

## STATE OF OKLAHOMA

1st Session of the 56th Legislature (2017)

HOUSE BILL 1796

By: Echols

AS INTRODUCED

An Act relating to public finance; amending 62 O.S. 2011, Section 3103, which relates to the Oklahoma Pension Legislation Actuarial Analysis Act; modifying definitions; modifying definition of nonfiscal bill; authorizing boards of trustees of designated public retirement systems to provide certain benefit increase; limiting amount of increase; requiring certain funded ratio test for applicable retirement system; requiring funded ratio to be determined after benefit increase implemented; defining public retirement systems; providing for effective date of authority to increase benefits; providing for codification; and providing an effective date.

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

SECTION 1. 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;

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

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

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

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

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

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

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

21       ~~b.~~ (2) create an actuarial accrued liability for or  
22 increase the actuarial accrued liability of the  
23 retirement system affected by the bill, or  
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~~e. (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. authorizes the payment of an additional benefit, in the form of a stipend or other one-time increase in retirement benefits, if the funded ratio of the retirement system after the payment of such benefits would be ninety percent (90%) or greater. 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;

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

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

11        9. "Retirement system" means the Teachers' Retirement System of  
12 Oklahoma, the Oklahoma Public Employees Retirement System, the  
13 Uniform Retirement System for Justices and Judges, the Oklahoma  
14 Firefighters Pension and Retirement System, the Oklahoma Police  
15 Pension and Retirement System, the Oklahoma Law Enforcement  
16 Retirement System, or a retirement system established after January  
17 1, 2006.

18        SECTION 2.        NEW LAW        A new section of law to be codified  
19 in the Oklahoma Statutes as Section 11001 of Title 62, unless there  
20 is created a duplication in numbering, reads as follows:

21        A. The board of trustees of a public retirement system, as  
22 defined by subsection B of this section, may authorize a stipend, or  
23 other one-time increase in retirement benefits, not to exceed two  
24 percent (2%) of the amount of the gross annual retirement benefit

1 received by a retired member of the public retirement system or the  
2 designated beneficiary of the retired member if, after the  
3 distribution of the increase, the funded ratio of the retirement  
4 system equals or exceeds ninety percent (90%). As used in this  
5 section, "funded ratio" means the figure derived by dividing the  
6 actuarial value of assets of the applicable retirement system by the  
7 actuarial accrued liability of the applicable retirement system.

8 B. As used in subsection A of this section, "public retirement  
9 system" means the:

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

16 C. The provisions of this section shall be applicable to  
17 distributions authorized on or after January 1, 2018.

18 SECTION 3. This act shall become effective November 1, 2017.

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20 56-1-6606 MAH 01/19/17  
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January 19, 2017

Representative Jon Echols  
Room 442

Re: RBH No. 6606

RBH No. 6606 creates an exception in the Oklahoma Pension Legislation Analysis Act to allow a onetime payment to retired participants provided the system after the payment is at least 90% funded. The funded ratio is equal to the actuarial accrued liability divided by the actuarial value of the assets of the system.

RBH No. 6606 is a non fiscal bill as defined by the Oklahoma Pension Legislation Analysis Act because the amendment does not contain a benefit increase nor create liability.

I am a member of the American Academy of Actuaries and meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion herein.

*Thomas E. Cummins*

Thomas E. Cummins, MAAA