

STATE OF OKLAHOMA

2nd Session of the 49th Legislature (2004)

HOUSE BILL HB2692:

Ferguson

AS INTRODUCED

An Act relating to public retirement systems; requiring cost-of-living increases for specified public retirement systems to be approved by board of trustees; requiring certain funded ratio for approval of cost-of-living increase; defining terms; requiring analysis of normal cost information related to certain retirement benefit design modifications; requiring certain action by boards of trustees of public retirement systems; providing for actuarial analysis; prescribing procedures for increase in employee contribution rate; requiring certain communications to Governor, Speaker of the Oklahoma House of Representatives, President Pro Tempore of the State Senate, Office of State Finance and State Treasurer regarding increases in employee contribution rates; providing for effect of modifications adopted by board of trustees of 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 1001.1 of Title 62, unless there is created a duplication in numbering, reads as follows:

A. Any cost-of-living increase for retired members of the Oklahoma Firefighters Pension and Retirement System, Oklahoma Police Pension and Retirement System, Uniform Retirement System for Justices and Judges, Oklahoma Law Enforcement Retirement System, Teachers' Retirement System of Oklahoma or the Oklahoma Public Employees Retirement System shall require the prior approval, by majority vote, of the board of trustees of the retirement system affected by legislation providing such increase.

B. No cost-of-living increase, whether based upon a percentage increase to a retired member's benefit amount, adjustment to final average salary or compensation or otherwise, shall be paid from retirement system assets without the prior approval of the respective board of trustees and shall not receive such approval if the funded ratio of the affected retirement system, after payment of the cost-of-living increase, would be less than seventy percent (70%).

C. As used in subsection B of this section, "funded ratio" means the figure derived by dividing the actuarial value of assets of the retirement system by the actuarial accrued liability of the retirement system.

SECTION 2. NEW LAW A new section of law to be codified in the Oklahoma Statutes as Section 1001.2 of Title 62, unless there is created a duplication in numbering, reads as follows:

A. As used in this section:

1. "Public retirement system" means the:

- a. Oklahoma Firefighters Pension and Retirement System,
- b. Oklahoma Police Pension and Retirement System,
- c. Uniform Retirement System for Justices and Judges,
- d. Oklahoma Law Enforcement Retirement System,
- e. Teachers' Retirement System of Oklahoma, and
- f. Oklahoma Public Employees Retirement System;

2. "Normal cost" means an amount calculated under an actuarial cost method required to fund accruing benefits for members of a defined benefit retirement plan during any year in the future;

3. "Retirement benefit design modification" means a change in the statutory provisions governing one of the public retirement systems that increases the amount of retirement benefit for a retired member or that would represent an increase in retirement benefits to be received by an active member of the retirement system who has not yet retired or any other modification that would

increase the unfunded actuarial accrued liability of a public retirement system unless provisions were enacted to ensure that the modification is to be funded at normal cost for the affected retirement system; and

4. "Unfunded actuarial accrued liability" means the excess of a defined benefit retirement plan's actuarial liabilities at any given point in time over the value of its cash and investments on that same date.

B. If the Legislature enacts a retirement benefit design modification with respect to any public retirement system and no corresponding modifications are made to employer contributions, employee contributions or other sources to fund the retirement benefit design modification at normal cost, the board of trustees of the affected public retirement system shall impose an increase in the employee contribution rate for the applicable retirement system by an amount, based upon the analysis of the retirement benefit design modification by an actuary engaged by the board of trustees for such purpose, which is sufficient to prevent the retirement benefit design modification from adding to any unfunded actuarial accrued liability of the retirement system.

C. The board of trustees shall adopt a resolution reciting the relevant provisions of law that require the increase in employee contributions to fund the normal cost of the benefit being provided and shall include the analysis of the actuary underlying the recommendation for the increase in such employee contribution in the resolution supporting the employee contribution rate increase.

D. The board of trustees shall transmit a certified copy of the resolution after its adoption to the Governor, the Speaker of the Oklahoma House of Representatives, the President Pro Tempore of the State Senate, the Office of State Finance and the State Treasurer. The employee contribution rate identified in the respective resolution shall be effective as law unless modified by statute.

E. Notwithstanding any enumerated employee contribution rate as prescribed or authorized by any other law, the employee contribution rate as adopted by the board of trustees in the manner prescribed by this section shall be the legally enforceable employee contribution rate for the retirement system until subsequently modified by law.

SECTION 3. This act shall become effective July 1, 2004.

SECTION 4. 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.

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