BILL SUMMARY
2nd Session of the 53rd Legislature

Bill No.:	**HB 2320**
Version:	**Introduced**
Request Number:	**8395**
Author:	**Rep. Randy McDaniel**
Date:	**2/8/2012**
Impact:	**FPRS: $8.4 Million/yr additional rev.** **Gen. Rev. Fund: $3.5 Million/yr lost rev.**

Research Analysis

HB 2320, as introduced, modifies interest rate provisions within the Oklahoma Firefighters Deferred Option Plan (DROP). For members joining the Oklahoma Firefighters Pension and Retirement System (OFPRS) on or after July 1, 2012, and for OFPRS members with less than ten years of service on July 1, 2012, the rate of return applicable to DROP accounts left in place beyond the initial five year DROP period will be 7.5%. The measure also increases the employee contribution rate from 8% to 9% of actual paid gross salary and raises the employer contribution rate from 13% to 14% of total actual paid gross salaries. Additionally, HB 2320 increases the percentage of insurance premium tax allocated to OFPRS from 34% to 36%.

Prepared By: Alexandra Edwards

Fiscal Analysis

Section 1: sets the rate of return at 7.5% for retired Firefighters Pension and Retirement System (FPRS) DROP participants who leave their DROP deposits in place after severance from service. This change will likely result in no actuarial impact, due to the fact that the System's actuarial assumptions assume a 7.5% return each year with no variance. In reality annual returns fluctuate and the measure is likely to result in a positive actuarial experience for the system, since actual returns will fluctuate above and below 7.5%; the measure will allow the system to recover in positive return years losses experienced in negative return years.

Section 2: increases from 8% to 9% the employee contribution required for active members of the FPRS and increases from 13% to 14% the required employer contribution. Based on current annual payroll figures for the system this would result in approximately $4.9 Million per year in additional revenue for the system.

Section 3: increases from 34% to 36% of Insurance Premium Tax collections allocated to FPRS. Based on previous year collections this would result in approximately $3.5 Million per year in additional revenue for the system. This will also result in a parallel reduction in the State's General Revenue Fund of approximately $3.5 Million in Fiscal Year 2013.

Prepared By: John McPhetridge

Other Considerations

HB 2320 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.