

**TITLE 270. OKLAHOMA FIREFIGHTERS PENSION AND RETIREMENT SYSTEM
CHAPTER 10. FIREFIGHTERS PENSION AND RETIREMENT PLAN**

RULE IMPACT STATEMENT

A. Brief description of the purpose of the proposed rule.

The proposed rule amendment to 270:10-1-8(c) reflects the effective date in 11 O.S., Section 49-117.1 of November 1, 2013.

The proposed rule amendments to 270:10-1-8 require, commencing with the plan year ending on June 30, 2018 and for each plan year thereafter, an annual mandatory distribution of interest earnings from the Deferred Option Plan and the Deferred Option Plan under the Back DROP provision (collectively “Plan B”) for members of the Oklahoma Firefighters Pension and Retirement System (“System”) whose first period of employment with a participating employer of the System occurred before November 1, 2013. Pursuant to 11 O.S., Section 49-106.1(F), except for a lump sum payment or an annuity, the Board of Trustees must approve all other methods of payment for Plan B distributions from a member’s Plan B account. Thus, revisions to the rules are necessary to reflect the Board of Trustees’ approved methods of payment for any interest earnings credited to a member’s Plan B account on or about June 30, 2018, and thereafter.

The mandatory distribution of interest earnings applies to retired members, disabled members and surviving spouses. The mandatory distribution of interest earnings does not apply to an individual who is receiving a required minimum distribution from Plan B. The amount of the mandatory distribution of interest earnings for any plan year is reduced by the amount of the voluntary withdrawals from the member’s Plan B account.

The proposed amendments also set forth the mechanism for the calculation of interest earnings and the approved methods of payment for the annual mandatory distribution of interest earnings credited to a member’s account on or about June 30, 2018, and thereafter. If a member fails to make an election for a mandatory distribution greater than \$1,000 made on or after June 28, 2018, the proposed rule amendments state that such failure will result in an automatic rollover of such interest earnings to an individual retirement plan (“IRA”), consistent with Section 401(a)(31) of the Internal Revenue Code of 1986, as amended (“Code”), for any member before the member attains the later of age 62 or the member’s normal retirement date (“Automatic Rollover”), and a direct lump sum distribution to the member for any other member before such member attains age 70 ½.

The proposed amendments also change the terms “beneficiary” and “beneficiaries” to “designated recipient” and “designated recipients” with respect to any payment to these individuals from the Plan B account in order to be consistent with 11 O.S., Section 49-106.1(G).

The proposed amendments to 270:10-1-8(1)(1)(F) and 270:10-1-8(m)(3) move language within a sentence to clarify the positions that may be held by a Plan B member if reemployed by a participating municipality and receiving in service distributions of the member’s accrued benefit from the System after such member concludes participation in Plan B.

The proposed amendments to 270:10-1-8(1)(3) and 270:10-1-8(m)(7) change the numbering of (1) and (2) to (A) and (B) to avoid potential confusion with the subsection numbering system. The proposed amendments to 270:10-1-8(m)(2)(C) add a cross-reference to (1) of 270:10-1-8.

The proposed amendments adding 270:10-1-8(p) detail the automatic rollover provisions required by Code Section 401(a)(31) for the Automatic Rollover. The proposed amendments provide that in the event of a mandatory distribution that is greater than \$1,000 and made on or after June 28, 2018, without the member's consent to the member before the member attains the later of age 62 or normal retirement date, if the member does not elect to have such distribution paid directly to an eligible retirement plan specified by the member in a direct rollover or to receive the distribution directly, then the State Board shall pay the distribution in a direct rollover to an IRA designated by the State Board.

B. Description of the classes of persons who most likely will be affected by the proposed rule, including classes that will bear the costs of the proposed rule, and any information on cost impacts received by the agency from any private or public entities.

The proposed rule changes affect the members of the System participating in Plan B whose first period of employment with a participating employer of the System occurred before November 1, 2013, and who are retired members, disabled members and surviving spouses. There are no costs associated with the proposed rules. No information on cost impacts have been received by the System from any private or public entities.

C. Description of the classes of persons who will benefit from the proposed rule.

The proposed rule changes should benefit the System, the System's members and the member's beneficiaries in that the proposed rule changes improve the long-term fiscal integrity of the System.

D. Description of the probable economic impact of the proposed rule upon affected classes of persons or political subdivisions, including a listing of all fee changes and, whenever possible, a separate justification for each fee change.

Plan B account balances for the members of the System and beneficiaries affected by the proposed rule earn interest at 2% below the rate of return of the System's portfolio, but no less than the actuarial assumed rate as certified by the actuary in the yearly evaluation report, which has historically been 7.5%. These account balances generally remain in Plan B earning interest on the interest over time. The System has not quantified any economic impact of requiring the distribution of the yearly interest earnings on an annual basis.

E. The probable costs and benefits to the agency and to any other agency of the implementation and enforcement of the proposed rule, the source of revenue to be used for implementation and enforcement of the proposed rule, and any anticipated effect on state revenues, including a projected net loss or gain in such revenues if it can be projected by the agency.

The System will benefit from the proposed rule by improving the fiscal integrity of the System. There is anticipated to be a nominal administrative cost to the System associated with implementation of the proposed rule that will be absorbed into the System's normal operating budget, with no effect on state revenues.

- F. Determination of whether implementation of the proposed rule will have an economic impact on any political subdivisions or require their cooperation in implementing or enforcing the rule.**

The proposed rule changes will have no economic impact on any political subdivisions and should not require their cooperation in implementing or enforcing the rule.

- G. Determination of whether implementation of the proposed rule will have an adverse economic effect on small business as provided by the Oklahoma Small Business Regulatory Flexibility Act.**

After consideration with reference to Section 303(A)(4) and 303(B)(6) of Title 75, it is believed that the proposed rules will have no adverse impact upon small business.

- H. Explanation of the measures the agency has taken to minimize compliance costs and a determination of whether there are less costly or non-regulatory methods or less intrusive methods for achieving the purpose of the proposed rule.**

The proposed changes are designed to minimize compliance costs by working within existing administrative processes and operating budgets.

- I. Determination of the effect of the proposed rule on the public health, safety and environment and, if the proposed rule is designed to reduce significant risks to the public health, safety and environment, an explanation of the nature of the risk and to what extent the proposed rule will reduce the risk.**

The proposed rule should have no effect on the public health, safety, and environment.

- J. Determination of any detrimental effect on the public health, safety and environment if the proposed rule is not implemented.**

No effect on the public health, safety, or the environment will result if these rule amendments are not implemented.

- K. Date the rule impact statement was prepared and if modified, the date modified.**

November 10, 2016.