

BILL SUMMARY
1st Session of the 54th Legislature

Bill No.:	HB 2078
Version:	Committee Substitute
Request Number:	7001
Author:	Rep. Randy McDaniel
Date:	2/20/2013
Impact:	FPRS: \$9.1 Million/yr additional rev. and long term actuarial savings, Gen. Rev. Fund: \$4 Million/yr lost rev., Employer Municipalities; \$2.56 Million/ yr. cost

Research Analysis

The Committee Substitute for HB 2078 modifies the Oklahoma Firefighters Pension and Retirement System. The measure changes the contribution rate of all participants from 8% to 9%. The measure changes the employer contribution rate from 13% to 14%. Further, the measure changes the premium tax allocation rate from 34% to 36%. Furthermore, beginning for participants whose first employment begins after November 1, 2013, the measure changes the retirement date from 20 years to 22 years of service and has reached the age of 50. Members will be vested after 11 years of service. Finally, the interest rate to be credited in the new Deferred Option Plan is an actual interest rate earned by the fund less 1% for new hires.

Prepared By: Kyle Meade

Fiscal Analysis

Section 1&3: changes normal retirement age and vesting for November 1, 2013 new hire members of Firefighters Pension and Retirement System (FPRS). Under the provisions of the act, such individuals will be eligible for normal retirement after completing 22 years of service and reaching the age of 50. Such members will be vested after 11 years of service. This change will delay the eligibility for retirement benefits for new hires and result in an actuarial savings for the system; however, these savings will not be realized for many years due to the measure's application to new hires only.

Section 2: sets for November 1, 2013 new hires, the rate of return at "the actual rate of return less a minimum of one percentage point to offset administrative costs of the System" for retired FPRS DROP participants who leave their DROP deposits in place after severance from service. This change should result in an actuarial savings for FPRS; however, these savings will not be realized for many years due to the measure's application to new hires only.

Section 4: 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 \$2.56 Million per year in additional employer contributions payable by employing municipalities from municipal funds; and approximately \$2.56 Million per year in additional employee contributions payable by members of the system. In total an additional \$5.1 Million in annual revenue for FPRS.

Section 5: increases from 34% to 36% of Insurance Premium Tax collections allocated to FPRS. Based on previous year collections this would result in approximately \$4 Million per year in

additional revenue for the system. This will also result in a parallel reduction in the State's General Revenue Fund collections of approximately \$4 Million annually.

Prepared By: John McPhetridge

Other Considerations

Under the procedures and provisions of the Oklahoma Pension Legislation Actuarial Analysis Act (OPLAAA) HB 2078 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.

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