

STATE OF OKLAHOMA

1st Session of the 57th Legislature (2019)

HOUSE BILL 2398

By: Kannady

AS INTRODUCED

An Act relating to public retirement systems; amending 62 O.S. 2011, Section 3103, as last amended by Section 2, Chapter 245, O.S.L. 2018 (62 O.S. Supp. 2018, Section 3103), which relates to the Oklahoma Pension Legislation Actuarial Analysis Act; modifying definition; defining terms; providing for cost-of-living adjustment for certain retirees of the Oklahoma Firefighters Pension and Retirement System; providing for adjustments to retirement benefits based on Consumer Price Index; prescribing computations; authorizing benefit increase for certain retired members of the Oklahoma Police Pension and Retirement System; providing for offset; authorizing retirement benefit increase for certain members of the Uniform Retirement System for Justices and Judges; authorizing retirement benefit increase for certain retired members of the Oklahoma Law Enforcement Retirement System; providing for offset; authorizing retirement benefit increase for certain retired members of the Teachers' Retirement System of Oklahoma; authorizing retirement benefit increase for certain retired members of the Oklahoma Public Employees Retirement System; providing for codification; providing an effective date; and declaring an emergency.

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

1 SECTION 1. AMENDATORY 62 O.S. 2011, Section 3103, as
2 last amended by Section 2, Chapter 245, O.S.L. 2018 (62 O.S. Supp.
3 2018, Section 3103), is amended to read as follows:

4 Section 3103. As used in the Oklahoma Pension Legislation
5 Actuarial Analysis Act:

6 1. "Amendment" means any amendment, including a substitute
7 bill, made to a retirement bill by any committee of the House or
8 Senate, any conference committee of the House or Senate or by the
9 House or Senate;

10 2. "RB number" means that number preceded by the letters "RB"
11 assigned to a retirement bill by the respective staffs of the
12 Oklahoma State Senate and the Oklahoma House of Representatives when
13 the respective staff office prepares a retirement bill for a member
14 of the Legislature;

15 3. "Legislative Actuary" means the firm or entity that enters
16 into a contract with the Legislative Service Bureau pursuant to
17 Section 452.15 of Title 74 of the Oklahoma Statutes to provide the
18 actuarial services and other duties provided for in the Oklahoma
19 Pension Legislation Actuarial Analysis Act;

20 4. "Nonfiscal amendment" means an amendment to a retirement
21 bill having a fiscal impact, which amendment does not change any
22 factor of an actuarial investigation specified in subsection A of
23 Section 3109 of this title;

24 5. "Nonfiscal retirement bill" means a retirement bill:

- 1 a. which does not affect the cost or funding factors of a
2 retirement system, or
- 3 b. which affects such factors only in a manner which does
4 not:
- 5 (1) grant a benefit increase under the retirement
6 system affected by the bill,
- 7 (2) create an actuarial accrued liability for or
8 increase the actuarial accrued liability of the
9 retirement system affected by the bill, or
- 10 (3) increase the normal cost of the retirement system
11 affected by the bill,
- 12 c. which authorizes the purchase by an active member of
13 the retirement system, at the actuarial cost for the
14 purchase as computed pursuant to the statute in effect
15 on the effective date of the measure allowing such
16 purchase, of years of service for purposes of reaching
17 a normal retirement date in the applicable retirement
18 system, but which cannot be used in order to compute
19 the number of years of service for purposes of
20 computing the retirement benefit for the member,
- 21 d. which provides for the computation of a service-
22 connected disability retirement benefit for members of
23 the Oklahoma Law Enforcement Retirement System
24 pursuant to Section 2-305 of Title 47 of the Oklahoma

- 1 Statutes if the members were unable to complete twenty
2 (20) years of service as a result of the disability,
3 e. which requires membership in the defined benefit plan
4 authorized by Section 901 et seq. of Title 74 of the
5 Oklahoma Statutes for persons whose first elected or
6 appointed service occurs on or after November 1, 2018,
7 if such persons had any prior service in the Oklahoma
8 Public Employees Retirement System prior to November
9 1, 2015, ~~or~~
- 10 f. which provides for a one-time increase in retirement
11 benefits if the increase in retirement benefits is not
12 a permanent increase in the gross annual retirement
13 benefit payable to a member or beneficiary, occurs
14 only once pursuant to a single statutory authorization
15 and does not exceed:
- 16 (1) the lesser of two percent (2%) of the gross
17 annual retirement benefit of the member or One
18 Thousand Dollars (\$1,000.00) and requires that
19 the benefit may only be provided if the funded
20 ratio of the affected retirement system would not
21 be less than sixty percent (60%) but not greater
22 than eighty percent (80%) after the benefit
23 increase is paid,
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- 1 (2) the lesser of two percent (2%) of the gross
2 annual retirement benefit of the member or One
3 Thousand Two Hundred Dollars (\$1,200.00) and
4 requires that the benefit may only be provided if
5 the funded ratio of the affected retirement
6 system would be greater than eighty percent (80%)
7 but not greater than one hundred percent (100%)
8 after the benefit increase is paid,
- 9 (3) the lesser of two percent (2%) of the gross
10 annual retirement benefit of the member or One
11 Thousand Four Hundred Dollars (\$1,400.00) and
12 requires that the benefit may only be provided if
13 the funded ratio of the affected retirement
14 system would be greater than one hundred percent
15 (100%) after the benefit increase is paid, or
- 16 (4) the greater of two percent (2%) of the gross
17 annual retirement benefit of the volunteer
18 firefighter or One Hundred Dollars (\$100.00) for
19 persons who retired from the Oklahoma
20 Firefighters Pension and Retirement System as
21 volunteer firefighters and who did not retire
22 from the Oklahoma Firefighters Pension and
23 Retirement System as a paid firefighter.
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1 As used in this subparagraph, "funded ratio" means the
2 figure derived by dividing the actuarial value of
3 assets of the applicable retirement system by the
4 actuarial accrued liability of the applicable
5 retirement system, or

6 g. which provides a cost-of-living adjustment as
7 prescribed by Sections 2 through 7 of this act.

8 A nonfiscal retirement bill shall include any retirement bill that
9 has as its sole purpose the appropriation or distribution or
10 redistribution of monies in some manner to a retirement system for
11 purposes of reducing the unfunded liability of such system or the
12 earmarking of a portion of the revenue from a tax to a retirement
13 system or increasing the percentage of the revenue earmarked from a
14 tax to a retirement system;

15 6. "Reduction-in-cost amendment" means an amendment to a
16 retirement bill having a fiscal impact which reduces the cost of the
17 bill as such cost is determined by the actuarial investigation for
18 the bill prepared pursuant to Section 3109 of this title;

19 7. "Retirement bill" means any bill or joint resolution
20 introduced or any bill or joint resolution amended by a member of
21 the Oklahoma Legislature which creates or amends any law directly
22 affecting a retirement system. A retirement bill shall not mean a
23 bill or resolution that impacts the revenue of any state tax in
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1 which a portion of the revenue generated from such tax is earmarked
2 for the benefit of a retirement system;

3 8. "Retirement bill having a fiscal impact" means any
4 retirement bill creating or establishing a retirement system and any
5 other retirement bill other than a nonfiscal retirement bill; and

6 9. "Retirement system" means the Teachers' Retirement System of
7 Oklahoma, the Oklahoma Public Employees Retirement System, the
8 Uniform Retirement System for Justices and Judges, the Oklahoma
9 Firefighters Pension and Retirement System, the Oklahoma Police
10 Pension and Retirement System, the Oklahoma Law Enforcement
11 Retirement System, or a retirement system established after January
12 1, 2006.

13 SECTION 2. NEW LAW A new section of law to be codified
14 in the Oklahoma Statutes as Section 49-143.7 of Title 11, unless
15 there is created a duplication in numbering, reads as follows:

16 A. For purposes of this section the following definitions shall
17 apply:

18 1. "Initial COLA Benefit Date" means the later of the member's
19 date of benefit commencement or July 1, 2008. This date is used in
20 the definition of Initial COLA Benefit and Target COLA Benefit;

21 2. "Initial COLA Benefit" means the accrued retirement benefit
22 which will be used as the base benefit for determining the Target
23 COLA Benefit. The Initial COLA Benefit equals the benefit in
24 payment status as of the Initial COLA Benefit Date;

1 3. "CPI-U" means the Consumer Price Index for all urban
2 consumers for all goods and services, as published by the Bureau of
3 Labor Statistics, U.S. Department of Labor. This is used as a
4 measure of price inflation for the development of the Target COLA
5 Benefit defined below; and

6 4. "Target COLA Benefit" is the Initial COLA Benefit adjusted
7 to reflect price inflation as measured by CPI-U. The Target COLA
8 Benefit is calculated for each eligible member to equal the member's
9 Initial COLA Benefit multiplied by a ratio of (A) divided by (B) as
10 follows:

11 (A) is the CPI-U as of July 1, 2018.

12 (B) is the CPI-U as of July 1 of the calendar year of the
13 Initial COLA Benefit Date.

14 B. Except as provided in subsection C of this section and
15 except for persons receiving benefits pursuant to Section 49-101 of
16 Title 11 of the Oklahoma Statutes, the Board shall implement a
17 benefit adjustment, to increase, if necessary, the retirement
18 benefit for any person receiving benefits from the system as of June
19 30, 2018, and who continues to receive benefits on or after July 1,
20 2019. This benefit adjustment is intended to restore one hundred
21 percent (100%) of the loss of the Initial COLA Benefit over the next
22 three (3) years, if any, due to price inflation, as measured by CPI-
23 U. The benefit adjustment shall be as follows:

1 1. Effective July 1, 2019, fifty percent (50%) of the amount by
2 which the Target COLA Benefit is in excess, if any, of the June 2018
3 retirement benefit. Persons who retired after December 31, 2017,
4 and before July 1, 2018, shall receive a benefit increase based on
5 fifty percent (50%) of one-half (1/2) of the CPI-U change for the
6 period beginning January 1, 2018, and before July 1, 2018;

7 2. Effective July 1, 2020, twenty-five percent (25%) of the
8 amount by which the Target COLA Benefit is in excess, if any, of the
9 June 2018 retirement benefit. Persons who retired after December
10 31, 2017, and before July 1, 2018, shall receive a benefit increase
11 based on twenty-five percent (25%) of one-half (1/2) of the CPI-U
12 change for the period beginning January 1, 2018, and before July 1,
13 2018; and

14 3. Effective July 1, 2021, twenty-five percent (25%) of the
15 amount by which the Target COLA Benefit is in excess, if any, of the
16 June 2018 retirement benefit. Persons who retired after December
17 31, 2017, and before July 1, 2018, shall receive a benefit increase
18 based on twenty-five percent (25%) of one-half (1/2) of the CPI-U
19 change for the period beginning January 1, 2018, and before July 1,
20 2018.

21 C. Any increase in benefits a person is eligible to receive
22 pursuant to repealed Section 49-136 of Title 11 of the Oklahoma
23 Statutes, after June 30, 2008, shall be offset by the increase in
24 benefits, if any, provided by this section.

1 D. Effective July 1, 2019, any persons receiving benefits
2 pursuant to Section 49-101 of Title 11 of the Oklahoma Statutes
3 shall each receive a benefit equal to Ten Dollars (\$10.00) for each
4 year of credited service not to exceed thirty (30) years of service.

5 SECTION 3. NEW LAW A new section of law to be codified
6 in the Oklahoma Statutes as Section 50-136.9 of Title 11, unless
7 there is created a duplication in numbering, reads as follows:

8 A. Except as provided in subsection B of this section, any
9 person receiving benefits from the Oklahoma Police Pension and
10 Retirement System as of June 30, 2018, who continues to receive
11 benefits on or after July 1, 2019, shall receive an eight-percent
12 increase in said benefits on July 1, 2019.

13 B. Any increase in benefits a person is eligible to receive
14 pursuant to repealed Section 50-120 of Title 11 of the Oklahoma
15 Statutes, after June 30, 2018, shall be offset by the increase in
16 benefits, if any, provided by this section.

17 SECTION 4. NEW LAW A new section of law to be codified
18 in the Oklahoma Statutes as Section 1104K of Title 20, unless there
19 is created a duplication in numbering, reads as follows:

20 Any person receiving benefits from the Uniform Retirement System
21 for Justices and Judges as of June 30, 2018, who continues to
22 receive benefits on or after July 1, 2019, shall receive an eight-
23 percent increase in said benefits beginning in July 2019.

1 SECTION 5. NEW LAW A new section of law to be codified
2 in the Oklahoma Statutes as Section 2-305.12 of Title 47, unless
3 there is created a duplication in numbering, reads as follows:

4 A. Except as provided in subsection B of this section, any
5 person receiving benefits from the Oklahoma Law Enforcement
6 Retirement System as of June 30, 2018, who continues to receive
7 benefits on or after July 1, 2019, shall receive an eight-percent
8 increase in said benefits beginning in July 2019.

9 B. Any increase in benefits a person is eligible to receive
10 pursuant to subsection B, C or D of Section 2-305 of Title 47 of the
11 Oklahoma Statutes, after June 30, 2019, shall be offset by the
12 increase in benefits, if any, provided by this section.

13 SECTION 6. NEW LAW A new section of law to be codified
14 in the Oklahoma Statutes as Section 17-116.22 of Title 70, unless
15 there is created a duplication in numbering, reads as follows:

16 A. Any person receiving benefits from the Teachers' Retirement
17 System of Oklahoma as of June 30, 2018, other than those benefits
18 specified in subsection B of this section, who continues to receive
19 benefits on or after July 1, 2019, shall receive an eight-percent
20 increase in said benefits beginning in July 2019.

21 B. Any person receiving benefits pursuant to subsection (3) of
22 Section 17-105 of Title 70 of the Oklahoma Statutes whose benefits
23 commenced prior to July 1, 2018, and who continues to receive
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1 benefits on or after July 1, 2019, shall receive an eight-percent
2 increase in said benefits beginning in July 2019.

3 SECTION 7. NEW LAW A new section of law to be codified
4 in the Oklahoma Statutes as Section 930.11 of Title 74, unless there
5 is created a duplication in numbering, reads as follows:

6 Any person receiving benefits from the Oklahoma Public Employees
7 Retirement System as of June 30, 2018, who continues to receive
8 benefits on or after July 1, 2019, shall receive an eight-percent
9 increase in said benefits beginning in July 2019.

10 SECTION 8. Sections 2 through 7 of this act shall become
11 effective July 1, 2019.

12 SECTION 9. It being immediately necessary for the preservation
13 of the public peace, health or safety, an emergency is hereby
14 declared to exist, by reason whereof this act shall take effect and
15 be in full force from and after its passage and approval.

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17 57-1-5134 MAH 01/16/19

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January 16, 2019

Representative Chris Kannady
Room No. 240

Re: RBH No. 5134

RBH No. 5134

This bill amends the definition of a nonfiscal bill in the Oklahoma Pension Actuarial Analysis Act. The change is to allow the benefit increases described in this bill to be considered nonfiscal.

This contains an 8% increase in retirement benefits for retired participants in all the retirement systems except for the those from Oklahoma Firefighters Pension and Retirement System effective July 1, 2019.

Retired participants of OFPRS would receive an increase based on change in CPI-U from July 2008 to July 2018. Effective July 1, 2019 would be 50% of the change in the CPI-U 2018 from 2008. Effective July 1, 2020, another increase of 25% the change in CPI-U July 2018 from CPI-U 2008 and effective July 1, 2021 another increase of 25% the change in CPI-U July 2018 from CPI-U 2008. Effective July 1, 2019.

RBH No. 5134 as written is a non fiscal bill as defined by the Oklahoma Pension Legislation Actuarial Analysis Act because of the change in the definition of non fiscal retirement bill.

However if the emergency clause does not remain as a part of the bill, the bill becomes a fiscal retirement bill because the increased benefits are effective prior the definition change is effective.

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

Thomas E. Cummins, MAAA