

STATE OF OKLAHOMA

1st Session of the 59th Legislature (2023)

HOUSE BILL 2174

By: Ford

AS INTRODUCED

An Act relating to the Oklahoma Police Pension and Retirement System; amending 11 O.S. 2021, Section 50-111.3, which relates to deferred option plans; modifying provision related to interest; and providing an effective date.

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

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

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

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

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

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

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

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

5 2. A member who participates in this plan shall earn interest
6 at a rate of two percentage points below the rate of return of the
7 investment portfolio of the System, but no less than ~~the actuarial~~
8 ~~assumed interest rate as certified by the actuary in the yearly~~
9 ~~evaluation report of the actuary~~ seven and one-half percent (7.5%)
10 interest effective November 1, 2023. The interest shall be credited

11 to the individual account balance of the member on an annual basis.

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

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

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

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

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

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

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

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

- 20 a. "back drop date" means the date selected by the
21 member, which is up to five (5) years before the
22 member elects to participate in the Oklahoma Police
23 Deferred Option Plan, but not before the date at which
24

1 the member completes twenty (20) years of credited
2 service,

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

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

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

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

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

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

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

8 SECTION 2. This act shall become effective November 1, 2023.

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10 59-1-6116 CMA 01/04/23

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January 5, 2023

Representative Russ Ford
Room 300

Re: RBH No. 6116

RBH No. 6116 creates a hard minimum interest rate of 7.5% per year for participants in the Oklahoma Police Pension and Retirement System. The current interest rate to be used is greater of interest rate earned by the fund less 2% and the actuarial interest rate used in the latest actuarial valuation. The current actuarial interest rate is 7.5%.

RBH No. 6116 is a non fiscal bill as defined by OPLAAA.

RBH No. 6116 could become fiscal sometime in the future should the system's actuary lower the actuarial interest assumption. Such change would be made on fund's performance and expected performance in the future.

I am a member of the American Academy of Actuaries and meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion herein.

Thomas E. Cummins

Thomas E. Cummins, MAAA

