

STATE OF OKLAHOMA

2nd Session of the 46th Legislature (1998)

COMMITTEE SUBSTITUTE  
FOR ENGROSSED  
SENATE BILL NO. 1037

By: Monson and Herbert of the  
Senate

and

Roberts of the House

COMMITTEE SUBSTITUTE

An Act relating to public retirement systems;  
requiring certification by actuary of certain  
public retirement systems; prohibiting certain  
retirement benefit increases as otherwise  
authorized based upon funded status of retirement  
system after payment of benefit increase; making  
findings regarding cost-of-living adjustments in  
Oklahoma Firefighters Pension and Retirement System  
and the Teachers' Retirement System of Oklahoma;  
prescribing method for providing retirement benefit  
increases for retired members and beneficiaries of  
the Oklahoma Police Pension and Retirement System,  
the Uniform Retirement System for Justices and  
Judges, the Oklahoma Law Enforcement Retirement  
System and the Oklahoma Public Employees Retirement  
System; providing for retirement benefit increases  
based upon actuarial valuation of retirement  
systems as of certain date; providing exception  
based upon certain requirements related to funded  
status of retirement system; providing for

determinations on recurring basis; prescribing method for determining amount of retirement benefit increase; requiring analysis of Consumer Price Index for All Urban Consumers (CPI-U); requiring comparison of CPI-U to certain percentage based increase for retirement benefits; prescribing certain minimum increase in CPI-U required for determination; imposing maximum increase in CPI-U for payment of benefit increases; providing for offset of increase for retired members of beneficiaries of the Oklahoma Police Pension and Retirement System and the Oklahoma Law Enforcement Retirement System; providing for codification; providing an effective date; and declaring an emergency.

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

SECTION 1. NEW LAW A new section of law to be codified in the Oklahoma Statutes as Section 1002 of Title 62, unless there is created a duplication in numbering, reads as follows:

For purposes of Sections 3, 4, 5 and 7 of this act, the actuary engaged by each of the respective retirement systems shall provide a certification to the board of trustees for the Oklahoma Police Pension and Retirement System, the Uniform Retirement System for Justices and Judges, the Oklahoma Law Enforcement Retirement System and the Oklahoma Public Employees Retirement System that pursuant to any increase that could be authorized pursuant to Section 3, 4, 5 or 7 of this act, the funded ratio for the retirement system would not be less than seventy percent (70%) after payment of the increase

authorized by Section 3, 4, 5 or 7 of this act. If the certification regarding the funded ratio of the retirement system reveals that the funded ratio would be less than seventy percent (70%) after payment of the increase, no board of trustees for a retirement system the funded ratio of which would be less than seventy percent (70%) after payment of the increase shall authorize the payment of the increase.

SECTION 2. NEW LAW A new section of law to be codified in the Oklahoma Statutes as Section 49-143.3 of Title 11, unless there is created a duplication in numbering, reads as follows:

The Oklahoma Legislature finds that a system for providing periodic cost-of-living increases in the retirement benefits for retired members and beneficiaries of the Oklahoma Firefighters Pension and Retirement System would be desirable. The Oklahoma Legislature recognizes that the minimum funded ratio for public retirement systems as provided in Section 1001 of Title 62 of the Oklahoma Statutes means that providing a cost-of-living increase by use of retirement system assets may not represent sound pension management policy for the Oklahoma Firefighters Pension and Retirement System. The Oklahoma Legislature finds that a fiscally sound method to provide a periodic cost-of-living adjustment to retired members and beneficiaries of the Oklahoma Firefighters Pension and Retirement System is a matter of high priority and an issue requiring careful analysis prior to statutory enactment of a system to provide such increases.

SECTION 3. NEW LAW A new section of law to be codified in the Oklahoma Statutes as Section 50-136.3 of Title 11, unless there is created a duplication in numbering, reads as follows:

A. Subject to the requirement of Section 1 of this act and the requirements of Section 1001 of Title 62 of the Oklahoma Statutes, based upon the actuarial valuation prepared as of June 30, 1997, for the Oklahoma Police Pension and Retirement System, effective July 1,

1998, any person receiving benefits from the Oklahoma Police Pension and Retirement System as of June 30, 1997, and effective on July 1 for each subsequent even-numbered year, based upon the actuarial valuation prepared as of June 30 in the immediately previous plan year preceding the July 1 date of each even-numbered year, any person receiving benefits from the Oklahoma Police Pension and Retirement System as of June 30 in the immediately previous plan year preceding the July 1 date of each even-numbered year, shall receive the lesser of:

1. The benefit received by such person as of the relevant June 30 date multiplied by the average increase, if any, in the Consumer Price Index - All Urban Consumers (CPI-U), as determined by the board of trustees by comparing the changes, if any, in the CPI-U for the last two (2) complete calendar years preceding the July 1 date of each even-numbered year for which the CPI-U data is available; or

2. An increase in benefits equal to \_\_\_\_\_ percent (\_\_\_%).

B. No increase in retirement benefits shall be provided pursuant to paragraph 1 of subsection A of this section if the average increase in the CPI-U for the relevant period is less than one-half of one percent (1/2 of 1%). No increase in retirement benefits shall be provided pursuant to paragraph 1 of subsection A of this section by use of an average increase in the CPI-U for the relevant period in excess of three percent (3%) notwithstanding an average increase in the CPI-U for the relevant period which is in excess of three percent (3%).

C. Any increase in benefits authorized by this section shall be subject to an offset for adjustments in retirement benefits provided by repealed Section 50-120 of Title 11 of the Oklahoma Statutes in the same manner as provided by Section 50-136.1 of Title 11 of the Oklahoma Statutes.

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

A. Subject to the requirement of Section 1 of this act and the requirements of Section 1001 of Title 62 of the Oklahoma Statutes, based upon the actuarial valuation prepared as of June 30, 1999, for the Uniform Retirement System for Justices and Judges, effective July 1, 2000, any person receiving benefits from the Uniform Retirement System for Justices and Judges as of June 30, 1999, and effective on July 1 for each subsequent even-numbered year, based upon the actuarial valuation prepared as of June 30 in the immediately previous plan year preceding the July 1 date of each even-numbered year, any person receiving benefits from the Uniform Retirement System for Justices and Judges as of June 30 in the immediately previous plan year preceding the July 1 date of each even-numbered year, shall receive the lesser of:

1. The benefit received by such person as of the relevant June 30 date multiplied by the average increase, if any, in the Consumer Price Index - All Urban Consumers (CPI-U), as determined by the board of trustees by comparing the changes in the CPI-U, if any, for the last two (2) complete calendar years preceding the July 1 date of each even-numbered year for which the CPI-U data is available; or

2. An increase in benefits equal to \_\_\_\_\_ percent (\_\_\_%).

B. No increase in retirement benefits shall be provided pursuant to paragraph 1 of subsection A of this section if the average increase in the CPI-U for the relevant period is less than one-half of one percent (1/2 of 1%). No increase in retirement benefits shall be provided pursuant to paragraph 1 of subsection A of this section by use of an average increase in the CPI-U for the relevant period in excess of three percent (3%) notwithstanding an average increase in the CPI-U for the relevant period which is in excess of three percent (3%).

SECTION 5. NEW LAW A new section of law to be codified in the Oklahoma Statutes as Section 2-305.6 of Title 47, unless there is created a duplication in numbering, reads as follows:

A. Subject to the requirement of Section 1 of this act and the requirements of Section 1001 of Title 62 of the Oklahoma Statutes, based upon the actuarial valuation prepared as of June 30, 1997, for the Oklahoma Law Enforcement Retirement System, effective July 1, 1998, any person receiving benefits from the Oklahoma Law Enforcement Retirement System as of June 30, 1997, and effective on July 1 for each subsequent even-numbered year, based upon the actuarial valuation prepared as of June 30 in the immediately previous plan year preceding the July 1 date of each even-numbered year, any person receiving benefits from the Oklahoma Law Enforcement Retirement System as of June 30 in the immediately previous plan year preceding the July 1 date of each even-numbered year, shall receive the lesser of:

1. The benefit received by such person as of the relevant June 30 date multiplied by the average increase, if any, in the Consumer Price Index - All Urban Consumers (CPI-U), as determined by the board of trustees by comparing the changes, if any, in the CPI-U for the last two (2) complete calendar years preceding the July 1 date of each even-numbered year for which the CPI-U data is available; or

2. An increase in benefits equal to \_\_\_\_\_ percent (\_\_\_%).

B. No increase in retirement benefits shall be provided pursuant to paragraph 1 of subsection A of this section if the average increase in the CPI-U for the relevant period is less than one-half of one percent (1/2 of 1%). No increase in retirement benefits shall be provided pursuant to paragraph 1 of subsection A of this section by use of an average increase in the CPI-U for the relevant period in excess of three percent (3%) notwithstanding an average increase in the CPI-U for the relevant period which is in excess of three percent (3%).

C. Any increase in benefits authorized by this section shall be subject to an offset for adjustments in retirement benefits provided by subsection B of Section 2-305 of Title 47 of the Oklahoma Statutes.

SECTION 6. NEW LAW A new section of law to be codified in the Oklahoma Statutes as Section 17-116.2C of Title 70, unless there is created a duplication in numbering, reads as follows:

The Oklahoma Legislature finds that a system for providing periodic cost-of-living increases in the retirement benefits for retired members and beneficiaries of the Teachers' Retirement System of Oklahoma would be desirable. The Oklahoma Legislature recognizes that the minimum funded ratio for public retirement systems as provided in Section 1001 of Title 62 of the Oklahoma Statutes means that providing a cost-of-living increase by use of retirement system assets may not represent sound pension management policy for the Teachers' Retirement System of Oklahoma. The Oklahoma Legislature finds that a fiscally sound method to provide a periodic cost-of-living adjustment to retired members and beneficiaries of the Teachers' Retirement System of Oklahoma is a matter of high priority and an issue requiring careful analysis prior to statutory enactment of a system to provide such increases.

SECTION 7. NEW LAW A new section of law to be codified in the Oklahoma Statutes as Section 930.5 of Title 74, unless there is created a duplication in numbering, reads as follows:

A. Subject to the requirement of Section 1 of this act and the requirements of Section 1001 of Title 62 of the Oklahoma Statutes, based upon the actuarial valuation prepared as of June 30, 1997, for the Oklahoma Public Employees Retirement System, effective July 1, 1998, any person receiving benefits from the Oklahoma Public Employees Retirement System as of June 30, 1997, and effective on July 1 for each subsequent even-numbered year, based upon the actuarial valuation prepared as of June 30 in the immediately

previous plan year preceding the July 1 date of each even-numbered year, any person receiving benefits from the Oklahoma Public Employees Retirement System as of June 30 in the immediately previous plan year preceding the July 1 date of each even-numbered year, shall receive the lesser of:

1. The benefit received by such person as of the relevant June 30 date multiplied by the average increase, if any, in the Consumer Price Index - All Urban Consumers (CPI-U), as determined by the board of trustees by comparing the changes, if any, in the CPI-U for the last two (2) complete calendar years preceding the July 1 date of each even-numbered year for which the CPI-U data is available; or

2. An increase in benefits equal to \_\_\_\_\_ percent (\_\_\_%).

B. No increase in retirement benefits shall be provided pursuant to paragraph 1 of subsection A of this section if the average increase in the CPI-U for the relevant period is less than one-half of one percent (1/2 of 1%). No increase in retirement benefits shall be provided pursuant to paragraph 1 of subsection A of this section by use of an average increase in the CPI-U for the relevant period in excess of three percent (3%) notwithstanding an average increase in the CPI-U for the relevant period which is in excess of three percent (3%).

SECTION 8. This act shall become effective July 1, 1998.

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

46-2-11107            MAH