

**TITLE 590. OKLAHOMA PUBLIC EMPLOYEES RETIREMENT SYSTEM
CHAPTER 40. DEFINED CONTRIBUTION SYSTEM**

RULE IMPACT STATEMENT

A. BRIEF DESCRIPTION OF PURPOSE OF PROPOSED RULES:

Subchapter 1. GENERAL PROVISIONS-APPLICABLE TO THE 401(a) PLAN AND THE 457(b) PLAN

590:40-1-1(NEW): Purpose of the rules and establishment and authorization of the Defined Contribution System.

590:40-1-2(NEW): Statutory citations related to the rules in this Chapter are listed.

590:40-1-3(NEW): Words related to the Defined Contribution System are defined.

Subchapter 3. ADMINISTRATION OF DEFINED CONTRIBUTION SYSTEM-
APPLICABLE TO THE 401(a) PLAN AND THE 457(b) PLAN

590:40-3-1(NEW): The responsibilities and powers of OPERS, the Board of Trustees and the Executive Director are described.

590:40-3-2(NEW): Each employer shall have a coordinator; responsibility and training is outlined.

590:40-3-3(NEW): The responsibilities of coordinators and availability of forms are described.

590:40-3-4(NEW): Oklahoma law applies to Plans.

590:40-3-6(NEW): Participants are responsible for tax consequences arising from participation.

590:40-3-6(NEW): Participants are not subject to creditors except for outlined exceptions. Benefits can also not be assigned, etc., except for outlined exceptions.

590:40-3-7(NEW): The Board of Trustees may amend the Plans or Trusts provided that the amendments comply with outlined requirements.

590:40-3-8(NEW): Procedure for termination of the Plans; consequences for failure to meet Internal Revenue requirements.

590:40-3-9(NEW): Plan expenses can be paid from forfeitures and some are payable from the Trust Fund. The procedure for the allocation of administrative expenses is outlined.

590:40-3-10(NEW): Records are confidential subject to 590:10-1-18.

SUBCHAPTER 5. ELIGIBILITY AND PARTICIPATION-APPLICABLE TO THE 401(a) PLAN AND THE 457(b) PLAN

PART 1. ELIGIBILITY AND PARTICIPATION-APPLICABLE TO THE 401(a) PLAN AND THE 457(b) PLAN

590:40-5-1(NEW): The start date of participation is defined as well as which employees are eligible. Eligibility based on reemployment, changes in employment status and previous participation are also clarified.

590:40-5-2(NEW): Clarifies when a participant shall cease to be eligible to participate.

PART 3. CONTRIBUTIONS- APPLICABLE TO THE 401(a) PLAN AND THE 457(b) PLAN

590:40-5-5(NEW): The employee mandatory contributions are described.

590:40-5-6(NEW): Additional employee contributions are described along with how changes can be made to this rate.

590:40-5-7(NEW): Employer matching contributions are described.

590:40-5-8(NEW): The process for remitting contributions to the Plans is detailed.

PART 5. VESTING- APPLICABLE TO THE 401(a) PLAN AND THE 457(b) PLAN

590:40-5-15(NEW): The vesting schedule for participants is detailed.

590:40-5-16(NEW): Years of service for vesting purposes is defined along with the consequences of withdrawing from the plan.

590:40-5-17(NEW): Normal retirement age is 65 for the 401(a) plan and can be designated by the participant for the 457(b) plan.

PART 7. BENEFICIARIES- APPLICABLE TO THE 401(a) PLAN AND THE 457(b) PLAN

590:40-5-20(NEW): The process for designating a beneficiary is described.

590:40-5-21(NEW): The process for payments of benefits without a named beneficiary is described.

590:40-5-22(NEW): The requirements for filing an acceptable beneficiary form are described.

SUBCHAPTER 7. DEFINED CONTRIBUTION 401(a) PLAN

PART 1. ACCOUNTS

590:40-7-1(NEW): The obligation of OPERS to establish accounts for each participant is described.

590:40-7-2(NEW): Participants shall receive statements of his or her accounts.

590:40-7-3(NEW): The process for the valuation of accounts is detailed.

PART 3. CONTRIBUTIONS

590:40-7-10(NEW): The requirements and process for acceptance of rollovers is detailed.

590:40-7-11(NEW): The process for correcting a mistaken employer contribution is described.

PART 5. ALLOCATIONS AND VESTING

590:40-7-20(NEW): Establishes the process for allocating employer contributions.

590:40-7-21(NEW): Vesting is 100% at all times in the participants contributions; clarifies other contributions.

590:40-7-22(NEW): Describes forfeited contributions and how they can be used.

PART 7. INVESTMENTS

590:40-7-25(NEW): Describes the types of contracts or accounts in which contributions shall be invested.

590:40-7-26(NEW): The Board shall have the investment authority over investment options.

590:40-7-27(NEW): A participant shall direct his or her investments under the limitations established by the Board.

590:40-7-28(NEW): The Board shall select default options for those participants who do not direct investments or in the case of terminated or eliminated options.

PART 9. BENEFITS AND DISTRIBUTIONS

590:40-7-30(NEW): Events initiating the commencement of benefits and the election of a time for the commencement of benefits are described.

590:40-7-32(NEW): The process for the payment of benefits after attaining 70 ½ years of age is described.

590:40-7-33(NEW): A disability retirement is described.

590:40-7-34(NEW): The process for payment of a benefit in the case of the death of a participant is detailed.

590:40-7-35(NEW): The forms of payment and distribution options are described.

590:40-7-36(NEW): The election to rollover a distributee's election is explained and detailed. The terms involved are defined.

590:40-7-37(NEW): Minimum distribution requirements are described and terms involved are defined.

590:40-7-38(NEW): This is an Internal Revenue Code requirement related to the Uniformed Services Employment and Reemployments Rights Act of 1004 and the Heroes Earnings Assistance and Relief Tax Act of 2007.

PART 11. LIMITATIONS ON ANNUAL ADDITIONS

590:40-7-45(NEW): This rule describes the IRS limits on total additions to a plan.

590:40-7-46(NEW): Defines words used in Part 11.

590:40-7-47(NEW): Defines the process for correcting Annual Additions in excess of the allowable amount.

PART 13. TRUST

590:40-7-50(NEW): Establishes and creates a trust for contributions paid into the 401(a) plan.

590:50-7-51(NEW): Payments from the Trust Fund are outlined including the duties and liability of the recordkeeper, the payment of administrative expenses to the Board and the ability of the Board to withhold taxes from distributions.

590:40-7-52(NEW): The standard of care and duties required by the Board regarding the Trust Fund is established.

590:40-7-53(NEW): An accounting of Trust Fund transactions is required from the Recordkeeper and requires the Board to publish an annual report.

590:40-7-54(NEW): This section contains miscellaneous provisions related to the Board and the Trust.

SUBCHAPTER 9. DEFINED CONTRIBUTION PLAN 457(b) PLAN

PART 1. ELECTION TO DEFER

590:40-9-1(NEW): Establishes the maximum deferral amount for each calendar year.

590:40-9-2(NEW): Describes the catch-up election available under the Plan.

590:40-9-3(NEW): Describes the catch-up election for participants who are over age 50.

PART 3. ACCOUNTS

590:40-9-10(NEW): The obligation of OPERS to establish accounts for each participant is described.

590:40-9-11(NEW): Participants shall receive statements of his or her accounts.

590:40-9-12(NEW): The process for the valuation of accounts is detailed.

590:40-9-13(NEW): Describes the process for correcting an error when an employee's deferral is not made at the first available payroll.

PART 5. INVESTMENTS

590:40-9-20(NEW): Describes the types of contracts or accounts in which contributions shall be invested.

590:40-9-21(NEW): The Board shall have the investment authority over investment options.

590:40-9-22(NEW): A participant shall direct his or her investments under the limitations established by the Board.

590:40-9-23(NEW): The Board shall select default options for those participants who do not direct investments or in the case of terminated or eliminated options.

PART 7. BENEFITS

590:40-9-25(NEW): Events initiating the commencement of benefits are described.

590:40-9-26(NEW): The distribution schedule for distributions which begin prior to the death of a participant is described.

590:40-9-27(NEW): The total benefit payable to the participant is defined.

590:40-9-28(NEW): The process for the payment of benefits after attaining 70 ½ years of age is described.

590:40-9-29(NEW): A disability retirement is described.

590:40-9-30(NEW): The process for paying benefits to a participant who terminates employment prior to reaching Normal Retirement Age is described.

590:40-9-31(NEW): The process for payment of a benefit in the case of the death of a participant is detailed.

590:40-9-32(NEW): The timeframe and method of payment of benefits is described.

590:40-9-33(NEW): The forms of payment and distribution options are described.

590:40-9-34(NEW): The requirements and process for an emergency withdrawal is described.

590:40-9-35(NEW): Describes which plan-to-plan transfers are acceptable in the Plan.

590:40-9-37(NEW): The Board may withhold amounts necessary to cover federal and state taxes from benefits.

590:40-9-38(NEW): Rollovers from other plans will be accepted if they meet the requirements described in this section.

590:40-9-39(NEW): The election to rollover a distributee's election is explained and detailed. The terms involved are defined.

590:40-9-40(NEW): Trustee to trustee transfers to a defined benefit plan are allowed to purchase permissive service credit.

590:40-9-41(NEW): All forms and documents must be accepted by OPERS for plan-to-plan transfers and rollovers to occur.

590:40-9-42(NEW): This is an Internal Revenue Code requirement related to the Uniformed Services Employment and Reemployments Rights Act of 1994 and the Heroes Earnings Assistance and Relief Tax Act of 2007.

PART 9. TRUST

590:40-9-50(NEW): Establishes a trust for contributions paid into the 457(b) plan.

590:50-9-51(NEW): Payments from the Trust Fund are outlined including the duties and liability of the recordkeeper, the payment of administrative expenses to the Board and the ability of the Board to withhold taxes from distributions.

590:40-9-52(NEW): The standard of care and duties required by the Board regarding the Trust Fund is established.

590:40-9-53(NEW): An accounting of Trust Fund transactions is required from the Recordkeeper and requires the Board to publish an annual report.

590:40-9-54(NEW): This section contains miscellaneous provisions related to the Board and the Trust.

SUBCHAPTER 11. QUALIFIED DOMESTIC RELATIONS ORDERS – APPLICABLE TO THE 401(a) PLAN AND THE 457(b) PLAN

590:40-11-1(NEW): Establishes the purpose for this subchapter and requires Internal Code Section 414(p) to be followed by the Plan.

590:40-11-2(NEW): Defines “qualified domestic relations order.”

590:40-11-3(NEW): Establishes the requirements for filing a qualified domestic relations order.

590:40-11-4(NEW): The required contents for a qualified domestic relations order are outlined along with the prohibited contents.

590:40-11-5(NEW): The amount of the alternate payee’s award, the commencement and form of the payment to the alternate payee, the tax liability and address change notifications are described.

590:40-11-6(NEW): The alternate payee’s rights are defined.

590:40-11-7(NEW): The process for payment of benefits in the event of the death of the participant or the alternate payee is described.

590:40-11-8(NEW): The events which will terminate a qualified domestic relations order are described.

590:40-11-9(NEW): Clarifies that the Plan is not subject to ERISA.

B. CLASS OF PERSONS AFFECTED:

All employees who are hired on or after November 1, 2015, and become members of the Defined Contribution System are affected. Members of the Oklahoma Public Employees Retirement System are expected to be positively affected by these proposed rules because these rules make certain that the System will be in compliance with state law and federal tax laws and that the System will maintain its status as a qualified government pension plan. Members also benefit because these rules allow for more efficient operation of the System.

C. CLASS OF PERSONS BENEFITED:

See item "B" above.

D. DESCRIPTION OF ECONOMIC IMPACT:

These proposed rules will provide for a more uniform and efficient management of the agency in compliance with statutory provisions and federal regulations governing the qualified status of the retirement system which should have a positive economic impact.

E. COST TO AGENCY AND EFFECT ON STATE REVENUE:

No additional cost is expected to be incurred by this or any other state agency as a result of these rules. The rules reflect or clarify existing state and federal statutory or administrative requirements and, therefore, there is no anticipated effect on state revenues associated with these rules.

F. ECONOMIC IMPACT ON POLITICAL SUBDIVISIONS:

These proposed rules will have no additional economic impact upon any political subdivision.

G. EFFECT ON SMALL BUSINESS:

None.

H. LESS COSTLY OR INTRUSIVE METHODS:

None.

I. EFFECT ON PUBLIC HEALTH, SAFETY AND ENVIRONMENT:

None.

J. DETRIMENTAL EFFECT ON PUBLIC HEALTH, SAFETY AND ENVIRONMENT:

None.

K. DATE RULE IMPACT STATEMENT PREPARED:

January 13, 2015.