ENGROSSED HOUSE
BILL NO. 1340

By: McDaniel, Bush, McEntire, Wallace, West (Tammy), Ford (Roger), Sanders, McEachin and McCall of the House

and

Treat and Pederson of the Senate

An Act relating to public retirement systems; making legislative findings; amending 62 O.S. 2011, Section 3103, which relates to the Oklahoma Pension Legislation Actuarial Analysis Act; modifying definitions; modifying definition of nonfiscal bill; defining terms; providing for distribution to certain retired members of the Oklahoma Firefighters Pension and Retirement System; providing for distribution to certain retired members of the Oklahoma Police Pension and Retirement System; providing for distribution to certain retired members of the Uniform Retirement System for Justices and Judges; providing for distribution to certain retired members of the Oklahoma Law Enforcement Retirement System; providing for distribution to certain retired members of the Teachers' Retirement System of Oklahoma; providing for distribution to certain retired members of the Oklahoma Public Employees Retirement System; specifying amount of distribution; prescribing standards related to funded ratio of retirement systems; requiring specific authorization for retirement benefit increase; prohibiting retirement benefit increases more frequently than specified period; providing for codification; providing for noncodification; and providing effective dates.

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

SECTION 1. NEW LAW A new section of law not to be codified in the Oklahoma Statutes reads as follows:

The Legislature finds that retirees of the public retirement systems have not had an increase in retirement benefits pursuant to a legislative authorization since 2008. The Legislature recognizes its responsibilities to the retired members of the public retirement systems and the fiduciary nature of its obligations to ensure that public retirement systems are managed in order to ensure that benefits will be paid to the persons who have retired from the systems and to their beneficiaries. The Legislature finds that a modification to the legal standards pursuant to which benefit increases may be authorized is a prudent response to the economic and financial concerns of the retiree populations while also maintaining adequate safeguards for the preservation of retirement system assets and liquidity which are a necessary precondition for the payment of any and all postretirement benefit increases. The Legislature finds that a benefit increase which balances the financial concerns of the retiree populations with the obligation to ensure funding adequacy for the retirement systems is consistent with its obligations with respect to prudent and conservative management.

SECTION 2. AMENDATORY 62 O.S. 2011, Section 3103, is amended to read as follows:

Section 3103. As used in the Oklahoma Pension Legislation Actuarial Analysis Act:

1. "Amendment" means any amendment, including a substitute bill, made to a retirement bill by any committee of the House or Senate, any conference committee of the House or Senate or by the House or Senate;

2. "RB number" means that number preceded by the letters "RB" assigned to a retirement bill by the respective staffs of the Oklahoma State Senate and the Oklahoma House of Representatives when the respective staff office prepares a retirement bill for a member of the Legislature;

3. "Legislative Actuary" means the firm or entity that enters into a contract with the Legislative Service Bureau pursuant to Section 452.15 of Title 74 of the Oklahoma Statutes to provide the actuarial services and other duties provided for in the Oklahoma Pension Legislation Actuarial Analysis Act;

4. "Nonfiscal amendment" means an amendment to a retirement bill having a fiscal impact, which amendment does not change any factor of an actuarial investigation specified in subsection A of Section 3109 of this title;

5. "Nonfiscal retirement bill" means a retirement bill which:

a. does not affect the cost or funding factors of a retirement system ~~or a retirement bill which~~,

b. affects such factors only in a manner which does not:

~~a.~~ (1) grant a benefit increase under the retirement system affected by the bill,

~~b.~~ (2) create an actuarial accrued liability for or increase the actuarial accrued liability of the retirement system affected by the bill, or

~~c.~~ (3) increase the normal cost of the retirement system affected by the bill ~~except as otherwise provided by subparagraph a of this paragraph~~, or

c. provides for a one-time increase in retirement benefits if the increase in retirement benefits is not a permanent increase in the gross annual retirement benefit payable to a member or beneficiary, occurs only once pursuant to a single statutory authorization and does not exceed:

(1) the lesser of two percent (2%) of the gross annual retirement benefit of the member or One Thousand Dollars ($1,000.00) and requires that the benefit may only be provided if the funded ratio of the affected retirement system would not be less than sixty percent (60%) but not greater than eighty percent (80%) after the benefit increase is paid,

(2) the lesser of two percent (2%) of the gross annual retirement benefit of the member or One Thousand Two Hundred Dollars ($1,200.00) and requires that the benefit may only be provided if

the funded ratio of the affected retirement system would be greater than eighty percent (80%) but not greater than one hundred percent (100%) after the benefit increase is paid,

(3) the lesser of two percent (2%) of the gross annual retirement benefit of the member or One Thousand Four Hundred Dollars ($1,400.00) and requires that the benefit may only be provided if the funded ratio of the affected retirement system would be greater than one hundred percent (100%) after the benefit increase is paid, or

(4) the greater of two percent (2%) of the gross annual retirement benefit of the volunteer firefighter or One Hundred Dollars ($100.00) for persons who retired from the Oklahoma Firefighters Pension and Retirement System as volunteer firefighters and who did not retire from the Oklahoma Firefighters Pension and Retirement System as a paid firefighter.

As used in this subparagraph, "funded ratio" means the figure derived by dividing the actuarial value of assets of the applicable retirement system by the actuarial accrued liability of the applicable retirement system.

A nonfiscal retirement bill shall include any retirement bill that has as its sole purpose the appropriation or distribution or redistribution of monies in some manner to a retirement system for purposes of reducing the unfunded liability of such system or the earmarking of a portion of the revenue from a tax to a retirement system or increasing the percentage of the revenue earmarked from a tax to a retirement system~~.~~;

6. "Reduction in cost amendment" means an amendment to a retirement bill having a fiscal impact which reduces the cost of the bill as such cost is determined by the actuarial investigation for the bill prepared pursuant to Section 3109 of this title;

7. "Retirement bill" means any bill or joint resolution introduced or any bill or joint resolution amended by a member of the Oklahoma Legislature which creates or amends any law directly affecting a retirement system. A retirement bill shall not mean a bill or resolution that impacts the revenue of any state tax in which a portion of the revenue generated from such tax is earmarked for the benefit of a retirement system;

8. "Retirement bill having a fiscal impact" means any retirement bill creating or establishing a retirement system and any other retirement bill other than a nonfiscal retirement bill; and

9. "Retirement system" means the Teachers' Retirement System of Oklahoma, the Oklahoma Public Employees Retirement System, the Uniform Retirement System for Justices and Judges, the Oklahoma

Firefighters Pension and Retirement System, the Oklahoma Police Pension and Retirement System, the Oklahoma Law Enforcement Retirement System, or a retirement system established after January 1, 2006.

SECTION 3. NEW LAW A new section of law to be codified in the Oklahoma Statutes as Section 3501 of Title 62, unless there is created a duplication in numbering, reads as follows:

A. As used in this section, "public retirement system" means:

1. The Oklahoma Firefighters Pension and Retirement System;

2. The Oklahoma Police Pension and Retirement System;

3. The Uniform Retirement System for Justices and Judges;

4. The Oklahoma Law Enforcement Retirement System;

5. The Teachers' Retirement System of Oklahoma; and

6. The Oklahoma Public Employees Retirement System.

B. As used in this section, "funded ratio" means the figure derived by dividing the actuarial value of retirement system assets by the actuarial accrued liability of the retirement system. For purposes of this section, the rate of return on public retirement system assets for the computation of the funded ratio shall not exceed seven and one-half percent (7.5%) but shall be computed using any assumed rate of return utilized by the applicable retirement system if such rate of return does not exceed seven and one-half percent (7.5%). The provisions of this subsection shall only be applicable to the computation of the funded ratio for purposes of implementing the provisions of this section and shall not be used for any other computation or any other purpose with respect to the actuarial assumptions used by any of the public retirement systems.

C. Effective October 1, 2018, a public retirement system shall make a one-time distribution to its retired members if the member has been retired for a period of five (5) or more years as of October 1, 2018, in the amount of:

1. The lesser of two percent (2%) of the gross annual retirement benefit of the member or One Thousand Dollars ($1,000.00) if the funded ratio of the public retirement system would be not less than sixty percent (60%), but not greater than eighty percent (80%) after the distribution is made;

2. The lesser of two percent (2%) of the gross annual retirement benefit of the member or One Thousand Two Hundred Dollars ($1,200.00) if the funded ratio of the public retirement system would be greater than eighty percent (80%), but not greater than one hundred percent (100%) after the distribution is made; or

3. The lesser of two percent (2%) of the gross annual retirement benefit of the member or One Thousand Four Hundred Dollars ($1,400.00) if the funded ratio of the public retirement system would be greater than one hundred percent (100%) after the distribution is made.

D. The Oklahoma Firefighters Pension and Retirement System shall make a distribution to persons who retired from the Oklahoma

Firefighters Pension and Retirement System as a volunteer firefighter, if the member has been retired for a period of five (5) or more years as of October 1, 2018, in the amount of the greater of two percent (2%) of the gross annual retirement benefit of the volunteer firefighter or One Hundred Dollars ($100.00). The provisions of this subsection shall only be applicable to persons who retired from the Oklahoma Firefighters Pension and Retirement System as volunteer firefighters and not as paid firefighters.

E. Increases in retirement benefits may only be provided pursuant to a specific authorization by law.

F. Effective October 1, 2018, increases in retirement benefits shall not be authorized to occur more frequently than once each two (2) years pursuant to the specific authorization required by subsection E of this section.

SECTION 4. Section 2 of this act shall become effective September 1, 2018.

SECTION 5. Section 1 and Section 3 of this act shall become effective October 1, 2018.

Passed the House of Representatives the 12th day of March, 2018.

Presiding Officer of the House of Representatives

Passed the Senate the ___ day of __________, 2018.

Presiding Officer of the Senate