

HOUSE OF REPRESENTATIVES - FLOOR VERSION

STATE OF OKLAHOMA

2nd Session of the 56th Legislature (2018)

COMMITTEE SUBSTITUTE
FOR
HOUSE BILL NO. 1340

By: McDaniel of the House

and

Treat of the Senate

COMMITTEE SUBSTITUTE

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.

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

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

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

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

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

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

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

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

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

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

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

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

- 1 ~~a.~~ (1) grant a benefit increase under the retirement
2 system affected by the bill,
- 3 ~~b.~~ (2) create an actuarial accrued liability for or
4 increase the actuarial accrued liability of the
5 retirement system affected by the bill, or
- 6 ~~e.~~ (3) increase the normal cost of the retirement system
7 affected by the bill ~~except as otherwise provided~~
8 ~~by subparagraph a of this paragraph, or~~
- 9 c. provides for a one-time increase in retirement
10 benefits if the increase in retirement benefits is not
11 a permanent increase in the gross annual retirement
12 benefit payable to a member or beneficiary, occurs
13 only once pursuant to a single statutory authorization
14 and does not exceed:
- 15 (1) the lesser of two percent (2%) of the gross
16 annual retirement benefit of the member or One
17 Thousand Dollars (\$1,000.00) and requires that
18 the benefit may only be provided if the funded
19 ratio of the affected retirement system would not
20 be less than sixty percent (60%) but not greater
21 than eighty percent (80%) after the benefit
22 increase is paid,
- 23 (2) the lesser of two percent (2%) of the gross
24 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

1 actuarial accrued liability of the applicable
2 retirement system.

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

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

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

21 8. "Retirement bill having a fiscal impact" means any
22 retirement bill creating or establishing a retirement system and any
23 other retirement bill other than a nonfiscal retirement bill; and
24

1 9. "Retirement system" means the Teachers' Retirement System of
2 Oklahoma, the Oklahoma Public Employees Retirement System, the
3 Uniform Retirement System for Justices and Judges, the Oklahoma
4 Firefighters Pension and Retirement System, the Oklahoma Police
5 Pension and Retirement System, the Oklahoma Law Enforcement
6 Retirement System, or a retirement system established after January
7 1, 2006.

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

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

- 12 1. The Oklahoma Firefighters Pension and Retirement System;
- 13 2. The Oklahoma Police Pension and Retirement System;
- 14 3. The Uniform Retirement System for Justices and Judges;
- 15 4. The Oklahoma Law Enforcement Retirement System;
- 16 5. The Teachers' Retirement System of Oklahoma; and
- 17 6. The Oklahoma Public Employees Retirement System.

18 B. As used in this section "funded ratio" means the figure
19 derived by dividing the actuarial value of retirement system assets
20 by the actuarial accrued liability of the retirement system. For
21 purposes of this section, the rate of return on public retirement
22 system assets for the computation of the funded ratio shall not
23 exceed seven and one-half percent (7.5%) but shall be computed using
24 any assumed rate of return utilized by the applicable retirement

1 system if such rate of return does not exceed seven and one-half
2 percent (7.5%). The provisions of this subsection shall only be
3 applicable to the computation of the funded ratio for purposes of
4 implementing the provisions of this section and shall not be used
5 for any other computation or any other purpose with respect to the
6 actuarial assumptions used by any of the public retirement systems.

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

11 1. The lesser of two percent (2%) of the gross annual
12 retirement benefit of the member or One Thousand Dollars (\$1,000.00)
13 if the funded ratio of the public retirement system would be not
14 less than sixty percent (60%), but not greater than eighty percent
15 (80%) after the distribution is made;

16 2. The lesser of two percent (2%) of the gross annual
17 retirement benefit of the member or One Thousand Two Hundred Dollars
18 (\$1,200.00) if the funded ratio of the public retirement system
19 would be greater than eighty percent (80%), but not greater than one
20 hundred percent (100%) after the distribution is made; or

21 3. The lesser of two percent (2%) of the gross annual
22 retirement benefit of the member or One Thousand Four Hundred
23 Dollars (\$1,400.00) if the funded ratio of the public retirement
24

1 system would be greater than one hundred percent (100%) after the
2 distribution is made.

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

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

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

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

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

23 COMMITTEE REPORT BY: COMMITTEE ON BANKING AND BUSINESS, dated
24 02/14/2018 - DO PASS, As Amended and Coauthored.