

1 ENGROSSED SENATE
2 BILL NO. 671

By: Brown of the Senate

3 and

4 Moore of the House

5
6 An Act relating to teacher retirement; amending 70
7 O.S. 2011, Sections 17-102.3 and 17-105, as last
8 amended by Section 1, Chapter 129, O.S.L. 2016 (70
9 O.S. Supp. 2016, Section 17-105), which relates to
10 the Tax-Sheltered Annuity Program and retirement;
11 authorizing the termination of the Board's Tax-
12 Sheltered Annuity Program; specifying procedures for
13 terminating the Program; authorizing Program
14 participants to choose certain other providers;
15 modifying situation in which certain teachers receive
16 monthly retirement payments; modifying requirement of
17 approval by Board of Trustees to retirement system
18 for certain applications.

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

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

22 Section 17-102.3. The Tax-Sheltered Annuity Program provided by
23 Section 17-101 et seq. of this title shall satisfy the applicable
24 qualification requirements for grandfathered governmental tax-
sheltered annuity programs as specified in 26 U.S.C. Section 403(b)
and the relevant regulatory provisions and guidance related thereto.
In order to satisfy these requirements and guidelines, the Teachers'
Retirement Tax-Sheltered Annuity Program shall be subject to the

1 following provisions, notwithstanding any other provision of the law
2 governing the Oklahoma Teachers' Retirement System:

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

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

13 (3) To the extent required by 26 U.S.C. Sections 403(b)(10) and
14 401(a)(31), the retirement system shall allow members and qualified
15 beneficiaries to elect a direct rollover of eligible distributions
16 to another eligible retirement plan.

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

22 (5) Beginning on or after the effective date of this act, the
23 Board of Trustees may terminate its Tax-Sheltered Annuity Program
24 (the "Program") administered under 26 U.S.C. Section 403(b). The

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

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

22 Section 17-105. (1) (a) Any member who has attained age
23 fifty-five (55) or who has completed thirty (30) years of creditable
24 service, as defined in Section 17-101 of this title, or for any

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

23 1. The employer shall provide the System with the
24 following information for a retiring member, no later

1 than the fifteenth day of the month of retirement:
2 last day physically on the job; last day on payroll;
3 any regular compensation not already reported to the
4 System; and final unused sick leave balance.

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

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

21 (c) Any member with five (5) or more years of Oklahoma teaching
22 service and whose accumulated contributions during such period have
23 not been withdrawn shall be given an indefinite extension of
24 membership beginning with the sixth year following his or her last

1 contributing membership and shall become eligible to apply for
2 retirement and be retired upon attaining age fifty-five (55).

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

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

17 Any individual regardless of residence, who has a minimum of ten
18 (10) years of teaching in Oklahoma schools prior to July 1, 1943, or
19 who taught in Oklahoma schools prior to 1934 and thereafter taught a
20 minimum of ten (10) years and who does not qualify under the present
21 retirement System, or who has a minimum of thirty (30) years of
22 teaching in Oklahoma schools and has reached seventy (70) years of
23 age prior to July 1, 1984, and is not otherwise eligible to receive
24 any benefits from the retirement system shall receive a minimum of

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

15 (4) The value of each year of prior service is the total
16 monthly retirement benefit divided by the number of years of
17 creditable service.

18 (5) Upon application of a member who is actively engaged in
19 teaching in Oklahoma or his or her employer, any member who has been
20 a contributing member for ten (10) years may be retired by the Board
21 of Trustees subsequent to the execution and filing thereof, on a
22 disability retirement allowance, provided that it is found by the
23 Board of Trustees after medical examination of such member by a duly
24 qualified physician that such member is mentally or physically

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

16 (6) (a) A member who at the time of retirement has been found
17 to be permanently physically or mentally incapacitated to ~~teach~~
18 ~~school~~ perform the necessary duties to continue in his or her
19 current position shall receive a minimum monthly retirement payment
20 for life or until such time as the member may be found to be
21 recovered to the point where he or she may return to teaching. Any
22 member retired before July 1, 1992, shall be eligible to receive the
23 monthly retirement allowance herein provided, but such payment shall
24 not begin until the first payment due him or her after July 1, 1992,

1 and shall not be retroactive. The Board of Trustees is empowered to
2 make such rules and regulations as it considers proper to preserve
3 equity in retirements under this provision, which shall include a
4 provision to protect the rights of the member's spouse.

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

20 (c) Once each year the Board of Trustees may require any
21 disabled annuitant who has not yet attained the age of sixty (60)
22 years to undergo a medical examination, such examination to be made
23 at the place of residence for said disabled annuitant or other place
24 mutually agreed upon by a physician or physicians designated by the

1 Board of Trustees. Should any disabled annuitant who has not yet
2 attained the age of sixty (60) years refuse to submit to at least
3 one medical examination in any such year by a physician or
4 physicians designated by the Board of Trustees his or her allowance
5 may be discontinued until he or she submits to such examination.

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

20 (e) Should a disabled annuitant be restored to active service,
21 his or her disability retirement allowance shall cease and he or she
22 shall again become a member of the Teachers' Retirement System and
23 shall make regular contributions as required under this article.
24 The unused portion of his or her accumulated contributions shall be

1 reestablished to his or her credit in the Teachers' Savings Fund.
2 Any such prior service certificates on the basis of which his or her
3 service was computed at the time of his or her retirement shall be
4 restored to full force and effect.

5 (7) Should a member before retirement under Section 1-101 et
6 seq. of this title make application for withdrawal duly filed with
7 the ~~Board of Trustees and approved by it~~ System, not earlier than
8 four (4) months after the date of termination of such service as a
9 teacher, the contribution standing to the credit of his or her
10 individual account in the Teachers' Savings Fund shall be paid to
11 him or her or, in the event of his or her death before retirement,
12 shall be paid to such person or persons as he or she shall have
13 nominated by written designation, duly executed and filed with the
14 ~~Board of Trustees~~ System; provided, however, if there be no
15 designated beneficiary surviving upon such death, such contributions
16 shall be paid to his or her administrators, executors, or assigns,
17 together with interest as hereinafter provided. In lieu of a lump-
18 sum settlement at the death of the member, the amount of money the
19 member has on deposit in the Teachers' Savings Fund and the money
20 the member has on deposit in the Teachers' Deposit Fund may be paid
21 in monthly payments to a designated beneficiary, who must be the
22 spouse, under the Maximum or Option 1 Plan of Retirement providing
23 the monthly payment shall be not less than Twenty-five Dollars
24 (\$25.00) per month. The monthly payment shall be the actuarial

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

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

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

24

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

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

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

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

14 (b) A member may select the option under which he or she
15 desires to retire at the end of the school year in which he or she
16 attains age seventy (70) and said option shall be binding and cannot
17 be changed. Provided further that if a member retires before age
18 seventy (70), no election of an option shall be effective in case an
19 annuitant dies before the first payment due under such option has
20 been received.

21 (c) The first payment of any benefit selected shall be made on
22 the first day of the month following approval of the retirement by
23 the System. If the named designated beneficiary under Option 2 or 3
24 dies at any time after the member's retirement date, but before the

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

17 Option 1. If he or she dies before he or she has received in
18 annuity payments the present value of his or her annuity as it was
19 at the time of his or her retirement, the balance shall be paid to
20 his or her legal representatives or to such person as he or she
21 shall nominate by written designation duly acknowledged and filed
22 with the ~~Board of Trustees~~ System at the time of his or her
23 retirement; or
24

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

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

17 Option 4. Some other benefit or benefits shall be paid either
18 to the member or to such person or persons as he or she shall
19 nominate, provided such other benefit or benefits, together with the
20 reduced retirement allowance, shall be certified by the actuary to
21 be of equivalent actuarial value to his or her retirement allowance
22 and shall be approved by the ~~Board of Trustees~~ System.

23 (d) Provided that Option 2 and Option 3 shall not be available
24 if the member's expected benefit is less than fifty percent (50%) of

1 the lump-sum actuarial equivalent and the designated beneficiary is
2 not the spouse of the member.

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

19 (f) A member who retires after the effective date of this act
20 and has selected a retirement allowance for a reduced amount payable
21 under one of the options provided for in this subsection may make a
22 one-time irrevocable election to select a different option within
23 sixty (60) days of the member's retirement date. The beneficiary
24 designated by the member at the time of retirement shall not be

1 changed if the member makes the election provided for in this
2 paragraph.

3 (g) Any individual who is eligible to be a beneficiary of a
4 member under this subsection, and who is also a beneficiary of a
5 trust created under the Oklahoma Discretionary and Special Needs
6 Trust Act, Section 175.81 et seq. of Title 60 of the Oklahoma
7 Statutes, or a comparable Trust Act created under the laws of
8 another state, hereinafter collectively referred to as "Trust Acts",
9 may be a beneficiary under this subsection by having the trustee of
10 the trust established for the benefit of that individual named as
11 the legal beneficiary under this subsection. The age of that
12 beneficiary shall be used for calculating any benefit payable to the
13 trust under this subsection. The beneficiary of such a trust shall
14 be treated as the beneficiary under this subsection except that
15 payments of any benefits due under this subsection shall be payable
16 to the lawfully appointed trustee of the trust. The obligation of
17 the System to pay the beneficiary under this subsection shall be
18 satisfied by payment to the trustee whom the System, in good faith,
19 believes to be the lawfully appointed trustee. Any conflict between
20 the statutes creating and governing the Teachers' Retirement System
21 in Section 17-101 et seq. of this title and the provisions of any
22 Trust Act referred to above shall be resolved in favor of the
23 statutes governing the System. If an eligible beneficiary is named
24 at the time of retirement, and becomes a beneficiary of a trust

1 under one of the Trust Acts described herein after that time, the
2 System will acknowledge the trust as the beneficiary upon the
3 submission of adequate documentation of the existence of the trust.
4 All other provisions of this subsection shall apply to these
5 subsequently created trusts.

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

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

1 upon the length of service and the type of services performed, to
2 persons formerly employed by such public school who have retired or
3 been retired in accordance with the provisions of Section 17-101 et
4 seq. of this title.

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

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

12 (11) Upon the death of an in-service member, the System shall
13 pay to the designated beneficiary of the member or, if there is no
14 designated beneficiary or if the designated beneficiary predeceases
15 the member, to the estate of the member, the sum of Eighteen
16 Thousand Dollars (\$18,000.00) as a death benefit. Provided, if the
17 deceased member had ten (10) years or more of creditable service and
18 the death occurred after February 1, 1985, the member's designated
19 beneficiary may elect to receive the retirement benefit to which the
20 deceased member would have been entitled at the time of death under
21 the Option 2 plan of retirement in lieu of the death benefit
22 provided for in this subsection. Provided further, the option
23 provided in this subsection is only available when the member has
24 designated one individual as the designated beneficiary. The

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

17 (12) Upon the death of an annuitant who has contributed to the
18 System, the retirement system shall pay to the designated
19 beneficiary of the annuitant or, if there is no designated
20 beneficiary or if the designated beneficiary predeceases the
21 annuitant, to the estate of the annuitant, the sum of Five Thousand
22 Dollars (\$5,000.00) as a death benefit. The beneficiary or
23 beneficiaries of benefits provided pursuant to this subsection may
24 elect to disclaim such death benefits in which case such benefits

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

16 (13) Upon the death of a member who dies leaving no living
17 beneficiary or having designated his or her estate as beneficiary,
18 the System may pay any applicable death benefit, unpaid
19 contributions, or unpaid benefit which may be subject to probate, in
20 an amount of Twenty-five Thousand Dollars (\$25,000.00) or less,
21 without the intervention of the probate court or probate procedure
22 pursuant to Section 1 et seq. of Title 58 of the Oklahoma Statutes.

23 (a) Before any applicable probate procedure may be waived, the
24 System must be in receipt of the member's proof of death and the

1 following documents from those persons claiming to be the legal
2 heirs of the deceased member:

- 3 1. The member's valid last will and testament, trust
4 documents or affidavit that a will does not exist;
- 5 2. An affidavit or affidavits of heirship which must
6 state:

- 7 a. the names and signatures of all claiming heirs to
8 the deceased member's estate including the
9 claiming heirs' names, relationship to the
10 deceased, current addresses, tax I.D. numbers if
11 known and current telephone numbers,
- 12 b. a statement or statements by the claiming heirs
13 that no application or petition for the
14 appointment of a personal representative is
15 pending or has been granted in any jurisdiction,
- 16 c. a description of the personal property claimed,
17 (i.e., death benefit or unpaid contributions or
18 both) together with a statement that such
19 personal property is subject to probate,
- 20 d. a statement by each individual claiming heir
21 identifying the amount of personal property that
22 the heir is claiming from the System, and that
23 the heir has been notified of, is aware of and
24 consents to the identified claims of all the

1 other claiming heirs of the deceased member
2 pending with the System;

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

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

13 5. Proof that all debts of the deceased member, including
14 payment of last sickness, hospital, medical, death,
15 funeral and burial expenses have been paid or provided
16 for.

17 (b) The Executive Director of the System shall retain complete
18 discretion in determining which requests for probate waiver may be
19 granted or denied, for any reason. Should the System have any
20 question as to the validity of any document presented by the
21 claiming heirs, or as to any statement or assertion contained
22 therein, the probate requirement provided for in Section 1 et seq.
23 of Title 58 of the Oklahoma Statutes, shall not be waived.

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

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

14 Passed the Senate the 8th day of March, 2017.

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16

Presiding Officer of the Senate

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18 Passed the House of Representatives the ____ day of _____,
19 2017.

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Presiding Officer of the House
of Representatives

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