

HOUSE OF REPRESENTATIVES - FLOOR VERSION

STATE OF OKLAHOMA

1st Session of the 56th Legislature (2017)

HOUSE BILL 1339

By: McDaniel of the House

and

Stanislawski of the Senate

AS INTRODUCED

An Act relating to the Teachers' Retirement System of Oklahoma; amending 70 O.S. 2011, Sections 17-102.3 and 17-105, as last amended by Section 1, Chapter 129, O.S.L. 2016 (70 O.S. Supp. 2016, Section 17-105) which relate to administration of the retirement system; authorizing termination of Section 403(b) plan; prescribing requirements for termination; providing procedures; modifying provisions related to disability determination; modifying provisions related to approval of certain transactions by the Board of Trustees; and providing an effective date.

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

SECTION 1. AMENDATORY 70 O.S. 2011, Section 17-102.3, is amended to read as follows:

Section 17-102.3 The Tax-Sheltered Annuity Program provided by Section 17-101 et seq. of this title shall satisfy the applicable qualification requirements for grandfathered governmental tax-sheltered annuity programs as specified in 26 U.S.C. Section 403(b)

1 and the relevant regulatory provisions and guidance related thereto.
2 In order to satisfy these requirements and guidelines, the Teachers'
3 Retirement Tax-Sheltered Annuity Program shall be subject to the
4 following provisions, notwithstanding any other provision of the law
5 governing the Oklahoma Teachers' Retirement System:

6 (1) The Board of Trustees shall administer and distribute the
7 corpus and income of the Tax-Sheltered Annuity Program to members
8 and their beneficiaries pursuant to the applicable requirements
9 under 26 U.S.C. Section 403(b), relevant regulatory provisions and
10 guidance under 26 U.S.C. Section 403(b), and in accordance with the
11 law governing the Oklahoma Teachers' Retirement System.

12 (2) All benefits paid from the retirement system shall be
13 distributed in accordance with the applicable requirements of 26
14 U.S.C. Sections 403(b)(10) and 401(a)(9) and the regulations
15 thereto.

16 (3) To the extent required by 26 U.S.C. Sections 403(b)(10) and
17 401(a)(31), the retirement system shall allow members and qualified
18 beneficiaries to elect a direct rollover of eligible distributions
19 to another eligible retirement plan.

20 (4) To the extent required under 26 U.S.C. Section 403(b)(11)
21 and the regulations thereto, distributions under the Tax-Sheltered
22 Annuity Program shall only be paid when the member attains the age
23 of fifty-nine and one-half (59 1/2) years, separates from service,
24 dies, becomes disabled, or in the case of hardship.

1 (5) The Board of Trustees may terminate its Tax-Sheltered
2 Annuity Program (the "Program") administered under 26 U.S.C.,
3 Section 403(b). The Board may only do so in a way that is
4 consistent with federal tax law and minimizes financial harm to the
5 participants in the Program. To assist in minimizing any such harm,
6 all employers that participate in the Teachers' Retirement System
7 and maintain their own tax-sheltered annuity programs under Section
8 403(b) of the Code, and who employ a participant in the Program, or
9 who employed a retired participant in the Program, shall permit the
10 firm administering the Program on the effective date of this act to
11 be a provider in the employers' local programs. Such participation
12 is only for the purpose of offering the same investment options to
13 the participants that were available in the Program. Employers need
14 only keep this firm as a provider for a two-year period beginning
15 with the end of the local programs' current plan year as of the
16 effective date of this act. In addition the firm administering the
17 Program must continue to be lawfully providing those investment
18 options during that two-year period. Any active or retired
19 participant in the local 403(b) programs may choose any other
20 provider offered under that program.

21 SECTION 2. AMENDATORY 70 O.S. 2011, Section 17-105, as
22 last amended by Section 1, Chapter 129, O.S.L. 2016 (70 O.S. Supp.
23 2016, Section 17-105), is amended to read as follows:
24

1 Section 17-105. (1) (a) Any member who has attained age
2 fifty-five (55) or who has completed thirty (30) years of creditable
3 service, as defined in Section 17-101 of this title, or for any
4 person who initially became a member prior to July 1, 1992,
5 regardless of whether there were breaks in service after July 1,
6 1992, whose age and number of years of creditable service total
7 eighty (80) may be retired upon proper application for retirement on
8 forms established by the System and executing a retirement contract.
9 Such a retirement date will also apply to any person who became a
10 member of the sending system as defined in this act, prior to July
11 1, 1992, regardless of whether there were breaks in service after
12 July 1, 1992. Any person who became a member after June 30, 1992,
13 but prior to November 1, 2011, whose age and number of years of
14 creditable service total ninety (90) may be retired upon proper
15 application for retirement and executing a retirement contract. Any
16 person who becomes a member on or after November 1, 2011, who
17 attains the age of sixty-five (65) years or who reaches a normal
18 retirement date pursuant to subparagraph (d) of paragraph (24) of
19 Section 17-101 of this title having attained a minimum age of sixty
20 (60) years may be retired upon proper application for retirement and
21 executing a retirement contract. The application shall be filed on
22 the form provided by the Board of Trustees for this purpose, not
23 less than sixty (60) days before the date of retirement, provided
24

1 that the Executive Director may waive the sixty-day deadline for
2 good cause shown as defined by the Board.

3 1. The employer shall provide the System with the
4 following information for a retiring member, no later
5 than the fifteenth day of the month of retirement:
6 last day physically on the job; last day on payroll;
7 any regular compensation not already reported to the
8 System; and final unused sick leave balance.

9 2. Failure to submit this information by the deadline, or
10 errors in submitted information that result in a
11 disqualification of retirement eligibility shall be
12 the responsibility of the employer. In cases where
13 the error results in disqualification of retirement
14 eligibility, it is the employer's responsibility to
15 reemploy the member, or retain the member on the
16 payroll, for the time period required to reach
17 eligibility, not exceeding two (2) months.

18 (b) An individual who becomes a member of the Teachers'
19 Retirement System after July 1, 1967, shall be employed by the
20 public schools, state colleges or universities of Oklahoma for a
21 minimum of five (5) years and be a contributing member of the
22 Teachers' Retirement System of Oklahoma for a minimum of five (5)
23 years to qualify for monthly retirement benefits from the Teachers'
24 Retirement System of Oklahoma.

1 (c) Any member with five (5) or more years of Oklahoma teaching
2 service and whose accumulated contributions during such period have
3 not been withdrawn shall be given an indefinite extension of
4 membership beginning with the sixth year following his or her last
5 contributing membership and shall become eligible to apply for
6 retirement and be retired upon attaining age fifty-five (55).

7 (2) An unclassified optional member who has retired or who
8 retires at sixty-two (62) years of age or older or whose retirement
9 is because of disability shall have his or her minimum retirement
10 benefits calculated on an average salary of Five Thousand Three
11 Hundred Fifty Dollars (\$5,350.00) or, if a larger monthly allowance
12 would result, an amount arrived at pursuant to application of the
13 formula prescribed herein.

14 (3) No member shall receive a lesser retirement benefit than he
15 or she would have received under the law in effect at the time he or
16 she retired. Any individual under the Teachers' Retirement System,
17 who through error in stating the title of the position which he or
18 she held, may, at the discretion of the Board of Trustees, be
19 changed from the nonclassified optional group to the classified
20 group for the purpose of calculating retirement benefits.

21 Any individual regardless of residence, who has a minimum of ten
22 (10) years of teaching in Oklahoma schools prior to July 1, 1943, or
23 who taught in Oklahoma schools prior to 1934 and thereafter taught a
24 minimum of ten (10) years and who does not qualify under the present

1 retirement System, or who has a minimum of thirty (30) years of
2 teaching in Oklahoma schools and has reached seventy (70) years of
3 age prior to July 1, 1984, and is not otherwise eligible to receive
4 any benefits from the retirement system shall receive a minimum of
5 One Hundred Fifty Dollars (\$150.00) per month in retirement benefits
6 from the Teachers' Retirement System of Oklahoma plus any general
7 increase in benefits for annuitants as may be provided hereafter by
8 the Legislature. Each individual must apply to the Teachers'
9 Retirement System for such benefit and provide evidence to the
10 Teachers' Retirement System that the service was actually rendered.
11 The surviving spouse of any person who made application for the
12 benefit provided for by this paragraph during his or her lifetime
13 but did not receive said benefit may submit an application to the
14 System for payment of said benefit for those months during the
15 lifetime of the deceased person that he or she was eligible for but
16 did not receive the benefit. Upon approval of the application by
17 the Board of Trustees, the benefit shall be paid to the surviving
18 spouse in one lump sum.

19 (4) The value of each year of prior service is the total
20 monthly retirement benefit divided by the number of years of
21 creditable service.

22 (5) Upon application of a member who is actively engaged in
23 teaching in Oklahoma or his or her employer, any member who has been
24 a contributing member for ten (10) years may be retired by the Board

1 of Trustees subsequent to the execution and filing thereof, on a
2 disability retirement allowance, provided that it is found by the
3 Board of Trustees after medical examination of such member by a duly
4 qualified physician that such member is mentally or physically
5 incapacitated for further performance of duty, that such incapacity
6 is likely to be permanent, and that such member should be retired.
7 The Board of Trustees shall give due consideration to the
8 conclusions and recommendations in the certified written report of
9 the Medical Board of the Teachers' Retirement System regarding the
10 disability application of such member. If a member is determined to
11 be eligible for disability benefits pursuant to the Social Security
12 System, then such determination shall entitle the member to the
13 authorized disability retirement allowance provided by law. For
14 members who are not eligible for disability benefits pursuant to the
15 Social Security System, the Board of Trustees shall apply the same
16 standard for which provision is made in the first two sentences of
17 this subsection for determining the eligibility of a person for such
18 disability benefits in making a determination of eligibility for
19 disability benefits as authorized by this subsection.

20 (6) (a) A member who at the time of retirement has been found
21 to be permanently physically or mentally incapacitated to ~~teach~~
22 school perform the job duties for which he or she is employed shall
23 receive a minimum monthly retirement payment for life or until such
24 time as the member may be found to be recovered to the point where

1 he or she may return to teaching. Any member retired before July 1,
2 1992, shall be eligible to receive the monthly retirement allowance
3 herein provided, but such payment shall not begin until the first
4 payment due him or her after July 1, 1992, and shall not be
5 retroactive. The Board of Trustees is empowered to make such rules
6 and regulations as it considers proper to preserve equity in
7 retirements under this provision, which shall include a provision to
8 protect the rights of the member's spouse.

9 (b) A member who has qualified for retirement benefits under
10 disability retirement shall have the total monthly payment deducted
11 from his or her accumulated contributions plus interest earned and
12 any money remaining in the member's account after the above
13 deductions at the death of the member shall be paid in a lump sum to
14 the beneficiary or to the estate of the member. Provided, if the
15 deceased disabled member had thirty (30) years or more of creditable
16 service and the death occurred after June 30, 1981, and death
17 occurred prior to the disabled member receiving twelve monthly
18 retirement payments, a surviving spouse may elect to receive the
19 retirement benefit to which the deceased member would have been
20 entitled at the time of death under the Option 2 Plan of Retirement
21 provided for in subsection (8) of this section in lieu of the death
22 benefit provided for in this subsection and in subsection (12) of
23 this section.

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1 (c) Once each year the Board of Trustees may require any
2 disabled annuitant who has not yet attained the age of sixty (60)
3 years to undergo a medical examination, such examination to be made
4 at the place of residence for said disabled annuitant or other place
5 mutually agreed upon by a physician or physicians designated by the
6 Board of Trustees. Should any disabled annuitant who has not yet
7 attained the age of sixty (60) years refuse to submit to at least
8 one medical examination in any such year by a physician or
9 physicians designated by the Board of Trustees his or her allowance
10 may be discontinued until he or she submits to such examination.

11 (d) Should the Medical Board report and certify to the Board of
12 Trustees that such disabled annuitant is engaged in or is able to
13 engage in a gainful occupation paying more than the difference
14 between his or her retirement allowance and the average final
15 compensation, and should the Board of Trustees concur in such report
16 then the amount of his or her pension shall be reduced to an amount
17 which, together with his or her retirement allowance and that amount
18 earnable by him or her, shall equal the amount of his or her average
19 final compensation. Should his or her earning capacity be later
20 increased, the amount of his or her pension may be further modified,
21 provided the new pension shall not exceed that amount of the pension
22 originally granted nor an amount, which when added to the amount
23 earnable by the member, together with his or her annuity, equals the
24 amount of his or her average final compensation.

1 (e) Should a disabled annuitant be restored to active service,
2 his or her disability retirement allowance shall cease and he or she
3 shall again become a member of the Teachers' Retirement System and
4 shall make regular contributions as required under this article.
5 The unused portion of his or her accumulated contributions shall be
6 reestablished to his or her credit in the Teachers' Savings Fund.
7 Any such prior service certificates on the basis of which his or her
8 service was computed at the time of his or her retirement shall be
9 restored to full force and effect.

10 (7) Should a member before retirement under Section 1-101 et
11 seq. of this title make application for withdrawal duly filed with
12 the ~~Board of Trustees and approved by it~~ System, not earlier than
13 four (4) months after the date of termination of such service as a
14 teacher, the contribution standing to the credit of his or her
15 individual account in the Teachers' Savings Fund shall be paid to
16 him or her or, in the event of his or her death before retirement,
17 shall be paid to such person or persons as he or she shall have
18 nominated by written designation, duly executed and filed with the
19 ~~Board of Trustees~~ System; provided, however, if there be no
20 designated beneficiary surviving upon such death, such contributions
21 shall be paid to his or her administrators, executors, or assigns,
22 together with interest as hereinafter provided. In lieu of a lump-
23 sum settlement at the death of the member, the amount of money the
24 member has on deposit in the Teachers' Savings Fund and the money

1 the member has on deposit in the Teachers' Deposit Fund may be paid
2 in monthly payments to a designated beneficiary, who must be the
3 spouse, under the Maximum or Option 1 Plan of Retirement providing
4 the monthly payment shall be not less than Twenty-five Dollars
5 (\$25.00) per month. The monthly payment shall be the actuarial
6 equivalent of the amount becoming due at the member's death based on
7 the sex of the spouse and the age the spouse has attained at the
8 last birthday prior to the member's death. Provided further, if
9 there be no designated beneficiary surviving upon such death, and
10 the contributions standing to the credit of such member do not
11 exceed Two Hundred Dollars (\$200.00), no part of such contributions
12 shall be subject to the payment of any expense of the last illness
13 or funeral of the deceased member or any expense of administration
14 of the estate of such deceased and the ~~Board of Trustees~~ System,
15 upon satisfactory proof of the death of such member and of the name
16 or names of the person or persons who would be entitled to receive
17 such contributions under the laws of descent and distribution of the
18 state, may authorize the payment of accumulated contributions to
19 such person or persons. A member terminating his or her membership
20 by withdrawal after June 30, 2003, shall have the interest computed
21 at a rate of interest determined by the Board of Trustees and paid
22 to him or her subject to the following schedule:

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1 (a) If termination occurs within sixteen (16) years from the
2 date membership began, fifty percent (50%) of such interest
3 accumulations shall be paid.

4 (b) With at least sixteen (16) but less than twenty-one (21)
5 years of membership, sixty percent (60%) of such interest
6 accumulations shall be paid.

7 (c) With at least twenty-one (21) but less than twenty-six (26)
8 years of membership, seventy-five percent (75%) of such interest
9 accumulations shall be paid.

10 (d) With at least twenty-six (26) years of membership, ninety
11 percent (90%) of such interest accumulations shall be paid.

12 In case of death of an active member, the interest shall be
13 calculated and restored to the member's account and paid to his or
14 her beneficiary.

15 (8) (a) In lieu of his or her retirement allowance payable
16 throughout life for such an amount as determined under this section,
17 the member may select a retirement allowance for a reduced amount
18 payable under any of the following options the present value of
19 which is the actuarial equivalent thereof.

20 (b) A member may select the option under which he or she
21 desires to retire at the end of the school year in which he or she
22 attains age seventy (70) and said option shall be binding and cannot
23 be changed. Provided further that if a member retires before age
24 seventy (70), no election of an option shall be effective in case an

1 annuitant dies before the first payment due under such option has
2 been received.

3 (c) The first payment of any benefit selected shall be made on
4 the first day of the month following approval of the retirement by
5 the System. If the named designated beneficiary under Option 2 or 3
6 dies at any time after the member's retirement date, but before the
7 death of the member, the member shall return to the retirement
8 benefit, including any post retirement benefit increases the member
9 would have received had the member not selected Option 2 or 3 of
10 this subsection. The benefit shall be determined at the date of
11 death of the designated beneficiary or July 1, 1994, whichever is
12 later. This increase shall become effective the first day of the
13 month following the date of death of the designated beneficiary or
14 July 1, 1994, whichever is later, and shall be payable for the
15 member's remaining lifetime. The member shall notify the Teachers'
16 Retirement System of Oklahoma of the death of the designated
17 beneficiary in writing. In the absence of said written notice being
18 filed by the member notifying the Teachers' Retirement System of
19 Oklahoma of the death of the designated beneficiary within six (6)
20 months of the date of death, nothing in this subsection shall
21 require the Teachers' Retirement System of Oklahoma to pay more than
22 six (6) months of retrospective benefits increase.

23 Option 1. If he or she dies before he or she has received in
24 annuity payments the present value of his or her annuity as it was

1 at the time of his or her retirement, the balance shall be paid to
2 his or her legal representatives or to such person as he or she
3 shall nominate by written designation duly acknowledged and filed
4 with the Board of Trustees at the time of his or her retirement; or

5 Option 2. A member takes a reduced retirement allowance for
6 life. Upon the death of the member the payments shall continue to
7 the member's designated beneficiary for the life of the beneficiary.
8 The written designation of the beneficiary must be duly acknowledged
9 and filed with the ~~Board of Trustees~~ System at the time of the
10 member's retirement and, except as provided in paragraph (e) of this
11 subsection, cannot be changed after the effective date of the
12 member's retirement; or

13 Option 3. A member receives a reduced retirement allowance for
14 life. Upon the death of the member one-half (1/2) of the retirement
15 allowance paid the member shall be continued throughout the life of
16 the designated beneficiary. A written designation of a beneficiary
17 must be duly acknowledged and filed with the ~~Board of Trustees~~
18 System at the time of the member's retirement and, except as
19 provided in paragraph (e) of this subsection, cannot be changed
20 after the effective date of the member's retirement; or

21 Option 4. Some other benefit or benefits shall be paid either
22 to the member or to such person or persons as he or she shall
23 nominate, provided such other benefit or benefits, together with the
24 reduced retirement allowance, shall be certified by the actuary to

1 be of equivalent actuarial value to his or her retirement allowance
2 and shall be approved by the ~~Board of Trustees~~ System.

3 (d) Provided that Option 2 and Option 3 shall not be available
4 if the member's expected benefit is less than fifty percent (50%) of
5 the lump-sum actuarial equivalent and the designated beneficiary is
6 not the spouse of the member.

7 (e) A member who chose the maximum retirement benefit plan at
8 the time of retirement may make a one-time election to choose either
9 Option 2 or 3 and name the member's spouse as designated beneficiary
10 if the member marries after making the initial election. Such an
11 election shall be made by July 1, 2011, or within one (1) year of
12 the date of marriage, whichever is later. The member shall provide
13 proof of a member's good health before the Board of Trustees will
14 permit a change to either Option 2 or 3 and the naming of a
15 designated beneficiary. A medical examination conducted by a
16 licensed physician is required for purposes of determining good
17 health. Such examination must be approved by the Medical Board.
18 The member shall be required to provide proof of age for the new
19 beneficiary. The Board of Trustees shall adjust the monthly benefit
20 to the actuarially equivalent amount based on the new designated
21 beneficiary's age. The Board of Trustees shall promulgate rules to
22 implement the provisions of this subsection.

23 (f) A member who retires after the effective date of this act
24 and has selected a retirement allowance for a reduced amount payable

1 under one of the options provided for in this subsection may make a
2 one-time irrevocable election to select a different option within
3 sixty (60) days of the member's retirement date. The beneficiary
4 designated by the member at the time of retirement shall not be
5 changed if the member makes the election provided for in this
6 paragraph.

7 (g) Any individual who is eligible to be a beneficiary of a
8 member under this subsection, and who is also a beneficiary of a
9 trust created under the Oklahoma Discretionary and Special Needs
10 Trust Act, Section 175.81 et seq. of Title 60 of the Oklahoma
11 Statutes, or a comparable Trust Act created under the laws of
12 another state, hereinafter collectively referred to as "Trust Acts",
13 may be a beneficiary under this subsection by having the trustee of
14 the trust established for the benefit of that individual named as
15 the legal beneficiary under this subsection. The age of that
16 beneficiary shall be used for calculating any benefit payable to the
17 trust under this subsection. The beneficiary of such a trust shall
18 be treated as the beneficiary under this subsection except that
19 payments of any benefits due under this subsection shall be payable
20 to the lawfully appointed trustee of the trust. The obligation of
21 the System to pay the beneficiary under this subsection shall be
22 satisfied by payment to the trustee whom the System, in good faith,
23 believes to be the lawfully appointed trustee. Any conflict between
24 the statutes creating and governing the Teachers' Retirement System

1 in Section 17-101 et seq. of this title and the provisions of any
2 Trust Act referred to above shall be resolved in favor of the
3 statutes governing the System. If an eligible beneficiary is named
4 at the time of retirement, and becomes a beneficiary of a trust
5 under one of the Trust Acts described herein after that time, the
6 System will acknowledge the trust as the beneficiary upon the
7 submission of adequate documentation of the existence of the trust.
8 All other provisions of this subsection shall apply to these
9 subsequently created trusts.

10 (h) The Board of Trustees of the System may recognize other
11 trusts set up for the benefit of individuals otherwise eligible to
12 be named as a beneficiary under this subsection by administrative
13 rule if it can be done without undue additional administrative
14 expense of the System.

15 (9) The governing board of any "public school", as that term is
16 defined in Section 17-101 of this title, is hereby authorized and
17 empowered to pay additional retirement allowances or compensation to
18 any person who was in the employ of such public school for not less
19 than seven (7) school years preceding the date of his or her
20 retirement. Payments so made shall be a proper charge against the
21 current appropriation or appropriations of any such public school
22 for salaries for the fiscal year in which such payments are made.
23 Such payments shall be made in regular monthly installments in such
24 amounts as the governing board of any such public school, in its

1 judgment, shall determine to be reasonable and appropriate in view
2 of the length and type of service rendered by any such person to
3 such public school by which such person was employed at the time of
4 retirement. All such additional payments shall be uniform, based
5 upon the length of service and the type of services performed, to
6 persons formerly employed by such public school who have retired or
7 been retired in accordance with the provisions of Section 17-101 et
8 seq. of this title.

9 The governing board of any such public school may adopt rules
10 and regulations of general application outlining the terms and
11 conditions under which such additional retirement benefits shall be
12 paid, and all decisions of such board shall be final.

13 (10) In addition to the teachers' retirement herein provided,
14 teachers may voluntarily avail themselves of the Federal Social
15 Security Program upon a district basis.

16 (11) Upon the death of an in-service member, the System shall
17 pay to the designated beneficiary of the member or, if there is no
18 designated beneficiary or if the designated beneficiary predeceases
19 the member, to the estate of the member, the sum of Eighteen
20 Thousand Dollars (\$18,000.00) as a death benefit. Provided, if the
21 deceased member had ten (10) years or more of creditable service and
22 the death occurred after February 1, 1985, the member's designated
23 beneficiary may elect to receive the retirement benefit to which the
24 deceased member would have been entitled at the time of death under

1 the Option 2 plan of retirement in lieu of the death benefit
2 provided for in this subsection. Provided further, the option
3 provided in this subsection is only available when the member has
4 designated one individual as the designated beneficiary. The
5 beneficiary or beneficiaries of death benefits in the amount not to
6 exceed Eighteen Thousand Dollars (\$18,000.00), but exclusive of any
7 retirement benefit received by an electing beneficiary based upon
8 creditable service performed by the deceased member, which are
9 provided pursuant to this subsection may elect to disclaim such
10 death benefits in which case such benefits will be transferred to a
11 person licensed as a funeral director or to a lawfully recognized
12 business entity licensed as required by law to provide funeral
13 services for the deceased member. The qualified disclaimer must be
14 in writing and will be an irrevocable and an unqualified refusal to
15 accept all or a portion of the death benefit. It must be received
16 by the transferor no more than nine (9) months after the later of
17 the day the transfer creating the interest in the disclaiming person
18 is made or the day the disclaiming person attains age twenty-one
19 (21). The interest in the death benefits must pass without
20 direction by the disclaiming person to another person.

21 (12) Upon the death of an annuitant who has contributed to the
22 System, the retirement system shall pay to the designated
23 beneficiary of the annuitant or, if there is no designated
24 beneficiary or if the designated beneficiary predeceases the

1 annuitant, to the estate of the annuitant, the sum of Five Thousand
2 Dollars (\$5,000.00) as a death benefit. The beneficiary or
3 beneficiaries of benefits provided pursuant to this subsection may
4 elect to disclaim such death benefits in which case such benefits
5 will be transferred to a person licensed as a funeral director or to
6 a lawfully recognized business entity licensed as required by law to
7 provide funeral services for the deceased member. The qualified
8 disclaimer must be in writing and will be an irrevocable and an
9 unqualified refusal to accept all or a portion of the death benefit.
10 It must be received by the transferor no more than nine (9) months
11 after the later of the day the transfer creating the interest in the
12 disclaiming person is made or the day the disclaiming person attains
13 age twenty-one (21). The interest in the death benefits must pass
14 without direction by the disclaiming person to another person. The
15 benefit payable pursuant to this subsection shall be deemed, for
16 purposes of federal income taxation, as life insurance proceeds and
17 not as a death benefit if the Internal Revenue Service approves this
18 provision pursuant to a private letter ruling request which shall be
19 submitted by the board of trustees of the System for that purpose.

20 (13) Upon the death of a member who dies leaving no living
21 beneficiary or having designated his or her estate as beneficiary,
22 the System may pay any applicable death benefit, unpaid
23 contributions, or unpaid benefit which may be subject to probate, in
24 an amount of Twenty-five Thousand Dollars (\$25,000.00) or less,

1 without the intervention of the probate court or probate procedure
2 pursuant to Section 1 et seq. of Title 58 of the Oklahoma Statutes.

3 (a) Before any applicable probate procedure may be waived, the
4 System must be in receipt of the member's proof of death and the
5 following documents from those persons claiming to be the legal
6 heirs of the deceased member:

7 1. The member's valid last will and testament, trust
8 documents or affidavit that a will does not exist;

9 2. An affidavit or affidavits of heirship which must
10 state:

11 a. the names and signatures of all claiming heirs to
12 the deceased member's estate including the
13 claiming heirs' names, relationship to the
14 deceased, current addresses, tax I.D. numbers if
15 known and current telephone numbers,

16 b. a statement or statements by the claiming heirs
17 that no application or petition for the
18 appointment of a personal representative is
19 pending or has been granted in any jurisdiction,

20 c. a description of the personal property claimed,
21 (i.e., death benefit or unpaid contributions or
22 both) together with a statement that such
23 personal property is subject to probate,
24

1 d. a statement by each individual claiming heir
2 identifying the amount of personal property that
3 the heir is claiming from the System, and that
4 the heir has been notified of, is aware of and
5 consents to the identified claims of all the
6 other claiming heirs of the deceased member
7 pending with the System;

8 3. A written agreement or agreements signed by all
9 claiming heirs of the deceased member which provides
10 that the claiming heirs release, discharge and hold
11 harmless the System from any and all liability,
12 obligations and costs which it may incur as a result
13 of making a payment to any of the deceased member's
14 heirs;

15 4. A corroborating affidavit from an individual other
16 than a claiming heir, who was familiar with the
17 affairs of the deceased member;

18 5. Proof that all debts of the deceased member, including
19 payment of last sickness, hospital, medical, death,
20 funeral and burial expenses have been paid or provided
21 for.

22 (b) The Executive Director of the System shall retain complete
23 discretion in determining which requests for probate waiver may be
24 granted or denied, for any reason. Should the System have any

1 question as to the validity of any document presented by the
2 claiming heirs, or as to any statement or assertion contained
3 therein, the probate requirement provided for in Section 1 et seq.
4 of Title 58 of the Oklahoma Statutes, shall not be waived.

5 (c) After paying any death benefits or unpaid contributions to
6 any claiming heirs as provided pursuant to this subsection, the
7 System is discharged and released from any and all liability,
8 obligation and costs to the same extent as if the System had dealt
9 with a personal representative of the deceased member. The System
10 is not required to inquire into the truth of any matter specified in
11 this subsection or into the payment of any estate tax liability.

12 (14) Upon the death of a retired member, the benefit payment
13 for the month in which the retired member died, if not previously
14 paid, shall be made to the beneficiary of the member or to the
15 member's estate if there is no beneficiary. Such benefit payment
16 shall be made in an amount equal to a full monthly benefit payment
17 regardless of the day of the month in which the retired member died.

18 SECTION 3. This act shall become effective November 1, 2017.

19
20 COMMITTEE REPORT BY: COMMITTEE ON BANKING, FINANCIAL SERVICES AND
21 PENSIONS, dated 02/14/2017 - DO PASS, As Coauthored.
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January 12, 2017

Representative Randy McDaniel
Room 438

Re: RBH No. 5126

RBH No. 5126 allows Teachers Retirement System to terminate its 403(b) (Tax Sheltered Annuity) program. It also changes some responsibilities to the System from the Board of Trustees.

RBH No. 5126 is a non fiscal bill as defined by the Oklahoma Pension Legislation Analysis Act because the amendment does not contain a benefit increase nor create liability.

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