

STATE OF OKLAHOMA

1st Session of the 55th Legislature (2015)

HOUSE BILL 2163

By: McCullough

AS INTRODUCED

An Act relating to the Teachers' Retirement System of Oklahoma; amending 70 O.S. 2011, Section 17-105, as amended by Section 2, Chapter 101, O.S.L. 2013 (70 O.S. Supp. 2014, Section 17-105), which relates to certain benefits; modifying amount of benefit payable upon death of retired member; providing an effective date; and declaring an emergency.

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

SECTION 1. AMENDATORY 70 O.S. 2011, Section 17-105, as amended by Section 2, Chapter 101, O.S.L. 2013 (70 O.S. Supp. 2014, Section 17-105), is amended to read as follows:

Section 17-105. (1) (a) Any member who has attained age fifty-five (55) or who has completed thirty (30) years of creditable service, as defined in Section 17-101 of this title, or for any person who initially became a member prior to July 1, 1992, regardless of whether there were breaks in service after July 1, 1992, whose age and number of years of creditable service total eighty (80) may be retired upon executing a retirement contract. Such a retirement date will also apply to any person who became a

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

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 shall receive a minimum monthly retirement payment for life
19 or until such time as the member may be found to be recovered to the
20 point where he or she may return to teaching. Any member retired
21 before July 1, 1992 shall be eligible to receive the monthly
22 retirement allowance herein provided, but such payment shall not
23 begin until the first payment due him or her after July 1, 1992, and
24 shall not be retroactive. The Board of Trustees is empowered to

1 make such rules and regulations as it considers proper to preserve
2 equity in retirements under this provision, which shall include a
3 provision to protect the rights of the member's spouse.

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

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

1 attained the age of sixty (60) years refuse to submit to at least
2 one medical examination in any such year by a physician or
3 physicians designated by the Board of Trustees his or her allowance
4 may be discontinued until he or she submits to such examination.

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

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

1 Any such prior service certificates on the basis of which his or her
2 service was computed at the time of his or her retirement shall be
3 restored to full force and effect.

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

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

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

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

23

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 Board of Trustees. If the named designated beneficiary under
24 Option 2 or 3 dies at any time after the member's retirement date,

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

18 Option 1. If he or she dies before he or she has received in
19 annuity payments the present value of his or her annuity as it was
20 at the time of his or her retirement, the balance shall be paid to
21 his or her legal representatives or to such person as he or she
22 shall nominate by written designation duly acknowledged and filed
23 with the Board of Trustees at the time of his or her 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 at the time of the member's
6 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 at
14 the time of the member's retirement and, except as provided in
15 paragraph (e) of this subsection, cannot be changed after the
16 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.

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 (9) The governing board of any "public school", as that term is
4 defined in Section 17-101 of this title, is hereby authorized and
5 empowered to pay additional retirement allowances or compensation to
6 any person who was in the employ of such public school for not less
7 than seven (7) school years preceding the date of his or her
8 retirement. Payments so made shall be a proper charge against the
9 current appropriation or appropriations of any such public school
10 for salaries for the fiscal year in which such payments are made.
11 Such payments shall be made in regular monthly installments in such
12 amounts as the governing board of any such public school, in its
13 judgment, shall determine to be reasonable and appropriate in view
14 of the length and type of service rendered by any such person to
15 such public school by which such person was employed at the time of
16 retirement. All such additional payments shall be uniform, based
17 upon the length of service and the type of services performed, to
18 persons formerly employed by such public school who have retired or
19 been retired in accordance with the provisions of Section 1-101 et
20 seq. of this title.

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

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

4 (11) Upon the death of an in-service member, the System shall
5 pay to the designated beneficiary of the member or, if there is no
6 designated beneficiary or if the designated beneficiary predeceases
7 the member, to the estate of the member, the sum of Eighteen
8 Thousand Dollars (\$18,000.00) as a death benefit. Provided, if the
9 deceased member had ten (10) years or more of creditable service and
10 the death occurred after February 1, 1985, the member's designated
11 beneficiary may elect to receive the retirement benefit to which the
12 deceased member would have been entitled at the time of death under
13 the Option 2 plan of retirement in lieu of the death benefit
14 provided for in this subsection. Provided further, the option
15 provided in this subsection is only available when the member has
16 designated one individual as the designated beneficiary. The
17 beneficiary or beneficiaries of death benefits in the amount not to
18 exceed Eighteen Thousand Dollars (\$18,000.00), but exclusive of any
19 retirement benefit received by an electing beneficiary based upon
20 creditable service performed by the deceased member, which are
21 provided pursuant to this subsection may elect to disclaim such
22 death benefits in which case such benefits will be transferred to a
23 person licensed as a funeral director or to a lawfully recognized
24 business entity licensed as required by law to provide funeral

1 services for the deceased member. The qualified disclaimer must be
2 in writing and will be an irrevocable and an unqualified refusal to
3 accept all or a portion of the death benefit. It must be received
4 by the transferor no more than nine (9) months after the later of
5 the day the transfer creating the interest in the disclaiming person
6 is made or the day the disclaiming person attains age twenty-one
7 (21). The interest in the death benefits must pass without
8 direction by the disclaiming person to another person.

9 (12) Upon the death of an annuitant who has contributed to the
10 System, the retirement system shall pay to the designated
11 beneficiary of the annuitant or, if there is no designated
12 beneficiary or if the designated beneficiary predeceases the
13 annuitant, to the estate of the annuitant, the sum of ~~Five Thousand~~
14 ~~Dollars (\$5,000.00)~~ Seven Thousand Five Hundred Dollars (\$7,500.00)
15 as a death benefit. The beneficiary or beneficiaries of benefits
16 provided pursuant to this subsection may elect to disclaim such
17 death benefits in which case such benefits will be transferred to a
18 person licensed as a funeral director or to a lawfully recognized
19 business entity licensed as required by law to provide funeral
20 services for the deceased member. The qualified disclaimer must be
21 in writing and will be an irrevocable and an unqualified refusal to
22 accept all or a portion of the death benefit. It must be received
23 by the transferor no more than nine (9) months after the later of
24 the day the transfer creating the interest in the disclaiming person

1 is made or the day the disclaiming person attains age twenty-one
2 (21). The interest in the death benefits must pass without
3 direction by the disclaiming person to another person. The benefit
4 payable pursuant to this subsection shall be deemed, for purposes of
5 federal income taxation, as life insurance proceeds and not as a
6 death benefit if the Internal Revenue Service approves this
7 provision pursuant to a private letter ruling request which shall be
8 submitted by the board of trustees of the System for that purpose.

9 (13) Upon the death of a member who dies leaving no living
10 beneficiary or having designated his or her estate as beneficiary,
11 the System may pay any applicable death benefit, unpaid
12 contributions, or unpaid benefit which may be subject to probate, in
13 an amount of ~~Five Thousand Dollars (\$5,000.00)~~ Seven Thousand Five
14 Hundred Dollars (\$7,500.00) or less, without the intervention of the
15 probate court or probate procedure pursuant to Section 1 et seq. of
16 Title 58 of the Oklahoma Statutes.

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

- 21 1. The member's valid last will and testament;
- 22 2. An affidavit or affidavits of heirship which must
23 state:

24

- 1 a. the names and signatures of all claiming heirs to
2 the deceased member's estate including the
3 claiming heirs' names, relationship to the
4 deceased, current addresses and current telephone
5 numbers,
- 6 b. a statement or statements by the claiming heirs
7 that no application or petition for the
8 appointment of a personal representative is
9 pending or has been granted in any jurisdiction,
- 10 c. a statement that the value of the deceased
11 member's entire estate is subject to probate, and
12 that the estate wherever located, less liens and
13 encumbrances, does not exceed ~~Five Thousand~~
14 ~~Dollars (\$5,000.00)~~ Seven Thousand Five Hundred
15 Dollars (\$7,500.00), including the payment of
16 benefits or unpaid contributions from the System
17 as authorized by this subsection,
- 18 d. a description of the personal property claimed,
19 (i.e., death benefit or unpaid contributions or
20 both) together with a statement that such
21 personal property is subject to probate,
- 22 e. a statement by each individual claiming heir
23 identifying the amount of personal property that
24 the heir is claiming from the System, and that

1 the heir has been notified of, is aware of and
2 consents to the identified claims of all the
3 other claiming heirs of the deceased member
4 pending with the System;

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

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

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

19 (b) The Executive Director of the System shall retain complete
20 discretion in determining which requests for probate waiver may be
21 granted or denied, for any reason. Should the System have any
22 question as to the validity of any document presented by the
23 claiming heirs, or as to any statement or assertion contained
24

1 therein, the probate requirement provided for in Section 1 et seq.
2 of Title 58 of the Oklahoma Statutes, shall not be waived.

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

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

16 SECTION 2. This act shall become effective July 1, 2015.

17 SECTION 3. It being immediately necessary for the preservation
18 of the public peace, health and safety, an emergency is hereby
19 declared to exist, by reason whereof this act shall take effect and
20 be in full force from and after its passage and approval.

21

22 55-1-5075 MAH 12/31/14

23

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January 9, 2015

Representative M. McCullough
Room 435A

Re: RBH No. 5075

RBH No. 5075 increases the death benefit to \$7,500 from \$5,000 for OTRS retirees

RBH No. 5075 is a retirement bill having a fiscal impact as defined by the Oklahoma Pension Legislation Analysis Act.

Thomas E. Cummins

Thomas E. Cummins, MAAA