustee transfer of non-Roth funds from a Code Section 403(b) annuity or custodial account, an eligible deferred compensation plan described in Code Section 457(b) which is maintained by an eligible employer described in Code Section 457(e)(1)(A), and/or a Code Section 401(a) qualified plan; or

2. A direct rollover of tax-deferred funds from a Code Section 403(b) annuity or custodial account, an eligible deferred compensation plan described in Code Section 457(b) which is maintained by an eligible employer described in Code Section 457(e)(1)(A), a Code Section 401(a) qualified plan, and/or a Code Section 408(a) or 408(b) traditional or conduit Individual Retirement Account or Annuity (IRA). Roth ~~IRAs~~ accounts and Coverdell Education Savings Accounts shall not be used to purchase transferred credited service.

The State Board shall promulgate such rules as are necessary to implement the provisions of this subsection.

SECTION 3. This act shall become effective July 1, 2016.

SECTION 4. It being immediately necessary for the preservation of the public peace, health and 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.

Passed the Senate the 16th day of February, 2016.

Greg Giraldo
Presiding Officer of the Senate

Passed the House of Representatives the 4th day of April, 2016.

Joe R. Dancy
Presiding Officer of the House
of Representatives

OFFICE OF THE GOVERNOR

Received by the Office of the Governor this 5th

day of April, 20 16, at 3:20 o'clock P M.

By: *Audrey Rockwell*

Approved by the Governor of the State of Oklahoma this 11th

day of April, 20 16, at 4:36 o'clock P M.

Mary Fallin
Governor of the State of Oklahoma

OFFICE OF THE SECRETARY OF STATE

Received by the Office of the Secretary of State this 11th

day of April, 20 16, at 5:05 o'clock P M.

By: *Chris Benge*

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January 11, 2016

Senator Don Barrington
Room 232

Re: RBS No. 2696

RBS No. 2696 clarifies that non Roth IRA funds among other sources can be used to restore service for firefighters returning to covered employment after they withdrew their contributions.

RBS No. 2696 is a non fiscal retirement bill as defined by the Oklahoma Pension Legislation Analysis Act.

Thomas E. Cummins

Thomas E. Cummins, MAAA