

1 **HOUSE OF REPRESENTATIVES - FLOOR VERSION**

2 STATE OF OKLAHOMA

3 1st Session of the 55th Legislature (2015)

4 COMMITTEE SUBSTITUTE
5 FOR
6 HOUSE BILL NO. 1053

By: McDaniel (Randy) of the
House

and

Brinkley of the Senate

8
9
10 COMMITTEE SUBSTITUTE

11 An Act relating to the Oklahoma Law Enforcement
12 Retirement System; amending 47 O.S. 2011, Sections 2-
13 301, 2-303.1, as last amended by Section 1, Chapter
14 119, O.S.L. 2013, 2-305.1A, as amended by Section 2,
15 Chapter 52, O.S.L. 2012 and 2-305.2 (47 O.S. Supp.
16 2014, Sections 2-303.1 and 2-305.1A), which relate to
17 certain benefits; conforming statutory references to
18 the Internal Revenue Code of 1986, as amended;
19 stating intent to comply with certain requirements;
20 providing for disposition of revenues in certain
21 subaccounts related to Section 401(h) of the Internal
22 Revenue Code of 1986, as amended; requiring Board of
23 Trustees to develop procedures regarding rollover
24 distributions; requiring adherence to certain
guidance under I.R.S. notice; prescribing certain
interest rate for purposes of Deferred Retirement
Option Plan; authorizing amendments; and declaring an
emergency.

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

1 SECTION 1. AMENDATORY 47 O.S. 2011, Section 2-301, is
2 amended to read as follows:

3 Section 2-301. There is hereby established a System for the
4 payment of retirement benefits and certain medical and hospital
5 expenses of members of the Oklahoma Law Enforcement Retirement
6 System. Effective July 1, 2014, the System intends to satisfy
7 Section 401(a) of the Internal Revenue Code of 1986, as amended from
8 time to time, by meeting the requirements of Section 414(d) of the
9 Internal Revenue Code of 1986, as amended from time to time. Such
10 System shall constitute an amendment and continuation of the
11 Retirement and Pension Plan of the Department of Public Safety and
12 members in the Retirement and Pension Plan on June 30, 1980, shall
13 continue as members of the Oklahoma Law Enforcement Retirement
14 System. There is established in the State Treasury a special fund
15 designated as the "Oklahoma Law Enforcement Retirement Fund" for the
16 benefit of members of the System and certain dependents of deceased
17 members of the System. Such fund shall be a continuation, under a
18 new name, of the Retirement and Pension Fund of the Department of
19 Public Safety.

20 There is hereby created the Retirement Medical Benefit Fund.
21 The fund shall be maintained as a subaccount of the Oklahoma Law
22 Enforcement Retirement Fund. The Retirement Medical Benefit Fund is
23 composed of all assets which may be contributed to this subaccount
24 to pay the retirement system's portion of the monthly retiree health

1 insurance premium benefit described by Section 1316.2 of Title 74 of
2 the Oklahoma Statutes. Such monthly retiree health insurance
3 premium benefit is in addition to, and subordinate to, the
4 retirement benefits provided by this System. All such allocated
5 assets and any earnings thereon in the Retirement Medical Benefit
6 Fund shall be held for the exclusive purpose of providing retiree
7 medical benefits. The Retirement Medical Benefit Fund is to be
8 administered in accordance with the requirements of Section 401(h)
9 of the Internal Revenue Code of 1986, as amended from time to time.
10 It shall be impossible, at any time prior to the satisfaction of all
11 liabilities for these benefits, for any part of this subaccount to
12 be used for or diverted to, any purpose other than the providing of
13 the retiree health insurance premium benefit and the payment of
14 necessary and appropriate related expenses. Notwithstanding the
15 provisions of Section 401(a)(2) of the Internal Revenue Code of
16 1986, as amended from time to time, effective July 1, 2014, upon the
17 satisfaction of all liabilities under the Oklahoma Law Enforcement
18 Retirement System to provide Section 401(h) medical benefits, any
19 amount remaining in such separate subaccount must be returned to the
20 employer. Effective July 1, 2014, in the event an individual's
21 interest in the medical benefits subaccount is forfeited prior to
22 the termination of the Oklahoma Law Enforcement Retirement System,
23 an amount equal to the amount of the forfeiture must be applied as
24 soon as possible to reduce employer contributions to fund the

1 medical benefits described in Section 401(h). The Board of Trustees
2 may promulgate such rules as are necessary to implement the funding
3 and administration of the fund pursuant to the provisions of this
4 subsection. All contributions to fund the retiree health insurance
5 benefit shall be made on the basis of a generally accepted actuarial
6 method. Notwithstanding anything contained herein to the contrary,
7 the aggregate of contributions to provide retiree health insurance
8 benefits and life insurance, if any, shall not exceed twenty-five
9 percent (25%) of the aggregate contributions made to fund all
10 benefits under this System, other than contributions to fund past
11 service costs. For this purpose, "life insurance" means, as to any
12 member, the in-service death benefit that would be payable upon the
13 member's death, but only to the extent that the lump-sum value of
14 such death benefit would exceed the lump-sum value of the member's
15 accrued benefit at the date of the member's death.

16 Appointment to any position within a covered agency which comes
17 under this System shall not jeopardize the rights of any person who
18 has previously qualified for membership under this System, provided,
19 that the individual contributions are continued, and such person
20 remains a member of this System. Any person who has previously
21 qualified for membership under the System who voluntarily seeks and
22 accepts appointment to any position within a covered agency which is
23 not a covered position excludes the member from further
24 participation in this System; provided, this provision shall not

1 apply to any person who is a member of the System and who, on or
2 before June 30, 2002, has already accepted appointment to a position
3 which is not a covered position of the System nor shall it apply if
4 that person seeks and accepts any other position within a covered
5 agency which is not a covered position of the System.

6 SECTION 2. AMENDATORY 47 O.S. 2011, Section 2-303.1, as
7 last amended by Section 1, Chapter 119, O.S.L. 2013 (47 O.S. Supp.
8 2014, Section 2-303.1), is amended to read as follows:

9 Section 2-303.1 A. The Oklahoma Law Enforcement Retirement
10 Board shall discharge its duties with respect to the System solely
11 in the interest of the participants and beneficiaries and:

12 1. For the exclusive purpose of:

13 a. providing benefits to participants and their
14 beneficiaries, and

15 b. defraying reasonable expenses of administering the
16 System;

17 2. With the care, skill, prudence, and diligence under the
18 circumstances then prevailing that a prudent person acting in a like
19 capacity and familiar with such matters would use in the conduct of
20 an enterprise of a like character and with like aims;

21 3. By diversifying the investments of the System so as to
22 minimize the risk of large losses, unless under the circumstances it
23 is clearly prudent not to do so; and

24

1 4. In accordance with the laws, documents and instruments
2 governing the System.

3 B. The Board may procure insurance indemnifying the members of
4 the Board from personal loss or accountability from liability
5 resulting from a member's action or inaction as a member of the
6 Board.

7 C. The Board may establish an investment committee. The
8 investment committee shall be composed of not more than five (5)
9 members of the Board appointed by the president of the Board. The
10 committee shall make recommendations to the full Board on all
11 matters related to the choice of custodians and managers of the
12 assets of the System, on the establishment of investment and fund
13 management guidelines, and in planning future investment policy.
14 The committee shall have no authority to act on behalf of the Board
15 in any circumstances whatsoever. No recommendation of the committee
16 shall have effect as an action of the Board nor take effect without
17 the approval of the Board as provided by law.

18 D. The Board shall retain qualified investment managers to
19 provide for the investment of the monies of the System. The
20 investment managers shall be chosen by a solicitation of proposals
21 on a competitive bid basis pursuant to standards set by the Board.
22 Subject to the overall investment guidelines set by the Board, the
23 investment managers shall have full discretion in the management of
24 those monies of the System allocated to the investment managers.

1 The Board shall manage those monies not specifically allocated to
2 the investment managers. The monies of the System allocated to the
3 investment managers shall be actively managed by the investment
4 managers, which may include selling investments and realizing losses
5 if such action is considered advantageous to longer term return
6 maximization. Because of the total return objective, no distinction
7 shall be made for management and performance evaluation purposes
8 between realized and unrealized capital gains and losses.

9 E. All assets of the System shall be held in trust for the
10 exclusive purpose of providing benefits for the members and
11 beneficiaries of the System, including defraying reasonable expenses
12 of administering the System, and shall not be encumbered for or
13 diverted to any other purposes. Funds and revenues for investment
14 by the investment managers or the Board shall be placed with a
15 custodian selected by the Board. The custodian shall be a bank or
16 trust company offering pension fund master trustee and master
17 custodial services, and any related custodial agreement or trust
18 agreement is incorporated herein by reference. The custodian shall
19 be chosen by a solicitation of proposals on a competitive bid basis
20 pursuant to standards set by the Board. In compliance with the
21 investment policy guidelines of the Board, the custodian bank or
22 trust company shall be contractually responsible for ensuring that
23 all monies of the System are invested in income-producing investment
24 vehicles at all times. If a custodian bank or trust company has not

1 received direction from the investment managers of the System as to
2 the investment of the monies of the System in specific investment
3 vehicles, the custodian bank or trust company shall be contractually
4 responsible to the Board for investing the monies in appropriately
5 collateralized short-term interest-bearing investment vehicles. Any
6 assets of the System may be invested in a collective investment fund
7 or in a group trust provided the investment in such collective
8 investment fund or group trust is in compliance with the provisions
9 of Rev. Rul. 81-100, as further amended by Rev. Rul. 2004-67, Rev.
10 Rul. 2008-40, and Rev. Rul. 2011-1, or any successor ruling,
11 regulation, or similar pronouncement. Each such collective
12 investment fund or group trust is adopted with respect to any monies
13 invested therein, as part of the System, its trust and custodial
14 agreement, and the provisions of such trust agreement or such
15 declaration of trust and related adoption, participation, investment
16 management, subtrust or other agreements, as amended from time to
17 time, with respect to any monies invested therein, are incorporated
18 by reference into the System, its trust agreement(s) or custodial
19 agreement(s), upon approval by the Board.

20 F. Prior to August 1 of each year, the Board shall develop a
21 written investment plan for the System.

22 G. The Board shall compile a quarterly financial report of all
23 the funds of the System on a fiscal year basis. The report shall be
24 compiled pursuant to uniform reporting standards prescribed by the

1 Oklahoma State Pension Commission for all state retirement systems.
2 The report shall include several relevant measures of investment
3 value, including acquisition cost and current fair market value with
4 appropriate summaries of total holdings and returns. The report
5 shall contain combined and individual rate of returns of the
6 investment managers by category of investment, over periods of time.
7 The Board shall include in the quarterly reports all commissions,
8 fees or payments for investment services performed on behalf of the
9 Board. The report shall be distributed to the Governor, the
10 Oklahoma State Pension Commission, the Legislative Service Bureau,
11 the Speaker of the House of Representatives and the President Pro
12 Tempore of the Senate.

13 H. After July 1 and before October 31 of each year, the Board
14 shall publish widely an annual report presented in simple and easily
15 understood language pursuant to uniform reporting standards
16 prescribed by the Oklahoma State Pension Commission for all state
17 retirement systems. The report shall be submitted to the Governor,
18 the Speaker of the House of Representatives, the President Pro
19 Tempore of the Senate, the Oklahoma State Pension Commission and the
20 members of the System. The annual report shall cover the operation
21 of the System during the past fiscal year, including income,
22 disbursements, and the financial condition of the System at the end
23 of the fiscal year. The annual report shall also contain the
24 information issued in the quarterly reports required pursuant to

1 subsection G of this section as well as a summary of the results of
2 the most recent actuarial valuation to include total assets, total
3 liabilities, unfunded liability or over funded status, contributions
4 and any other information deemed relevant by the Board. The annual
5 report shall be written in such a manner as to permit a readily
6 understandable means for analyzing the financial condition and
7 performance of the System for the fiscal year. The annual financial
8 statements must be audited and filed in accordance with the
9 requirements set forth for financial statement audits in Section
10 212A of Title 74 of the Oklahoma Statutes.

11 I. The Board may retain an attorney licensed to practice law in
12 this state. The attorney shall serve at the pleasure of the Board
13 for such compensation as set by the Board. The Attorney General
14 shall furnish such legal services as may be requested by the Board.

15 J. All information, documents and copies thereof contained in a
16 member's retirement file shall be given confidential treatment and
17 shall not be made public by the System without the prior written
18 consent of the member to which it pertains, but shall be subject
19 only to court order. Provided, the System, its employees or
20 attorneys, may use such records in defense of any action brought
21 against the System.

22 K. Effective July 1, 1999, the Board is hereby authorized to do
23 all acts and things necessary and proper to carry out the purpose of
24 the System and to make the least costly amendments and changes, if

1 any, as may be necessary to qualify the System under the applicable
2 sections of the Internal Revenue Code of 1986, as amended.

3 L. The Executive Director and such employees of the System as
4 the Executive Director may designate are hereby authorized to
5 prepare certified copies of records of the System and every such
6 certified copy shall be admissible in any proceeding in any court in
7 like manner as the original thereof.

8 M. On or after July 1, 2011, the Board may permit, effective
9 for applicable notices, elections and consents provided or made for
10 a member, beneficiary, alternate payee or individual entitled to
11 benefits under the System, the use of electronic media to provide
12 applicable notices and make such elections and consents as described
13 in Section 1.401(a)-21 of the Income Tax Regulations.

14 N. The Board shall develop such procedures and may require such
15 information from the distributing plan as it deems necessary to
16 reasonably conclude that a potential rollover contribution is a
17 valid rollover contribution under Section 1.401(a)(31)-1, Q&A-
18 14(b)(2), of the Income Tax Regulations.

19 SECTION 3. AMENDATORY 47 O.S. 2011, Section 2-305.1A, as
20 amended by Section 2, Chapter 52, O.S.L. 2012 (47 O.S. Supp. 2014,
21 Section 2-305.1A), is amended to read as follows:

22 Section 2-305.1A A. This section applies to distributions made
23 on or after January 1, 2002. Notwithstanding any provision of the
24 System to the contrary that would otherwise limit a Distributee's

1 election hereunder, a Distributee, including a nonspouse designated
2 beneficiary, to the extent permitted under paragraph 3 of subsection
3 B of this section, may elect, at the time and in the manner
4 prescribed by the Board, to have any portion of an Eligible Rollover
5 Distribution paid directly to an Eligible Retirement Plan specified
6 by the Distributee in a Direct Rollover.

7 B. As used in this section:

8 1. "Eligible Rollover Distribution" means any distribution of
9 all or any portion of the balance to the credit of the Distributee,
10 except that an Eligible Rollover Distribution does not include: any
11 distribution that is one of a series of substantially equal periodic
12 payments (not less frequently than annually) made for the life (or
13 life expectancy) of the Distributee or the joint lives (or life
14 expectancies) of the Distributee and the Distributee's designated
15 beneficiary, or for a specified period of ten (10) years or more;
16 any distribution to the extent such distribution is required under
17 Section 401(a)(9) of the Internal Revenue Code of 1986, as amended;
18 and the portion of any distribution that is not includable in gross
19 income. A portion of a distribution shall not fail to be an
20 Eligible Rollover Distribution merely because the portion consists
21 of after-tax member contributions which are not includable in gross
22 income. However, such portion may be transferred only:

23 a. from January 1, 2002, through December 31, 2006:

- 1 (1) to an individual retirement account or annuity
2 described in Section 408(a) or (b) of the
3 Internal Revenue Code of 1986, as amended, or
4 (2) in a direct trustee-to-trustee transfer, to a
5 qualified trust which is part of a defined
6 contribution plan that agrees to separately
7 account for amounts so transferred, including
8 separately accounting for the portion of such
9 distribution which is includable in gross income
10 and the portion of such distribution which is not
11 so includable~~+~~, and

12 b. on or after January 1, 2007:

- 13 (1) to an individual retirement account or annuity
14 described in Section 408(a) or (b) of the
15 Internal Revenue Code of 1986, as amended, or
16 (2) in a direct trustee-to-trustee transfer to a
17 qualified trust or an annuity contract described
18 in Section 403(b) of the Internal Revenue Code of
19 1986, as amended, and such trust or contract
20 provides for separate accounting for amounts so
21 transferred (and earnings thereon), including
22 separately accounting for the portion of such
23 distribution which is includable in gross income
24

1 and the portion of such distribution which is not
2 so includable.

3 Effective for distributions after December 31, 2007, such after-
4 tax portion may also be directly transferred to a Roth individual
5 retirement account or annuity described in Section 408A of the
6 Internal Revenue Code of 1986, as amended, ("Roth IRA"), subject to
7 any limitations described in Section 408A(c) of the Internal Revenue
8 Code of 1986, as amended;

9 2. "Eligible Retirement Plan" means an individual retirement
10 account described in Section 408(a) of the Internal Revenue Code of
11 1986, as amended, an individual retirement annuity described in
12 Section 408(b) of the Internal Revenue Code of 1986, as amended, an
13 annuity plan described in Section 403(a) of the Internal Revenue
14 Code of 1986, as amended, or a qualified trust described in Section
15 401(a) of the Internal Revenue Code of 1986, as amended, that
16 accepts the Distributee's Eligible Rollover Distribution. Effective
17 January 1, 2002, an Eligible Retirement Plan shall also mean an
18 annuity contract described in Section 403(b) of the Internal Revenue
19 Code of 1986, as amended, and an eligible plan under Section 457(b)
20 of the Internal Revenue Code of 1986, as amended, which is
21 maintained by a state, political subdivision of a state, or any
22 agency or instrumentality of a state or political subdivision of a
23 state and which agrees to separately account for amounts transferred
24 into such plan from the System. Effective for distributions after

1 December 31, 2007, an Eligible Retirement Plan includes a Roth IRA,
2 subject to any limitations under Section 408A(c) of the Internal
3 Revenue Code of 1986, as amended~~;~~;

4 3. "Distributee" means an employee or former employee. In
5 addition, the employee's or former employee's surviving spouse and
6 the employee's or former employee's spouse or former spouse who is
7 the alternate payee under a qualified domestic order, as defined in
8 subsection B of Section 2-303.3 of this title, are Distributees with
9 regard to the interest of the spouse or the former spouse.

10 Effective for distributions after December 31, 2006, a Distributee
11 also includes the member's nonspouse designated beneficiary (and
12 certain trusts described in Section 402(c)(11)(B) of the Internal
13 Revenue Code of 1986, as amended), pursuant to Section 401(a)(9)(E)
14 of the Internal Revenue Code of 1986, as amended, who may elect any
15 portion of a payment to be made in a Direct Rollover only to a
16 traditional individual retirement account or annuity (other than an
17 endowment contract) described in Section 408(a) or (b) of the
18 Internal Revenue Code of 1986, as amended, ("IRA"), or, effective
19 for distributions after December 31, 2007, to a Roth IRA, that is
20 established on behalf of such nonspouse designated beneficiary for
21 the purpose of receiving the distribution and that will be treated
22 as an inherited IRA pursuant to the provisions of Section 402(c)(11)
23 of the Internal Revenue Code of 1986, as amended. Also, in this
24 case, the determination of any required minimum distribution under

1 Section 401(a) (9) of the Internal Revenue Code of 1986, as amended,
2 that is ineligible for rollover shall be made in accordance with
3 Notice 2007-7, Q&A 17 and 18, 2007-5 Internal Revenue Bulletin 395.
4 The required minimum distribution rules of Section 401(a) (9) (B)
5 (other than clause iv thereof) of the Internal Revenue Code of 1986,
6 as amended, apply to the transferee IRA~~;~~ and

7 4. "Direct Rollover" means a payment by the System to the
8 Eligible Retirement Plan specified by the Distributee.

9 C. At least thirty (30) days before and, effective for years
10 beginning after December 31, 2006, not more than one hundred eighty
11 (180) days before the date of distribution, the Distributee (other
12 than a nonspouse designated beneficiary prior to July 1, 2010) must
13 be provided with a notice of rights which satisfies Section 402(f)
14 of the Internal Revenue Code of 1986, as amended, as to rollover
15 options and tax effects. Such distribution may commence less than
16 thirty (30) days after the notice is given, provided that:

17 1. The Board clearly informs the Distributee that the
18 Distributee has a right to a period of at least thirty (30) days
19 after receiving the notice to consider the decision of whether or
20 not to elect a distribution; and

21 2. The Distributee, after receiving the notice, affirmatively
22 elects a distribution.

23 D. For distributions made after December 31, 2006, but prior to
24 July 1, 2010, a distribution with respect to a nonspouse designated

1 beneficiary shall be made in accordance with Notice 2007-7, Q&A 15,
2 2007-5 Internal Revenue Bulletin 395. Effective for plan years
3 beginning after December 31, 2009, a distribution with respect to a
4 nonspouse designated beneficiary shall be subject to Sections
5 401(a)(31), 402(f) and 3405(c) of the Internal Revenue Code of 1986,
6 as amended.

7 E. Effective for distributions after December 31, 2014, for
8 purposes of determining the portion of a disbursement of benefits
9 from the System to a Distributee that is not includable in gross
10 income under Section 72 of the Internal Revenue Code of 1986, as
11 amended, the guidance under I.R.S. Notice 2014-54 shall be followed.

12 SECTION 4. AMENDATORY 47 O.S. 2011, Section 2-305.2, is
13 amended to read as follows:

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

22 B. For purposes of this section, participating service shall
23 include service credit recognized pursuant to paragraphs (c) and (d)
24 of Section 2-307, subsection B of Section 2-307.2, and Sections 2-

1 309.1, 2-309.2, 2-309.3, 2-309.4, 2-309.5, and 2-309.6 ~~and 2-309.7~~
2 of this title but for eligibility purposes only.

3 C. The duration of participation in the Oklahoma Law
4 Enforcement Deferred Option Plan for a member shall not exceed five
5 (5) years. Participation in the Oklahoma Law Enforcement Deferred
6 Option Plan must begin the first day of a month and end on the last
7 day of the month. At the conclusion of a member's participation in
8 the Oklahoma Law Enforcement Deferred Option Plan, the member shall
9 terminate employment as a member of the Oklahoma Law Enforcement
10 Retirement System, and shall start receiving the member's accrued
11 monthly retirement benefit from the System. Such a member may
12 continue to receive in-service distributions of such member's
13 accrued monthly retirement benefit from the System if the member is
14 reemployed by a state agency only if such reemployment is in a
15 position not covered under the System.

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

1 cease employment and receive a service retirement shall be paid into
2 the member's Oklahoma Law Enforcement 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 in the yearly
9 evaluation report of the actuary. The actuarial assumed interest
10 rate shall be seven and five-tenths percent (7.5%) until the Board
11 amends the actuarial assumed interest rate prospectively by
12 resolution. The interest shall be credited to the individual
13 account balance of the member on an annual basis.

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

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

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

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

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

1 Enforcement Deferred Option Plan shall be no later than the time as
2 set forth in paragraph 7 of Section 2-300 of this title.

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

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

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

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

24

- 1 a. "back drop date" means the date selected by the member
2 which is up to five (5) years before the member elects
3 to participate in the Oklahoma Law Enforcement
4 Deferred Option Plan, but not before the date at which
5 the member completes twenty (20) years of
6 participating service,
- 7 b. "termination date" means the date the member elects to
8 participate in the Oklahoma Law Enforcement Deferred
9 Option Plan pursuant to this subsection and the date
10 the member terminates employment and starts receiving
11 the member's accrued monthly retirement benefit from
12 the System. Such termination has at all times
13 included reemployment of a member by a state agency,
14 but only in a position not covered under the System,
- 15 c. "earlier attained participating service" means the
16 participating service earned by a member as of the
17 back drop date. Earlier attained participating
18 service cannot be reduced to less than twenty (20)
19 years of participating service, and
- 20 d. "deferred benefit balance" means all retirement
21 benefits that would have been paid from the back drop
22 date to the termination date, and one half (1/2) of
23 the employer contributions from the back drop date to
24 the termination date, with interest based on how the

1 benefit would have accumulated on a compound annual
2 basis as if the member had participated in the
3 Oklahoma Law Enforcement Deferred Option Plan pursuant
4 to subsections A, B, C, D and E of this section from
5 the back drop date to the termination date;

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

21 3. A member may participate in the Oklahoma Law Enforcement
22 Deferred Option Plan pursuant to this subsection even if the member
23 has elected to participate in the Oklahoma Law Enforcement Deferred
24 Option Plan pursuant to subsections A, B, C, D, E and F of this

1 section. Such a member may select a back drop date which is up to
2 five (5) years prior to the termination date, but not before the
3 date at which the member completes twenty (20) years of
4 participating service. Such a member's participation in the
5 Oklahoma Law Enforcement Deferred Option Plan may not exceed five
6 (5) years when combined with such a member's prior period of
7 participation in the Oklahoma Law Enforcement Deferred Option Plan.
8 The provisions of subsections B, C, E, F and G of this section shall
9 apply to this subsection.

10 SECTION 5. It being immediately necessary for the preservation
11 of the public peace, health and safety, an emergency is hereby
12 declared to exist, by reason whereof this act shall take effect and
13 be in full force from and after its passage and approval.

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15 COMMITTEE REPORT BY: COMMITTEE ON BUSINESS, LABOR, AND RETIREMENT
16 LAWS, dated 02/11/2015 - DO PASS, As Amended and Coauthored.

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