

BILL SUMMARY

1st Session of the 53rd Legislature

Bill No.:	SB 794
Version:	Floor Amendment 1
Request Number:	N/A
Author:	Rep. R. McDaniel
Date:	4/21/2011
Impact:	OPERS – Decrease Unfunded Liability

Research Analysis

The first Floor Amendment to SB 794 modifies the normal retirement date for members joining the Oklahoma Public Employees Retirement System (OPERS) on or after November 1, 2011 by adding a provision whereby these new members may retire at age 60 when the sum of their age and years of credited service equals 90. The first Floor Amendment also modifies the normal retirement date for elected officials who are first elected or appointed after November 1, 2011, by adding a provision whereby these new members may retire at age 62 if they have at least 10 years of credited service. The measure also modifies certain provisions related to early retirement for elected officials who are first elected or appointed after November 1, 2011 by removing ages 58 and 59, along with the applicable percentages of normal retirement benefits, from the schedule. Additionally, the first Floor Amendment to SB 794 adds a new Section 3 to the measure, which outlines provisions for early retirement for non-elected members of OPERS joining the system on or after November 1, 2011 who have reached age 60 with at least 10 years of participating service. A schedule of adjusted annual benefits is provided in the measure, with ages ranging from 60 to 65 and percentages of the normal retirement benefit ranging from 66.67% to 100%, respectively.

Prepared By: Alexandra Edwards

Fiscal Analysis

SB 794 as amended sets the normal retirement age at 65 or Rule of 90 plus the age of 60 for new members entering the Oklahoma Public Employees Retirement System (OPERS) on or after November 1, 2011. For Elected Officials participating in OPERS, who are elected or appointed for the first time on or after November 1, 2011, SB 794 sets the normal retirement age at 65 or 62 years of age plus 10 years of service, changes the employee contribution amount to 3.5%, changes the multiplier used for calculating retirement benefits to 2.0%, changes the adjustment schedule for early retirement elections and increases from 6 to 8 years of service the vesting period required for an elected official. These changes will significantly reduce the rate at which OPERS accumulates liability related to new hires and newly elected officials. Based on calculations performed by the Legislative Actuary, the changes included in SB 794, had they been in place for current OPERS actives and retirees, would have reduced the accrued liability of the system by approximately 40%, \$1,800,000,000. Actual impact on the OPERS funded ratio will be reflected gradually in future years as members are replaced by new hires and newly elected officials.

Prepared By: John McPhetridge

Other Considerations

SB 794 in its current form has been deemed a non fiscal retirement bill by the Legislative Actuary, meaning the bill neither grants a benefit increase, adds actuarial liability, nor increases the normal cost of the retirement system affected.